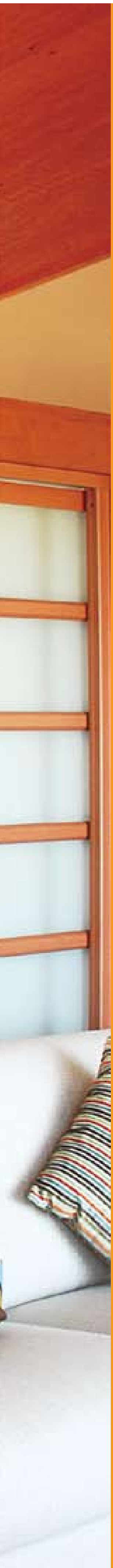
METRO
HOSPITALITY
GROUP

ANNUAL REPORT 2009

TRANSMETRO CORPORATION LIMITED



Location: Dugong Beach Resort

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

Metro Hospitality Group currently provides a national accommodation network of 15 properties, with over 1000 rooms in key locations and major cities across Australia.

Millions of corporate and leisure guests have stayed at the chain's national portfolio of Metro Hotels, Apartments, and Inns. The group's Paddy Maguires chain of Irish pubs, and The Elephant British pub, continue to host tens of thousands of Australians and visiting tourists each year at establishments around the country.

Metro Hospitality Group currently provides a national accommodation network of 15 properties, with over 1000 rooms in key locations and major cities across Australia. Metro Hospitality Group attracts clients from diverse socio-economic structures from middle management business travellers, sporting groups and budget travellers to leisure guests from both domestic and international markets.

In addition to the accommodation hotels network, the Metro Hospitality Group has interests in five theme pubs in Sydney, Adelaide, and Perth. The pubs division has broadened the expertise of the group, and has enabled it to leverage its resources over a broader portfolio of interests. It has also brought cross-promotional benefits.

Metro Hospitality Group's pub division recorded another milestone for Transmetro in the 2006/7 year. The division notched up its tenth year, having been formed in 1997.

The flexibility and diversity of the Metro Hospitality Group, incorporating Metro Hotels and the Paddy Maguires theme pubs, gives Transmetro Corporation a high degree of confidence in its capacity to confront the present and future challenges of a dynamic marketplace.

The company is dedicated to building client relationships and offers a unique range of long-established, and well recognized brands:

Metro Hotels

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

Metro Apartments

The Metro Apartments complexes are located in major cities, and cater for corporate travelers, and leisure guests looking for longer-term stays. Properties are ranked in the 3.5 to 4.5 star bracket, and are fully equipped with kitchen facilities, crockery, cutlery, glassware, and utensils.

Metro Inns

3 to 3.5 star properties in city and suburban locations, the Metro Inns provide comfortable, affordable accommodation, with spacious, easy access, complimentary on-site parking. Facilities such as swimming pools, and restaurants, vary from property to property.

Paddy Maguires

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

The year in review

The 2008/9 year has been extraordinary in a number of ways. The economic and financial crisis that engulfed the world pushing many countries into recession has changed the business environment, perhaps for some years. Fortunately the G-20 countries were quick to act in lowering official interest rates and in implementing economic stimulus packages, which prevented economies from contracting even further. As we write economies in Asia are powering ahead, while in the United States, Britain, and Europe there is some evidence that recovery is on the way.

The Australian economy has not been as badly impacted as elsewhere however the business climate in this country has certainly altered. In most states business activity remains relatively subdued, Western Australia perhaps being the main exception.

W.A. continues to thrive as an administrative hub for the major resource projects, both established and being developed in the northern part of the state. Our Perth hotel is positioned to benefit from the situation, particularly as we have now completed a $3.5 million refurbishment of the hotel's entire room inventory enabling it to be re-positioned as a four star hotel.

In the shadow of the global crisis, and despite the buoyancy of the West Australian economy, the Metro Hospitality Group has been affected by declining occupancies and room rates, and reduced patronage at our taverns. Nonetheless we have managed to report respectable profits and maintain our dividend.

The future outlook remains uncertain. The Australian economy is showing signs of bottoming, and indications from the Reserve Bank that we have entered an interest-rate-tightening phase is a sign that things are on the improve. With Australia edging out in front of other countries, and being the first in the G-20 to raise official interest rates (October 2009), this has improved sentiment for the Australian dollar, which as we write has now surpassed .90 cents to the U.S. dollar. This is not good news for the domestic tourist industry, as it increases the cost of travel for overseas visitors to our country, and encourages Australians to travel overseas.

During the year we took over the management of two new properties, one in Sydney at Ultimo near Darling Harbour, which launched our new midmarket brand, Aspire Hotels. The other gain for the group was the Dugong Beach Resort, a brand new property which has been developed over twenty five hectares at Groote Eyland, in the Northern Territory.Since year-end we have signed an agreement to operate a new four star hotel to be built in Auckland, New Zealand. This property will be completed in mid-2011. We are pleased to report we are continuing to explore other opportunities in Australia and New Zealand.

The directors are very conscious of the efforts of our dedicated executive team and colleagues that operate our properties (hotels and taverns) throughout Australia. We would like to extend our appreciation to them for all their efforts, particularly during this past year which has been an unusually difficult and frustrating one. Whilst the year started out in good shape it progressively deteriorated, and the last quarter has in some respects been one of our worst ever. However with that behind us, and a more optimistic outlook ahead we look forward to a return to more solid profitability, and perhaps a more appealing time for our personnel than the very challenging times of the past year. To our shareholders we thank you for your continuing support, and look forward to better times ahead.

The Australian economy has not been as badly impacted as elsewhere however the business climate in this country has certainly altered.

Location:
Metro Hotel
Sydney

Directors' Report

Your directors have pleasure in submitting their report for the year ended 30 June 2009.

DIRECTORS

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

- D Lloyd
- JAC McEvoy
- A Notley
- S Notley (alternate for A Notley - appointed 1/09/2008)

MEETINGS OF DIRECTORS

The following table sets out the numbers of meetings of the company's directors held during the year ended 30 June 2009 and the numbers of meetings attended by each director.

	Number eligible to attend	Number attended
D Lloyd	11	11
JAC McEvoy	11	10
A Notley	11	10
S Notley	6	4

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

PRINCIPAL ACTIVITIES

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

RESULTS FOR THE YEAR

Profit before interest, depreciation and tax was $4.08 million. After interest, depreciation and tax the net profit of the group was $1.62 million.

DIVIDENDS

A fully franked final dividend for the 2007/08 year of 3 cents per share provided for at 30 June 2008 was paid on 15 August 2008.

A fully franked final dividend for the 2008/09 year of 3 cents per share provided for at 30 June 2009 was paid on 20 August 2009.

EARNINGS PER SHARE

Earnings per Share were 12.1 cents per share (after interest, depreciation and tax) compared to 19.1 cents for the previous financial year.

FINANCIAL POSITION

The net assets of the consolidated group have increased by $1.04 million during the year ended 30 June 2009 due to:

Profit after tax of $1.62 million less dividends provided for of $401k and a $180 k reduction in reserves.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen since the end of the financial year other than those disclosed in Note 34 to the financial report.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

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

ENVIRONMENTAL ISSUES

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

INFORMATION ON DIRECTORS

JOHN McEVOY,
Chairman and Managing Director

John has spent more than 30 years in the hospitality industry in Australia. He founded the Metro group in 1976 while in his twenties. He has served as chairman and managing director of Transmetro Corporation since it was incorporated in 1979. Additionally John has extensive experience in marketing and the media, having held a number of executive roles with Consolidated Press's then-radio network, and Channel 9 Sydney.

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

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

DAVID LLOYD,
Non-Executive Director

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

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

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

COMPANY SECRETARIES

David Lloyd and Jakin Agus were company secretaries at the end of the financial year.

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

JAKIN AGUS, ASA,
Company Secretary

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

INDEMNIFYING OFFICERS OR AUDITOR

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

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

PROCEEDING ON BEHALF OF THE COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in proceedings to which the company is a party for the purpose of taking responsibility on behalf of the Company for all or part of the proceedings.

The Company was not a party to any such proceedings during the year.

DIRECTORS' INTERESTS AND BENEFITS

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

	No. of shares held directly	No. of shares held indirectly
D Lloyd	-	-
JAC McEvoy	5,942,114	5,695,549
A Notley	9,000	-
S Notley	-	-

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

REMUNERATION REPORT

This report details the nature and amount of remuneration for each director of Transmetro Corporation Limited and for the executives receiving the highest remuneration.

Remuneration Policy

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the consolidated group is as follows:

The remuneration of Board members is reviewed annually and subject to approval at the Annual General Meeting.

The remuneration structure for executive officers is based on a number of factors, including length of service and particular experience of the individual concerned. The contracts for service between the company and specified directors and executives are on a continuing basis the terms of which are not expected to change in the immediate future. All executives receive a base salary plus the 9% superannuation guarantee contribution required by the government. Upon retirement specified executives are paid employee benefit entitlements accrued to date of retirement.

The company does not have an executive share option scheme. Directors and senior executives do not receive share options.

Directors report continued

Performance Based Remuneration

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

The following table shows the gross revenue, profits and dividends for the last five years.

	2009	2008	2007	2006	2005
Revenue	$31,547 ,935	$26,540,334	$25,220,038	$23,878,169	$23,378,016
Net Profit After Tax	$1,624,754	$2,550,924	$2,177,089	$2,036,713	$1,995,160
Dividends Paid	3 cents	3 cents	3 cents	2 cents	2 cents

Details of remuneration for Years Ended 30 June 2008 and 2009

The remuneration for each director and each of the seven executive officers of the consolidated entity receiving the highest remuneration during the year ended 30 June 2008 and 2009 was as follows:

	Salary, Fees & Commissions	Superannuation Contribution	Bonus	Non-cash Benefits	Total
	$	$	$	$	$
Directors					
JAC McEvoy					
-2009	-	-	-	-	-
-2008	-	-	-	-	-
A Notley					
-2009	14,000	-	-	-	14,000
-2008	16,500	-	-	-	16,500
D Lloyd					
-2009	14,000	-	-	-	14,000
-2008	9,900	-	-	-	9,900
Total 2009	28,000	-	-	-	28,000
Total 2008	26,400	-	-	-	26,400

	Salary, Fees & Commissions	Superannuation Contribution	Bonus	Non-cash Benefits	Total
	$	$	$	$	$
Specified Executives					
G Bedwani					
-2008	204,512	19,486	-	2,210	226,208
-2009	199,757	22,748	-	2,455	224,960
A Wong					
-2008	20,969	1,674	-	-	22,643
-2009	118,231	11,008	-	-	129,239
J Agus					
-2008	100,655	8,992	-	-	109,647
-2009	103,806	9,173	-	-	112,979
S Nemetz					
-2008	78,425	7,058	-	13,775	99,258
-2009	81,538	7,338	-	13,581	102,457
G Long					
-2008	81,830	7,364	-	2,210	91,404
-2009	91,633	8,247	-	2,455	102,335
A Shah					
-2008	78,328	7,193	11,600	-	97,121
-2009	87,760	6,231	4,200	-	98,191
M Tien					
-2008	79,964	7,197	-	-	87,161
-2009	83,653	7,509	-	-	91,162
Total 2008	644,683	58,964	11,600	18,195	733,442
Total 2009	766,378	72,254	4,200	18,491	861,323

NON-AUDIT SERVICES

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

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

Fees of $9,200 were payable to the external auditors during the year ended 30 June 2009 for the preparation of income tax returns and income tax advice.

Corporate Governance

This statement summarises the Board's governance practices that were in effect during the financial year, which complied with the ASX Corporate Governance Council Recommendations except where stated.

The Board of Directors

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report are detailed in the directors' report.

The Board of directors is responsible for the leadership and direction of the company and more specifically establishing goals for management and monitoring the achievement of those goals; appointing and removing the Chief Operating Officer and Company Secretary; assessing management's proposals in regards to corporate strategy; approving major investment decisions; approving and monitoring financial and other reporting and risk management processes. This work is carried out primarily through regular board meetings and meetings with senior executives of the company.

The names of independent directors of the company are Alan Notley, David Lloyd and Susan Notley.

The consolidated group does not comply with ASX Principle 2.2 which recommends that the Chairman should be an independent director due to the Chairman being a substantial shareholder. The Board considers that the expertise and resources provided by the Chairman are directly relevant to the business. There are a majority of independent directors and procedures are in place for the disclosure and resolution of any matter which may give rise to an actual or potential conflict of interest.

Each director has the right, at the company's expense, to seek independent professional advice in relation to the execution of Board responsibilities. Written approval must be obtained from the Chairman prior to incurring any expense on behalf of the company.

As the company has a relatively small Board, the full Board is the Nomination Committee. The Constitution of the company requires one-third of the directors to retire from office at each Annual General Meeting. Directors cannot hold office for a period in excess of three years or later than the third Annual General Meeting without submitting themselves for re-election. Retiring directors are eligible for re-election by security holders.

Ethical Standards

The company has adopted a Code of Conduct for employees. The Code of Conduct is aimed at ensuring that the highest ethical standards, corporate behaviour and accountability are maintained across the company.

Securities Trading

The company's policy regarding directors and employees trading in its securities, restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices.

Audit Committee

As the company has a relatively small Board, the full Board is the Audit Committee. The Board at each Board meeting focuses on issues relevant to verifying and safeguarding the integrity of the company's financial reporting and oversees the independence of the external auditors. The Group Financial Controller attends monthly meetings with the Board and makes presentations as considered appropriate and is available for questioning by directors.

Continuous Disclosure

The company is committed to complying with the continuous disclosure obligations of the Corporations Act and the Australian Stock Exchange Listing Rules.

Communication with Security Holders

Information is communicated to security holders through the distribution of the Annual Report which is distributed to all security holders (unless specifically requested otherwise). Information is not posted on the website however information is available and will be sent on request to any security holder.

The external auditor attends and is available to answer questions at the company's Annual General Meeting.

Shareholder Rights

Shareholders are entitled to vote on significant matters impacting on the business, which include the election and remuneration of the directors, changes to the constitution and receipt of annual and interim financial statements. Shareholders are strongly encouraged to attend and participate in the Annual General Meetings of Transmetro Corporation Limited, to lodge questions to be responded by the board and/or CEO, and are able to appoint proxies.

Risk Identification and Management

The Board uses various systems and controls to identify business risks, including:

A comprehensive insurance program including external risk management surveys; a well defined business structure with prescribed authority and expenditure limits; periodic budgeting and reporting systems to ensure monitoring of results against budgets and strategies and a formal due diligence procedure for the disposal and acquisition of material property assets including the use of external specialist professionals.

The company relies on its financial management team to perform internal audit functions, this being done with regular consultation with the external auditors but is independent of them.

Performance Evaluation

The Board undertakes an annual review of its performance together with an assessment of the company's executive management in line with recommendations of the guidelines.

The Board provides induction programs for new directors and complies with all the recommendations in relation to independent professional advice, access to the Company Secretary, the appointment and removal of the company Secretary, and the provision of information, including requests for additional information.

Induction and training programs for key executives are designed and implemented under the supervision of the Managing Director.

Remuneration

The remuneration policy of the company is to assess the appropriateness of the nature and amount of remuneration for directors and senior executives. This is achieved by reference to relevant employment market conditions with the overall objective of ensuring maximum benefit from the retention of high quality Board and staff members.

Details of the nature and amount of each element of the remuneration of each director of the company and each of the five executive officers of the company receiving the highest remuneration for the financial year are disclosed in the directors' report.

There are no schemes for retirement benefits other than statutory superannuation for non-executive directors.

Location: Metro Hotel on Pitt Sydney

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2009 is attached to this report.

Signed at Sydney this 30th day of September 2009 in accordance with a resolution of the directors.

J McEvoy
Director

DIRECTORS' DECLARATION

The directors of the company declare that:

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

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

(b) give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the company and consolidated group.

2 The Chief Operating Officer and the Group Financial Controller have each declared that:

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

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

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

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

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

J McEvoy
Director

Signed at Sydney this 30th day of September 2009.

INDEPENDENT AUDIT REPORT

To the members of Transmetro Corporation Limited

Report on the Financial Report
We have audited the accompanying financial report of Transmetro Corporation Limited (the company) and the consolidated entity, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report
The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

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 judgment, 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 and fair presentation of the financial report 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's Opinion

In our opinion:

a. the financial report of Transmetro Corporation Limited is in accordance with the Corporations Act 2001, including:
   i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1; and

Report on the Remuneration Report

We have audited the Remuneration Report included in the report of the directors for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with the Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Transmetro Corporation Limited for the year ended 30 June 2009, complies with s 300A of the corporations Act 2001.

Stirling International Chartered Accountants

Keanu Arya

Keanu Arya

St James Centre Level 11, 111 Elizabeth St Sydney 2000

30 September 2009

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

TO THE DIRECTORS OF TRANSMETRO CORPORATION LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2009 there have been:

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

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

Signed this 30th day of September 2009 at Sydney, New South Wales.

Stirling International Chartered Accountants

Keanu Arya

K ARYA
Partner

Income statement

FOR THE YEAR ENDED 30 JUNE 2009

	NOTE	CONSOLIDATED		PARENT ENTITY	
		2009 $	2008 $	2009 $	2008 $
Revenue	5	31,547,935	26,540,334	10,846,201	11,098,930
Cost of sales		(4,383,632)	(3,784,437)	(484,888)	(506,281)
Other direct costs		(11,025,437)	(8,976,065)	(2,528,600)	(2,652,026)
Sales & marketing expenses		(1,085,022)	(743,541)	(638,163)	(478,466)
Occupancy expenses		(7,634,636)	(5,612,146)	(1,668,712)	(1,495,420)
Administrative expenses		(4,331,514)	(3,074,327)	(2,120,204)	(1,527,438)
Finance costs		(710,900)	(886,207)	(618,563)	(886,207)
Share of net profits (losses) of associates and joint ventures		(63,221)	77,701	-	-
Profit before income tax	6	2,313,572	3,541,312	2,787,071	3,553,092
Income tax expense	7	(688,818)	(990,388)	(741,412)	(1,082,196)
Profit for the year		1,624,754	2,550,924	2,045,659	2,470,896
Profit attributable to members of the parent entity		1,624,754	2,550,924	2,045,659	2,470,896
Basic and diluted earnings per share (cents)		12.1	19.1		
Dividends per share (cents)		3.0	3.0		

The Income Statement should be read in conjunction with the accompanying notes.

Balance sheet

FOR THE YEAR ENDED 30 JUNE 2009

	NOTE	CONSOLIDATED		PARENT ENTITY	
		2009 $	2008 $	2009 $	2008 $
CURRENT ASSETS					
Cash and cash equivalents		1,536,282	1,862,319	1,236,055	644,778
Trade and other receivables	10	1,833,552	1,168,396	659,261	582,369
Inventories		272,834	213,386	22,357	27,691
Total Current Assets		3,642,668	3,244,101	1,917,673	1,254,838
NON CURRENT ASSETS					
Trade and other receivables	10	-	-	18,271,633	14,107,280
Investments accounted for using the equity method	11	6,494,791	6,670,103	-	-
Other financial assets	12	1,247,855	2,634,540	7,707,636	9,094,321
Property, plant and equipment	14	20,449,476	15,065,098	16,023,783	12,763,742
Intangible assets	17	1,594,531	1,594,531	-	-
Deferred tax assets	21	1,629,469	1,599,531	1,139,802	1,162,458
Other non current assets	18	280,000	280,000	-	-
Total Non Current Assets		31,696,122	27,843,803	43,142,854	37,127,801
TOTAL ASSETS		35,338,790	31,087,904	45,060,527	38,382,639
CURRENT LIABILITIES					
Trade and other payables	19	2,895,334	1,567,982	1,145,840	524,588
Short Term borrowing	20	200,000	-	200,000	-
Current tax liabilities	21	(268,686)	371,581	(268,686)	371,581
Provisions	22	1,140,727	972,759	873,513	779,407
Total Current Liabilities		3,967,375	2,912,322	1,950,667	1,675,576
NON CURRENT LIABILITIES					
Trade and other payables	19	-	-	12,701,202	9,915,147
Long term borrowings	20	13,163,736	10,932,458	13,163,736	10,932,458
Deferred tax liabilities	21	1,887,304	1,965,686	1,433,600	1,511,981
Total Non Current Liabilities		15,051,040	12,898,144	27,298,538	22,359,586
TOTAL LIABILITIES		19,018,415	15,810,466	29,249,205	24,035,162
TOTAL NET ASSETS		16,320,375	15,277,438	15,811,322	14,347,477
EQUITY					
Issued Capital	23	6,855,964	6,855,964	6,855,964	6,855,964
Asset Revaluation Reserve	24	5,294,042	5,474,375	4,235,397	4,415,730
Retained Earnings		4,170,369	2,947,099	4,719,961	3,075,783
TOTAL EQUITY		16,320,375	15,277,438	15,811,322	14,347,477

The Balance Sheet should be read in conjunction with the accompanying notes.

Statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2009

	Note	Issued Capital $	Asset Revaluation Reserve $	Retained Earnings (Losses) $	Total $
CONSOLIDATED					
Balance at 1 July 2007		6,855,964	6,206,713	797,659	13,860,336
Profit attributable to members of parent entity		-	-	2,550,924	2,550,924
Revaluation increment	*24*	-	(732,338)	-	(732,338)
Dividends paid or provided for	*25*	-	-	(401,483)	(401,483)
Balance at 30 June 2008		6,855,964	5,474,375	2,947,099	15,277,438
Profit attributable to members of parent entity		-	-	1,624,754	1,624,754
Revaluation decrement	*24*	-	(180,333)	-	(180,333)
Dividends paid or provided for	*25*	-	-	(401,483)	(401,483)
Balance at 30 June 2009		6,855,964	5,294,042	4,170,369	16,320,375
PARENT ENTITY					
Balance at 1 July 2007		6,855,964	5,148,068	1,006,370	13,010,402
Profit attributable to members of parent entity		-	-	2,470,896	2,470,896
Revaluation increment	*24*	-	(732,338)	-	(732,338)
Dividends paid or provided for	*25*	-	-	(401,483)	(401,483)
Balance at 30 June 2008		6,855,964	4,415,730	3,075,783	14,347,477
Profit attributable to members of parent entity		-	-	2,045,659	2,045,659
Revaluation decrement	*24*	-	(180,333)	-	(180,333)
Dividends paid or provided for	*25*	-	-	(401,483)	(401,483)
Balance at 30 June 2009		6,855,964	4,235,397	4,719,961	15,811,322

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Cash flow statement

FOR THE YEAR ENDED 30 JUNE 2009

	NOTE	CONSOLIDATED		PARENT ENTITY	
		2009 $	2008 $	2009 $	2008 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		33,661,755	27,631,873	10,533,190	9,790,972
Payments to suppliers and employees		(28,951,772)	(22,935,142)	(5,096,646)	(6,712,871)
Distributions received		112,091	383,728	112,091	383,728
Dividends received		133,274	109,000	133,274	109,000
Interest received		95,069	186,365	83,392	167,754
Finance costs		(710,900)	(886,207)	(618,563)	(886,207)
Income tax paid		(1,360,120)	(928,883)	(1,360,120)	(928,883)
Net cash provided by operating activities	*29*	2,979,397	3,560,734	3,786,618	1,923,493
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(6,064,133)	(944,984)	(5,954,142)	(200,340)
Payment for subsidiaries		-	-	-	(102)
Net cash used by investing activities		(6,064,133)	(944,984)	(5,954,142)	(200,442)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		3,850,000	-	3,850,000	-
Repayment of borrowings		(689,716)	(775,974)	(689,716)	(775,974)
Dividends paid by parent entity		(401,483)	(401,483)	(401,483)	(401,483)
Net cash provided (used) by financing activities		2,758,801	(1,177,457)	2,758,801	(1,177,457)
Net increase in cash held		(325,935)	1,438,293	591,277	545,594
Cash at the beginning of the year		1,862,217	424,026	644,778	99,184
Cash at the end of the financial year	*30*	1,536,282	1,862,319	1,236,055	644,778

The Cash Flow Statement should be read in conjunction with the accompanying notes.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2009

1. REPORTING ENTITY

Transmetro Corporation Limited is a company domiciled in Australia. The consolidated financial statements of the company as at and for the year ended 30 June 2009 comprise the company and its controlled entities (together referred to as the consolidated group). The consolidated group is primarily involved in the hospitality sector.

2. BASIS OF PREPARATION

a. Statement of compliance

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

b. Basis of measurement

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

c. Functional and presentation currency

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

d. Use of judgments and estimates

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

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

- Provisions and Employee benefits

3. SIGNIFICANT ACCOUNTING POLICIES

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

a. Basis of Consolidation

Controlled entities

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

Transactions eliminated on consolidation

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

b. Income Recognition

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

Sales revenue

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

Other income

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

c. Goods and Services Tax

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

d. Foreign Currency

Foreign currency transactions

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

e. Cash and cash equivalents

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

f. Provisions

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

Amortisation

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

g. Impairment

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

Calculation of recoverable amount

Receivables

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

Other Assets

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

Reversals of Impairment

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

h. Property, Plant and Equipment

Owned assets

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

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2009

Property
Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Plant and equipment
Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

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

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

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

Buildings	- 50 years
Leasehold improvements, office equipment, furniture, fittings, plant and equipment	- 4 to 10 years

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

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

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

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

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

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

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

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

n. Employee Benefits
Provision is made for the company's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries and annual leave which will be settled after one year have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements.

Contributions made by the consolidated group to employee superannuation funds are charged as expenses when incurred.

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

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

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

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

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

q. Payables
Trade and other payables are stated at amortised cost.

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

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

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

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

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

s. Finance income and expense
Interest income and expense is recognised as it accrues in the income statement using the effective interest method.

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

u. Segment Reporting
A segment is a distinguishable component of the consolidated group that is engaged either in providing products or services within a particular economic environment (geographical segment), or in providing products or services (business segment), which is subject to risks and rewards that are different from those of other segments. The consolidated group's primary format for segment reporting is based on business segments. The business segments are determined on the consolidated group's management and internal reporting structure.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2009

v. Share Capital

Ordinary shares

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

w. New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2009, but have not been applied in preparing this financial report:

- AASB 3 Business Combinations
- AASB 8 Operating Segments;
- AASB 101 Presentation of Financial Statements (Revised);
- AASB 127 Consolidated and Separate Financial Statements; and
- AASB 2008-1 Amendments to Australian Accounting Standard
- AASB 2008-7 Amendments to Accounting Standards – Cost of Investments in a Subsidiary, Jointly Controlled Entity or Associate.

The impact of these standards is yet to be determined but they will be applied by the consolidated group on the relevant application date.

4. FINANCIAL RISK MANAGEMENT

Overview

The company and consolidated group have exposure to the following risks from the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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

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

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

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

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

Credit Risk

Credit risk is the risk of financial loss to the company or the consolidated group if a customer, controlled entity or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the company's and the consolidated group's receivables from customers. See Note 33 for exposure to credit risk.

Trade and other receivables

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

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

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

The company and the consolidated group have established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables.

Liquidity Risk

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

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

Market Risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the company's and the consolidated group's net profit or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. See Note 33 for exposure to market risk.

Currency Risk

The consolidated group is exposed to currency risk on financial instruments that are denominated in a currency other than the respective functional currencies of the controlled entities, primarily Australian dollars (AUD), but also United States dollars (USD) and Euros (EUR). The currencies in which these transactions primarily are denominated are AUD, USD and EUR.

Risk resulting from the translation of these financial instruments into the consolidated group's reporting currency is not hedged. See Note 33 for exposure to currency risk.

Interest Rate Risk

The consolidated group is exposed to interest rate risks in Australia. See Note 33 for exposure to interest rate risk.

Capital Management

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

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

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2009

	Note	CONSOLIDATED		PARENT ENTITY	
		2009 $	2008 $	2009 $	2008 $

5 REVENUE

	Note	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Sales revenue		30,773,700	25,856,219	8,377,484	8,528,762
dividends received	*5a*	133,274	108,517	133,274	108,517
interest received	*5b*	90,961	213,098	83,392	194,487
distributions	*5c*	550,000	362,500	2,252,051	2,267,164
Total Revenue		31,547,935	26,540,334	10,846,201	11,098,930
a. Dividend revenue from:					
- other corporations		133,274	108,517	133,274	108,517
Total dividend revenue		133,274	108,517	133,274	108,517
b. Interest revenue from:					
- other corporations		90,961	213,098	83,392	194,487
Total interest revenue		90,961	213,098	83,392	194,487
c. Distributions revenue from:					
- wholly-owned trust		-	-	1,589,960	1,520,936
- other trust		550,000	362,500	550,000	362,500
- associated companies		-	-	-	120,625
- joint venture entities		-	-	112,091	263,103
Total distributions revenue		550,000	362,500	2,252,051	2,267,164

6 PROFIT FOR THE YEAR

	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Profit before income tax is after:				
Expenses				
Depreciation	1,055,356	709,686	343,160	359,273
Employee benefits expense	8,809,979	7,121,973	2,473,507	2,244,533
Loss on disposal of plant & equipment	-	-	-	-
Finance costs:				
- external	710,900	886,207	618,563	886,207
- related entities	-	-	-	-
Total finance costs	710,900	886,207	618,563	886,207
Foreign currency translation (gain)/loss	24,561	(104,175)	24,561	(104,175)
Bad and doubtful debts:				
- trade receivables	2,866	5,116	2,722	17,837
- wholly-owned subsidiaries	-	-	-	-
Total bad and doubtful debts	2,866	5,116	2,722	17,837
Rental expense on operating leases	4,673,895	3,385,346	785,425	744,853

	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	PARENT ENTITY 2009 $	PARENT ENTITY 2008 $

7 INCOME TAX EXPENSE

	2009 $	2008 $	2009 $	2008 $
The components of tax expense comprise:				
Current tax	719,853	1,157,680	719,853	1,157,680
Deferred tax	(31,035)	(167,292)	21,559	(75,484)
	688,818	990,388	741,412	1,082,196
The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:				
Prima facie tax on profit at 30%:				
- consolidated group	694,073	1,062,394	-	-
- parent entity	-	-	836,121	1,065,928
- other members of the consolidated tax group net of intercompany transactions	-	-	(89,455)	88,274
Add (deduct) tax effect of:				
Distributions from joint ventures and associates not assessable	(198,627)	(115,118)	(198,627)	(115,118)
Tax distributions from joint ventures	177,917	70,897	177,917	70,897
Other items	15,455	(27,784)	15,455	(27,784)
Income tax expense	688,818	990,388	741,412	1,082,196

8 KEY MANAGEMENT PERSONNEL COMPENSATION

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

Key Management Person	Position
JAC McEvoy	Chairman & Managing Director - Executive
A Notley	Non-Executive Director
D Lloyd	Non-Executive Director
G Bedwani	Chief Operating Officer
J Agus	Company Secretary and Group Accountant
A Wong	Group Financial Controller
G Long	Group Sales & Marketing Manager
M Tien	International Sales Manager
S Nemetz	General Manager - Property
A Shah	General Manager - Property

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2009

(b) Compensation Practices

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the consolidated group is as follows:

The remuneration of Board members is reviewed annually and subject to approval at the Annual General Meeting.

The remuneration structure for executive officers is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and specified directors and executives are on a continuing basis the terms of which are not expected to change in the immediate future. All executives receive a base salary plus the 9% superannuation guarantee contribution required by the government. Upon retirement specified executives are paid employee benefit entitlements accrued to date of retirement.

The company does not have an executive share option scheme. Directors and senior executives do not receive share options.

(c) Key Management Personnel Compensation

	Short-term Benefits			Post- Employment Benefits	
	Salary & Fees $	Bonus $	Non-cash Benefit $	Super-annuation $	Total $
2009					
JAC McEvoy	-	-	-	-	-
A Notley	14,000	-	-	-	14,000
D Lloyd	14,000	-	-	-	14,000
G Bedwani	199,757	22,748	-	2,455	224,960
J Agus	103,806	9,173	-	-	112,979
A Wong	118,231	11,008	-	-	129,239
G Long	91,633	8,247	-	2,455	102,335
M Tien	83,653	7,509	-	-	91,162
S Nemetz	81,538	7,338	-	13,581	102,457
A Shah	87,760	6,231	4,200	-	98,191
TOTAL 2009	794,378	72,254	4,200	18,491	889,323
2008					
JAC McEvoy	-	-	-	-	-
A Notley	16,500	-	-	-	16,500
D Lloyd	9,900	-	-	-	9,900
G Bedwani	204,512	-	2,210	19,486	226,208
J Agus	100,655	-	-	8,992	109,647
A Wong	20,969	-	-	1,674	22,643
G Long	81,830	-	2,210	7,364	91,404
M Tien	79,964	-	-	7,197	87,161
S Nemetz	78,425	-	13,775	7,058	99,258
A Shah	78,328	11,600	-	7,193	97,121
TOTAL 2008	671,083	11,600	18,195	58,964	759,84

(d) Shareholdings

Number of shares held by Key Management Personnel

	Balance 1.7.08	Net Change	Balance 30.6.09
JAC McEvoy	11,637,663	-	11,637,663
A Notley	9,000	-	9,000
S Nemetz	1,000	-	1,000
D Lloyd	-	-	-
G Bedwani	-	-	-
J Agus	-	-	-
A Wong	-	-	-
A Shah	-	-	-
M Tien	-	-	-
G Long	-	-	-
	11,647,663	-	11,647,663

		CONSOLIDATED		PARENT ENTITY	
		2009 $	2008 $	2009 $	2008 $

9 AUDITORS' REMUNERATION

Remuneration of auditors of the parent entity for:					
- auditing or reviewing the accounts and consolidated accounts		96,200	72,800	84,200	65,000
- taxation services		9,200	5,000	9,200	5,000
		105,400	77,800	93,400	70,000

10 TRADE AND OTHER RECEIVABLES

CURRENT					
Trade receivables		939,550	725,315	433,423	449,167
Provision for impairment of receivables	*10a*	(38,222)	(41,777)	(19,854)	(17,837)
		901,328	683,538	413,569	431,330
Other receivables		140,652	212,515	-	52,627
Prepayments		791,572	272,345	245,692	98,412
		1,833,552	1,168,398	659,261	582,369

NON-CURRENT					
Amounts receivable from:					
- wholly-owned subsidiaries		-	-	18,271,633	14,107,280

Non-current receivables from wholly owned subsidiaries and are non-interest bearing.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2009

a. Provision For Impairment of Receivables

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

	Opening Balance 1 July 2007 $	Charge for the Year $	Amounts Written Off $	Closing Balance 30 June 2008 $
Consolidated				
Current trade receivables	(36,661)	(56,587)	51,471	(41,777)
	(36,661)	(56,587)	51,471	(41,777)
Parent Entity				
Current trade receivables	(16,415)	(12,807)	11,385	(17,837)
	(16,415)	(12,807)	11,385	(17,837)

	Opening Balance 1 July 2008 $	Charge for the Year $	Amounts Written Off $	Closing Balance 30 June 2009 $
Consolidated Group				
Current trade receivables	(41,777)	689	2,866	(38,222)
	(41,777)	689	2,866	(38,222)
Parent Entity				
Current trade receivables	(17,837)	(4,739)	2,722	(19,854)
	(17,837)	(4,739)	2,722	(19,854)

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

	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	PARENT ENTITY 2009 $	PARENT ENTITY 2008 $
11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD				
Interest in joint venture entity	4,053,151	4,045,264	–	–
Associated unit trust	2,441,640	2,624,839	–	–
	6,494,791	6,670,103	–	–

(a) Joint Venture

The parent company participates in a joint venture that owns the Metro Hotel on Pitt. Under the joint venture agreement the parent company has a 31.1364% (2008: 31.1364%) interest in the assets and liabilities of the joint venture and is entitled to 31.1364% (2008: 31.1364%) of the profits generated by the joint venture.

	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $
(i) Carrying amount of the investment in joint venture:		
Balance at the beginning of the year	4,045,264	4,119,095
Additional investments during the year	–	–
Share of joint venture's asset revaluation reserve increments arising during the year	–	–
Share of joint venture's profit after income tax	119,978	189,272
Dividends received	(112,091)	(263,103)
Balance at the end of the year	4,053,151	4,045,264
(ii) Share of joint venture entity's results and financial position:		
Current assets	502,980	362,754
Non current assets	6,692,598	6,765,736
Total assets	7,195,578	7,128,490
Current liabilities	383,071	323,870
Non current liabilities	3,203,936	3,203,936
Total liabilities	3,587,007	3,527,806
Revenues	1,447,260	1,511,953
Expenses	(1,327,282)	(1,322,681)
Profit before income tax	119,978	189,272
Income tax	–	–
Profit from ordinary activities after income tax	119,978	189,272

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2009

(b) Associated Unit Trust

The parent company holds 22.5467% (2008: 22.5467%) of the units in a unit trust that purchased the Metro Hotel Sydney Central in March 2005.

	CONSOLIDATED 2009 $	2008 $
(i) Equity accounted profits of associates are broken down as follows:		
Share of associate's profit / (loss) before income tax	(183,199)	(111,571)
Share of associate's income tax expense	-	-
Share of associate's profit / (loss) after income tax	(183,199)	(111,571)
(ii) Movements in equity accounted investment in associate:		
Balance at the beginning of the year	2,624,839	2,857,035
New investment during the year	-	-
Share of associate's profit / (loss) after income tax	(183,199)	(111,571)
Dividends received	-	(120,625)
Balance at the end of the year	2,441,640	2,624,839
(iii) Summary of assets, liabilities and performance of associate:		
Current assets	594,909	530,611
Non current assets	7,171,636	7,466,764
Total assets	7,766,545	7,997,375
Current liabilities	390,577	369,814
Non current liabilities	5,107,891	5,117,152
Total liabilities	5,498,468	5,486,966
Net profit / (loss) from ordinary activities after income tax	(183,199)	(111,571)

		CONSOLIDATED		PARENT ENTITY	
		2009 $	2008 $	2009 $	2008 $

12 OTHER FINANCIAL ASSETS

Available-for-sale financial assets	*12a*	1,247,855	2,634,540	7,707,636	9,094,321
Less non-current portion		(1,247,855)	(2,634,540)	(7,707,636)	(9,094,321)
Current portion		-	-	-	-

a. Available-for-sale Financial Assets Comprise

Listed investments, at fair value				
— shares in listed corporations	13,711	72,853	13,711	72,853
— Fixed income securities	1,078,638	2,406,181	1,078,638	2,406,181
— shares in other corporations	506	506	506	506
	1,092,855	2,479,540	1,092,855	2,479,540
Unlisted investments, at cost				
— shares in controlled entities	-	-	119	119
— shares in associates	-	-	3,860,000	3,860,000
— interest in joint venture entities	-	-	2,754,662	2,754,662
— units in unit trusts	155,000	155,000	-	-
	155,000	155,000	6,614,781	6,614,781
Total available-for-sale financial assets	1,247,855	2,634,540	7,707,636	9,094,321

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

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

The original cost of shares in listed corporations is $285,714 (2008: $285,714).
The original cost of fixed income securities is $2,495,119 (2008: $3,877,100).

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

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2009

13 CONTROLLED ENTITIES

	Country of Incorporation	% Owned 2008	% Owned 2007
Controlled Entities of Transmetro Corporation Limited:			
Metro Inns Trust	Australia	100	100
M.H.G. Albany Pty Limited	Australia	100	100
Metro Hotel Sydney Pty Limited	Australia	100	100
Bank Place Apartments Pty Limited	Australia	100	100
RHS Hospitality Pty Limited	Australia	100	100
MHG Brisbane Pty Limited	Australia	100	100
MHG Operations Pty Limited	Australia	100	-
Ipswich International Trust	Australia	100	-
M.H.G Unit Trust	Australia	100	100
Gladstone Hotel Trust	Australia	100	100
Controlled Entities of Metro Inns Trust:			
The Irish Pub Unit Trust	Australia	100	100
The Sydney Unit Trust	Australia	100	100
The Duck Inn Unit Trust	Australia	100	100
The Palace Hotel Unit Trust	Australia	100	100
The Rundle Adelaide Trust	Australia	100	100

	CONSOLIDATED		PARENT ENTITY	
	2009 $	2008 $	2009 $	2008 $
14 PROPERTY, PLANT & EQUIPMENT				
FREEHOLD PROPERTY				
At independent valuation June 2009	10,050,500	9,675,000	10,050,500	9,675,000
BUILDINGS				
At cost	2,217,070	1,658,843	1,025,038	1,025,038
Less: accumulated depreciation	(50,411)	(46,879)	-	-
	2,166,659	1,611,964	1,025,038	1,025,038
LEASEHOLD IMPROVEMENTS, PLANT & EQUIPMENT, OFFICE FURNITURE AND FITTINGS				
At cost	18,994,828	13,488,821	7,639,410	4,416,558
Less: accumulated depreciation	(10,762,511)	(9,710,687)	(2,691,165)	(2,352,854)
	8,232,317	3,778,134	4,948,245	2,063,704
TOTAL PROPERTY, PLANT AND EQUIPMENT (NON CURRENT)	20,449,476	15,065,098	16,023,783	12,763,742

Freehold property at South Perth was valued by an independent valuer on 31 August 2009.

	Freehold Properties	Buildings	Leasehold Improvements, Plant & Equipment, Office Furniture and Fittings	Total
Movements in Carrying Amounts:				
Consolidated:				
Balance at the beginning of the year	9,675,000	1,611,964	3,778,134	15,065,098
Additions	-	558,227	5,506,007	6,064,234
Disposals	-	-	-	-
Depreciation	-	(3,532)	(1,051,824)	(1,055,356)
Revaluation	375,500	-	-	375,500
Carrying amount at the end of the year	10,050,500	2,166,659	8,232,317	20,449,476
Parent Entity:				
Balance at the beginning of the year	9,675,000	1,025,038	2,063,704	12,763,742
Additions	-	-	3,222,852	3,222,852
Disposals	-	-	-	-
Depreciation	-	-	(338,311)	(338,311)
Revaluation	375,500	-	-	375,500
Carrying amount at the end of the year	10,050,500	1,025,038	4,948,245	16,023,783

15 SUBSIDIARY COMPANIES ACQUIRED DURING THE YEAR

The company has a 100% interest in MHG Trust and MHG Brisbane Pty Limited all of which were incorporated during the year. MHG Trust has a 100% interest in Brisbane Hotel Trust and Gladstone Hotel Trust all of which were incorporated during the year.

16 BUSINESS COMBINATIONS

During the current period, the group acquired the business and associated assets of the Ipswich International Hotel from Butterfields Projects Pty Limited. The acquisition date was 22 September 2008. The cost of the combination was $2,020,637 and the component of the cost was cash. There was no goodwill on aquisition. The assets and liabilities acquired as at 22 September 2008 were:

	Carrying amount $	Fair value $
Fixture and fittings	2,000,000	2,000,000
Cash	1,800	1,800
Prepaid expenses	52,651	52,651
Leave provisions	(33,814)	(33,814)
Net assets acquired	2,020,637	2,020,637

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2009

	CONSOLIDATED		PARENT ENTITY	
	2009 $	2008 $	2009 $	2008 $
17 INTANGIBLE ASSETS				
Goodwill on consolidation	1,110,299	1,110,299	-	-
Goodwill	348,867	348,867	-	-
Theme pubs acquisition costs	135,365	135,365	-	-
	1,594,531	1,594,531	-	-
18 OTHER NON CURRENT ASSETS				
Gaming machine licences, at cost	250,000	250,000	-	-
Liquor licence, at cost	30,000	30,000	-	-
	280,000	280,000	-	-
19 TRADE AND OTHER PAYABLES				
CURRENT				
Trade payables	2,016,649	703,891	742,215	279,767
Other payables and accruals	878,685	864,091	403,625	244,821
	2,895,334	1,567,982	1,145,840	524,588
All amounts due for current payables are not interest bearing and generally on 30 day terms.				
NON CURRENT				
Amounts payable to:				
- wholly-owned subsidiaries	-	-	12,701,202	9,915,147
All amounts due for non-current payables are not interest bearing.				
20 FINANCIAL LIABILITIES				
NON CURRENT				
Secured loans - banks	12,350,000	8,500,000	12,350,000	8,500,000
Other secured loans	1,013,736	2,432,458	1,013,736	2,432,458
	13,363,736	10,932,458	13,363,736	10,932,458

	CONSOLIDATED		PARENT ENTITY	
	2009 $	2008 $	2009 $	2008 $

Security on the secured bank loans is over assets of the parent entity and the subsidiaries.

The covenants within the bank borrowing require the interest cover ratio (the ratio of EBIT to Gross interest) not to be less than 2.5 times at any time, the gearing ratio (the ratio of Total Credit Lines to EBIT) not to exceed 3.75 times at anytime and the weighted average lease term for all properties to remain above 10 years.

Security on other secured loans is a pledge of shares in listed corporations and fixed income securities as collateral. The carrying amount of shares in listed corporations and fixed income securities pledged is:

	1,092,350	2,479,540	1,092,350	2,479,540

21 TAX

(a) Liabilities

CURRENT				
Income tax	(268,686)	371,581	(268,686)	371,581
NON CURRENT				
Deferred tax liabilities are attributable to:				
Temporary differences for depreciation of property, plant and equipment	69,502	70,599	69,502	70,599
Revaluation adjustments taken directly to equity	1,817,802	1,895,087	1,364,097	1,441,382
	1,887,304	1,965,686	1,433,600	1,511,981

(b) Assets

Deferred tax assets are attributable to:				
Provisions	350,528	368,988	350,528	368,988
Temporary differences for depreciation of property, plant and equipment	583,383	587,579	583,383	587,579
Equity accounted investments	489,666	437,072	-	-
Tax losses	199,892	199,892	199,892	199,892
Other	6,000	6,000	6,000	6,000
	1,629,469	1,599,531	1,139,802	1,162,458

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2009

	CONSOLIDATED		PARENT ENTITY	
	2009 $	2008 $	2009 $	2008 $
(c) Reconciliations				
(i) Gross Movements				
The overall movement in deferred tax accounts is as follows:				
Opening balance	(366,156)	(788,759)	(349,524)	(680,319)
(Charge) / credit to income statement	31,035	167,292	(21,559)	75,483
Charge to equity	77,284	255,312	77,284	255,312
Closing balance	(257,837)	(366,156)	(293,799)	(349,524)
(ii) Amounts recognised in income statement				
Deferred tax (charged) / credited to the income statement relates to:				
Temporary differences for depreciation of property, plant and equipment	3,099	13,204	3,099	13,204
Provisions	18,461	62,279	18,460	62,279
Equity accounted investments	(52,595)	91,808	-	-
Tax losses	-	-	-	-
	(31,035)	167,291	21,559	75,483

22 PROVISIONS

Annual leave	561,615	459,533	328,735	299,791
Long service leave	177,629	111,743	143,295	78,133
Dividends	401,483	401,483	401,483	401,483
	1,140,727	972,759	873,513	779,407

23 ISSUED CAPITAL

13,382,778 (2008: 13,382,778) ordinary shares fully paid	6,855,964	6,855,964	6,855,964	6,855,964

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

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

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

a. Capital Management

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

The group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

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

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year. This strategy is to ensure that the group's gearing ratio remains between 30% and 60%. The gearing ratios for the year ended 30 June 2009 and 30 June 2008 are as follows:

	Note	CONSOLIDATED		PARENT ENTITY	
		2009 $	2008 $	2009 $	2008 $
Total borrowings	*20*	13,363,736	10,932,458	13,363,736	10,932,458
Less cash and cash equivalents		1,536,282	1,862,319	1,236,055	644,778
Net debt		11,827,454	9,070,139	12,127,681	10,287,680
Total equity		16,285,079	15,277,438	15,776,026	14,347,477
Total capital		28,112,533	24,347,577	27,903,707	24,635,157
Gearing ratio		42.07%	37.25%	43.46%	41.76%

24 ASSET REVALUATION RESERVE

Balance at the beginning of the year	5,474,375	6,206,713	4,415,730	5,148,068
Revaluation of listed shares and fixed income securities	(633,113)	(1,046,203)	(633,113)	(1,046,203)
Revaluation of freehold property	375,500	-	375,500	-
Share of joint venture revaluation increments	-	-	-	-
Movement in deferred tax liability relating to revaluations	77,284	313,861	77,284	313,861
Balance at the end of the year	5,294,042	5,474,375	4,235,397	4,415,730

The asset revaluation reserve records revaluations of non current assets.

25 DIVIDENDS

Declared fully franked final dividend of 3 cents (2008: 3 cents) per share	401,483	401,483	401,483	401,483
Franking credits available at the end of the year adjusted for franking credits arising from income tax payable and franking debits arising from payment of proposed dividends	3,616,796	3,616,796	3,616,796	3,616,796

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2009

	CONSOLIDATED	
	2009	2008
26 EARNINGS PER SHARE		
Basic and diluted earnings per share	12.1 cents	19.1 cents
Earnings used in calculation of earnings per share: Profit for the year	$1,624,754	$2,550,924
	No of shares	No of shares
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share	13,382,778	13,382,778

27 CONTINGENT LIABILITIES

As at 30 June 2009 no contingent liabilities existed, except that:

Various bank guarantees have been given in the ordinary course of business. It is not expected that these guarantees will be called upon.

As at 30 June 2009 a fully owned subsidiary, Metro Hotel Sydney Pty Ltd, initiated litigation against Kol Tov Pty Limited and Kol Tov Operations Pty Limited in relation to the purported termination of the management agreement of Metro Hotel Sydney Central. The directors successfully obtained an injunction against the purported termination and the matter is currently awaiting hearing in the Supreme Court. The directors have sought legal advice and are of the opinion that the consolidated group is favoured to be successful in the current litigation. However, in the unlikely event that the claim is unsuccessful, the directors are of the opinion that any loss the consolidated group would suffer with respect to legal costs and damages, while being unquantifiable at this stage, would unlikely materially impact the group's finances.

	CONSOLIDATED		PARENT ENTITY	
	2009 $	2008 $	2009 $	2008 $
28 LEASING COMMITMENTS				
Total commitments for future property, plant and equipment operating lease rentals:				
- Not later than one year	5,049,672	4,017,684	761,710	728,030
- Later than one year and not later than five years	12,521,147	12,242,940	3,808,550	1,524,641
- Later than five years	-	-	-	-
	17,570,819	16,260,624	4,570,260	2,252,671

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

	CONSOLIDATED		PARENT ENTITY	
	2009 $	2008 $	2009 $	2008 $

29 RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH PROFIT AFTER INCOME TAX

	2009 $	2008 $	2009 $	2008 $
Profit after income tax	1,589,458	2,550,924	2,010,365	2,470,896
Share of joint venture entity net result after income tax and dividends	(63,221)	(77,700)	-	-
Share of associated unit trust net result after income tax and dividends	189,470	383,728	-	-
Foreign exchange (gain) / loss	24,562	(104,175)	24,562	(104,175)
Depreciation	1,051,824	709,686	338,311	344,871
Loss (profit) on disposal of property, plant & equipment	-	-	-	-
Profit on sale of investments	-	-	-	-
Movement in deferred tax accounts	21,559	(167,292)	21,559	(75,484)
Increase/(decrease) in income taxes payable	(604,971)	228,797	(604,971)	228,797
Increase/(decrease) in provisions	167,968	192,957	94,106	139,248
(Increase)/decrease in receivables and prepayments	(665,157)	151,710	1,304,604	(1,057,178)
(Increase)/decrease in inventories	(59,448)	(7,767)	5,334	(5,126)
Increase/(decrease) in creditors	1,327,353	(300,134)	592,748	(18,356)
Net Cash provided/(used) by operating activities	2,979,397	3,560,734	3,786,618	1,923,493

30 RECONCILIATION OF CASH

	2009 $	2008 $	2009 $	2008 $
Cash at the end of the year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:				
Cash at bank and on hand	1,536,282	1,862,319	1,236,055	644,778
Bank overdraft	-	-	-	-
	1,536,282	1,862,319	1,236,055	644,778

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2009

31 SEGMENT INFORMATION

The consolidated group operates within Australia, and all revenue and operating profit during the current year relates to operations in Australia.

	CONSOLIDATED	
	2009 $	2008 $
Sales Revenue		
Hotels, Inns, Serviced Apartments	20,169,298	15,437,245
Theme Pubs	10,879,619	10,418,974
Total Sales Revenue	31,048,917	25,856,219
Share of net profits/(losses) of equity accounted investments		
Hotels, Inns, Serviced Apartments	(63,221)	77,701
Segment Results		
Hotels, Inns, Serviced Apartments	694,245	2,029,736
Theme Pubs	1,610,441	1,278,730
Investment	184,198	232,846
Profit from ordinary activities before income tax	2,488,884	3,541,312
Segment Assets		
Hotels, Inns, Serviced Apartments	31,546,477	25,894,073
Theme Pubs	1,842,155	2,677,415
Investment	1,574,658	2,516,415
Total	34,963,290	31,087,904
Segment Liabilities		
Hotels, Inns, Serviced Apartments	16,890,423	12,424,717
Theme Pubs	1,036,903	953,291
Investment	1,013,736	2,432,458
Total	18,941,062	15,810,466
Depreciation of Segment Assets		
Hotels, Inns, Serviced Apartments	894,518	540,140
Theme Pubs	157,306	169,546
Total	1,051,824	709,686
Acquisition of Non Current Assets		
Hotels, Inns, Serviced Apartments	5,413,865	751,209
Theme Pubs	92,142	194,077
Investment	-	-
Total	5,506,007	945,286

32 FINANCING FACILITIES

Firmly committed financing facilities of $12,550,000 were available to the group at the end of the financial year. As at that date $12,350,000 of these facilities was in use.

Loan facilities available to the parent entity:

(a) bank overdraft

(b) fixed advances

33 FINANCIAL INSTRUMENTS

Financial instrument composition and maturity analysis:

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the balance sheet.

	Effective Interest Rate		Carrying amount		Within 1 Year		1 to 5 Years		Over 5 Years	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Consolidated	%	%	$	$	$	$	$	$	$	$
Financial Assets										
Cash and Cash Equivalents	-	-	1,536,282	1,862,319	1,536,282	1,862,319	-	-	-	-
Receivables	-	-	2,066,942	1,168,396	2,066,942	1,168,396	-	-	-	-
Investments -Fixed Income Securities	8	8	1,247,855	2,634,540	-	-	-	-	1,247,855	2,634,540
Total Financial Assets			4,851,079	5,665,255	3,603,224	3,030,715	-	-	1,247,855	2,634,540
Financial Liabilities										
Bank Loans	4.8	7.8	12,350,000	8,500,000	200,000	-	1,150,000	-	11,000,000	8,500,000
Investment Loan	1.97	3.38	1,013,736	2,432,458	-	300,000	-	1,200,000	-	932,458
Trade and Other Payables	-	-	2,895,334	1,567,982	2,895,334	1,567,982	-	-	-	-
Total Financial Liabilities			16,259,070	12,500,440	3,095,334	1,867,982	1,150,000	1,200,000	11,000,000	9,432,458

	Effective Interest Rate		Carrying amount		Within 1 Year		1 to 5 Years		Over 5 Years	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Parent Entity	%	%	$	$	$	$	$	$	$	$
Financial Assets										
Cash and Cash Equivalents	-	-	1,236,055	644,778	1,236,055	644,778	-	-	-	-
Receivables	-	-	892,651	582,369	892,651	582,369	-	-	-	-
Related party receivables	-	-	18,271,633	14,107,280	-	-	18,271,633	14,107,280	-	-
Investments -Fixed Income Securities	8	8	1,247,855	2,634,540	-	-	-	-	1,247,855	2,634,540
Investments - Related party	-	-	6,459,781	6,459,781	-	-	2,754,662	2,754,662	3,705,119	3,705,119
Total Financial Assets			28,107,975	24,428,748	2,128,706	1,227,147	21,026,295	16,861,942	4,952,974	6,339,659
Financial Liabilities										
Bank Loans	4.8	7.8	12,350,000	8,500,000	200,000	-	1,150,000	-	11,000,000	8,500,000
Investment Loan	1.97	3.38	1,013,736	2,432,458	-	300,000	-	1,200,000		932,458
Trade and Other Payables	-	-	1,145,840	524,588	1,145,840	524,588	-	-	-	-
Related party payables	-	-	12,701,202	9,915,147	-	-	12,701,202	9,915,147	-	-
Total Financial Liabilities			27,210,778	21,372,193	1,345,840	824,588	13,851,202	11,115,147	11,000,000	9,432,458

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2009

Credit Risk

Exposure to Credit Risk

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

	CONSOLIDATED		PARENT ENTITY	
	2009 $	2008 $	2009 $	2008 $
Cash and equivalents	1,536,282	1,862,319	1,236,055	644,778
Trade receivables	901,328	683,538	413,569	431,330
Other receivables	932,224	484,860	227,931	151,039
	3,369,834	3,030,717	1,877,555	1,227,147
Impairment Losses				
The aging of the trade receivables at the reporting date was:				
Gross receivables				
Not past due date	802,291	333,172	334,565	179,083
Past due 0 – 30	115,142	360,309	82,607	255,931
Past due 31 – 60	12,727	22,923	9,811	11,437
Past due 60 – 90	9,390	8,911	6,440	2,716
Past due 90 days and over	-	-	-	-
	939,550	725,315	433,423	449,167
Impairment	(38,222)	(41,777)	(19,854)	(17,837)
Trade receivables net of impairment loss	901,328	683,538	413,569	431,330
The movement in the allowance for impairment in respect of trade receivables during the year was as follows:				
Balance at the beginning of the year	(41,777)	(36,661)	(17,837)	(16,415)
Impairment loss (recognised)/utilised	3,555	(5,116)	(2,017)	(1,422)
Effects of movement in foreign exchange	-	-	-	-
Balance at the end of the year	(38,222)	(41,777)	(19,854)	(17,837)

Impairment losses recognised in the year relate to significant individual customers, which have been assessed as impaired under the consolidated group's accounting policy as detailed on Note 1(g).

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

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

The company's exposure to foreign currency risk was as follows, based upon notional amounts:

Amounts local currency 2009	USD	EUR
Cash and cash equivalent	51	1
Investments	872,025	-
Bank loans	(819,555)	-
Gross balance sheet exposure	52,521	1

Amounts local currency 2008	USD	EUR
Cash and cash equivalent	34,532	-
Investments	2,406,175	2,855
Bank loans	(2,432,458)	-
Gross balance sheet exposure	8,249	2,855

The following significant exchange rates applied to the company and the consolidated group during the year:
Reporting date spot rate

AUD = 1	2009	2008
USD	0.8084	0.9597
EUR	0.5763	0.6091

Interest Rate Risk

Profile

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

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
Carrying amount				
Variable rate instruments				
Financial assets	-	-	-	-
Financial liabilities	13,263,736	10,932,458	13,263,736	10,932,458

Other Price Risk

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

Carrying amount				
Listed securities (ASX)	506	506	506	506
Listed securities Other	1,092,350	2,479,034	1,092,350	2,479,034

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2009

Sensitivity Analysis

Interest Rate Risk, Foreign Currency Risk and Price Risk

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

Interest Rate Sensitivity Analysis

At 30 June 2009, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	CONSOLIDATED		PARENT ENTITY	
	2009 $	2008 $	2009 $	2008 $
Change in profit				
- Increase in interest rate by 2%	(297,155)	(56,609)	(270,259)	(56,609)
- Decrease in interest rate by 2%	297,155	56,609	270,259	56,609
Change in Equity				
- Increase in interest rate by 2%	(297,155)	(56,609)	(270,259)	(56,609)
- Decrease in interest rate by 2%	297,155	56,609	270,259	56,609

Foreign Currency Risk Sensitivity Analysis

At 30 June 2009, the effect on profit and equity as a result of changes in the value of the Australian Dollar to the US Dollar, with all other variables remaining constant is as follows:

Change in profit				
- Improvement in AUD to USD by 10%	2,456	10,417	2,456	10,417
- Decline in AUD to USD by 10%	(2,456)	(10,417)	(2,456)	(10,417)
Change in Equity				
- Improvement in AUD to USD by 10%	2,456	10,417	2,456	10,417
- Decline in AUD to USD by 10%	(2,456)	(10,417)	(2,456)	(10,417)

Price Risk Sensitivity Analysis

At 30 June 2009, the effect on profit and equity as a result of changes in the price risk, with all other variables remaining constant would be as follows:

Change in profit				
- Increase in price of ASX listed securities by 5%	-	-	-	-
- Decrease in price of ASX listed securities by 5%	-	-	-	-
- Increase in price of other listed securities by 5%	-	-	-	-
- Decrease in price of other listed securities by 5%	-	-	-	-
Change in Equity				
- Increase in price of ASX listed securities by 5%	25	25	25	25
- Decrease in price of ASX listed securities by 5%	(25)	(25)	(25)	(25)
- Increase in price of other listed securities by 5%	31,656	52,335	31,656	52,335
- Decrease in price of other listed securities by 5%	(31,656)	(52,335)	(31,656)	(52,335)

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

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

Fair Values

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

	2009 Carrying amount	2008 Fair value	Carrying amount	Fair value
Consolidated				
Cash and equivalents	1,536,282	1,536,282	1,862,319	1,862,319
Trade and other receivables – current	2,066,942	2,066,942	1,168,396	1,168,396
Trade and other payables	(2,895,334)	(2,895,334)	(1,567,982)	(1,567,982)
Investments	1,247,855	1,247,855	2,634,540	2,634,540
Loans	(13,163,736)	(13,163,736)	(10,932,458)	(10,932,458)
Total	(11,207,991)	(11,207,991)	(6,835,185)	(6,835,185)
Company				
Cash and equivalents	1,236,055	1,236,055	644,778	644,778
Trade and other receivables – current	982,651	982,651	582,369	582,369
Related party receivables	18,271,633	18,271,633	14,107,280	14,107,280
Trade and other payables	(1,145,840)	(1,145,840)	(524,588)	(524,588)
Related party payables	(9,915,147)	(9,915,147)	(9,915,147)	(9,915,147)
Investments	7,707,636	7,707,636	9,094,321	9,094,321
Loans	(13,163,736)	(13,163,736)	(10,932,458)	(10,932,458)
Total	3,973,252	3,973,252	3,056,555	3,056,555

Basis for determining fair values

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

Non-derivate financial assets and liabilities

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

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

34 EVENTS SUBSEQUENT TO BALANCE DATE

No matter or circumstance has arisen since the end of the financial year.

Additional stock exchange information

At 01 September 2009 the issued capital was 13,337,278 ordinary shares held 472 shareholders.

Range of holdings	No. of Shareholders
1 - 1,000	272
1,001 - 5,000	156
5,001 - 10,000	15
10,001 - 100,000	25
100,001 - 9,999,999,999	4
	472
Holding less than a marketable parcel	202

The Register of Substantial shareholders discloses the following:

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

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

The address of the principal registered office is :

431-439 Pitt Street
Sydney New South Wales 2000

A Registry of Shareholders is also held by:

Share Registrar
Computershare Investor Services Pty Ltd
Level 3, 60 Carrington Street
Sydney New South Wales 2000

Voting Rights

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

Twenty Largest Equity Security Holders

The names of the 20 largest holders of ordinary shares at 22 September 2009

		Unit	% I/C
1	Mr John McEvoy	5,942,114	44.40%
2	Taweva Pty Ltd	3,553,500	26.55%
3	National Australia Trustees Ltd	2,010,000	15.02%
4	Merrill Lynch (Australia) Nominees Pty Ltd	660,000	4.93%
5	Lasano Pty Ltd	100,000	0.75%
6	Shamwari Pty Ltd	54,000	0.40%
7	Mr Geoffrey Marr	40,000	0.30%
8	Ms Helen Davis	34,450	0.26%
9	Garrison Securities Pty Ltd	34,410	0.26%
10	Midwest Radio Pty Ltd	30,000	0.22%
11	Mr Maurice Brockwell	25,000	0.19%
12	Mr Andrew Hendrik Grove	25,000	0.19%
13	Guritali Pty Ltd	22,500	0.17%
14	Ms Beryl McEvoy	22,500	0.17%
15	Mr David Scicluna + Mr Anthony Scicluna	22,250	0.17%
16	Mainstream Pty Ltd	20,500	0.15%
17	Mr Neil Patrick McEvoy	20,000	0.15%
18	Western Plaza Hotel Corporation Pty Ltd	20,000	0.15%
19	Midwest Radio Ltd	16,500	0.12%
20	Ms Linda Rossi	16,200	0.12%
		12,668,924	94.67%

Our locations

Metro Hotels & Apartments

Metro Hotel Perth
61 Canning Highway, South Perth WA 6151
T: 61 8 9367 6122
F: 61 2 9367 3411

Metro Hotel on Pitt Sydney
300 Pitt Street, Sydney NSW 2000
T: 61 2 9283 8088
F: 61 2 9283 2825

Aspire Hotel Sydney
383-389 Bulwara Road Ultimo NSW 2007
T: 61 2 9211 1499
F: 61 2 9281 3764

Metro Hotel Sydney Central
431-439 Pitt Street Sydney NSW 2000
T: 61 2 9281 6999
F:61 2 9281 6988

Metro Apartments Melbourne
18 Bank Place, Melbourne VIC 3000
T: 61 3 9604 4321
F 61 3 9604 4300

Metro Apartments on Darling Harbour
132-136 Sussex Street, Darling Harbour, Sydney
NSW 2000
T: 61 2 9290 9200
F: 61 2 9262 3032

Metro Hotel Tower Mill Brisbane
239 Wickham Terrace Brisbane QLD 4000
T: 61 7 3832 1421
F: 61 7 3835 1013

Metro Hotel Ipswich International
Cnr South St and Foote Lane, Ipswich QLD
T: 61 7 3812 8077
F: 61 7 3812 8277

Metro Hotel and Apartments Gladstone
22-24 Roseberry Street Gladstone QLD 4680
T: 61 7 4972 4711
F: 61 7 4972 4940

Dugong Beach Resort
1 Bouganvillea Drive Groote Eylandt NT 0885
T: 61 8 8987 7077
F: 61 8 8987 7088

Metro Inns

Metro Inn Edgecliff
230 New South Head Road, Edgecliff,
Sydney NSW 2027
T: 61 2 9328 7977
F: 61 2 9360 1216

Metro Inn Miranda
Cnr The Kingsway & Jackson Ave, Miranda, Sydney
NSW 2228
T: 61 2 9525 7577
F: 61 2 9540 1593

Metro Inn Ryde
Cnr Victoria Rd & Bowden St, Ryde, Sydney
NSW 2112
T: 61 2 9807 4022
F: 61 2 9807 4020

Metro Inn Albany
270 Albany Highway, Albany WA 6330
T: 61 8 9841 7399
F:61 8 9841 7579

Theme Pubs

Paddy Maguires George Street
Cnr George & Hay Streets, Sydney NSW 2000
T: 61 2 9212 2111
F: 61 2 9212 2592

Paddy Maguires Star City
Star City Casino, Sydney, 80 Pyrmont Street
NSW 2009
T: 61 2 9660 9777
F: 61 2 9660 9861

Paddy Maguires Subiaco
328 Barker Street Subiaco, Perth WA 6008
T: 61 8 9381 8400
F: 61 8 9388 1781

The Elephant and Wheelbarrow
53 Lake Street Northbridge, Perth WA 6003
T: 61 8 9228 4433
F: 61 8 9227 7356

The Elephant at Cinema Place
1 Cinema Place (off Voughan Place) Adelaide
SA 5000
T: 61 8 8227 1633
F: 61 8 8227 1644

Corporate Directory

Registered Office
431-439 Pitt Street
Sydney NSW 2000

Metro Hospitality Group Office
Level 1 431-439 Pitt Street
Sydney NSW 2000
T:61 2 9281 6999
F:61 2 9281 6988

Directors
John McEvoy
Alan Notley
David Lloyd

Company Secretaries
David Lloyd
Jakin Agus

Chief Operating Officer
George Bedwani

Share Registry
Computershare Investor Services Pty Ltd
Level 3, 60 Carrington Street
Sydney NSW 2000

Bankers
Westpac Banking Corporation
671-675 George Street
Sydney NSW 2000

Commonwealth Bank of Australia
48 Martin Place
Sydney NSW 2000

Auditors
Stirling International
11th Floor,St James Centre
111 Elizabeth Street
Sydney NSW 2000

Solicitors
Staunton & Thompson
Level 5 Manly National Building
22 Central Avenue
Manly NSW 2095

Stock Exchange Listing
Australian Securities Exchange (ASX)
20 Bridge Street
Sydney NSW 2000
Listing Code :TCO
Market Call code 2898

Web
www.metrohotels.com.au

Toll Free Reservations 1800 00 4321 or
Reservations@MetroHG.com

Annual General Meeting to be held at
431-439 Pitt Street Sydney
NSW 2000

On Thursday 26th November 2009

METRO
HOSPITALITY
GROUP

431-439 Pitt Street Sydney NSW 2000