TRANSMETRO CORPORATION LIMITED

A B N 45 001 809 043

Financial Statements

For the Year Ended 30 June 2010

TRANSMETRO CORPORATION LIMITED
ABN 45 001 809 043

DIRECTORS' REPORT

Your directors have pleasure in submitting their report for the year ended 30 June 2010.

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)

MEETINGS OF DIRECTORS

The following table sets out the numbers of meetings of the company's directors held during the year ended 30 June 2010 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	7
S Notley	11	5

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 $3.34million. After interest, depreciation and tax the net profit of the group was $744k.

DIVIDENDS

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.

A fully franked final dividend for the 2009/10 year of 3 cents per share provided for at 30 June 2010 was paid on 26 August 2010.

EARNINGS PER SHARE

Earnings per share were 5.56 cents per share (after interest, depreciation and tax) compared to 12.14 cents for the previous financial year.

FINANCIAL POSITION

The net assets of the consolidated group have increased by $800k during the year ended 30 June 2010 due to:

- Profit after tax of $744k less dividends provided for of $401k and a $457k increase 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 32 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 (Alternate director to Alan Notley)

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 twenty 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.

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.

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.

	2010	2009	2008	2007	2006
Revenue	$32,318,970	$31,547,935	$26,540,334	$25,220,038	$23,878,169
Net Profit After Tax	$744,620	$1,624,754	$2,550,924	$2,177,089	$3,036,713
Dividends Paid	3 cents	3 cents	3 cents	3 cents	2 cents

Details of remuneration for Years Ended 30 June 2009 and 2010

The remuneration for each director and each of the five executive officers of the consolidated entity receiving the highest remuneration during the year ended 30 June 2009 and 2010 was as follows:

	Salary, Fees & Commissions	Superannuation Contribution	Bonus	Non-cash Benefits	Total
	$	$	$	$	$
Directors					
JAC McEvoy					
-2009	-	-	-	-	-
-2010	-	-	-	-	-
A Notley					
-2009	14,000	-	-	-	14,000
-2010	14,700	-	-	-	14,700
D Lloyd					
-2009	14,000	-	-	-	14,000
-2010	14,700	-	-	-	14,700
Total 2009	28,000	-	-	-	28,000
Total 2010	29,400	-	-	-	29,400

		Salary, Fees & Commissions	Superannuation Contribution	Bonus	Non-cash Benefits	Total
		$	$	$	$	$
Specified Executives						
G Bedwani						
	-2009	199,757	75,748	-	2,455	277,960
	-2010	185,488	84,819	-	2,700	273,007
A Wong						
	-2009	118,231	15,084	-	-	133,315
	-2010	116,000	14,800	-	-	130,800
J Agus						
	-2009	103,806	9,173	-	-	112,979
	-2010	101,513	9,000	-	-	110,513
AV Kersen						
	-2009	73,845	6,646	-	-	80,491
	-2010	93,399	15,600	-	-	108,999
S Nemetz						
	-2009	81,538	7,338	-	13,581	102,457
	-2010	80,000	7,200	-	13,824	101,024
G Long						
	-2009	91,633	8,247	-	2,455	102,335
	-2010	89,999	8,100	-	2,700	100,799
M Tien						
	-2009	83,653	7,509	-	-	91,162
	-2010	84,999	7,650	-	-	92,649
Total 2009		752,463	129,745	-	18,491	900,699
Total 2010		751,398	147,169	-	19,224	917,791

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 $6,000 were payable to the external auditors during the year ended 30 June 2010 for the preparation of income tax returns.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2010 is attached to this report.

Signed at Sydney this 30th day of September 2010 in accordance with a resolution of the directors.

J McEvoy
Director

TRANSMETRO CORPORATION LIMITED
ABN 45 001 809 043

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 2010 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 2010.

TRANSMETRO CORPORATION LIMITED
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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.

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.

STIRLING INTERNATIONAL
CHARTERED ACCOUNTANTS

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 2010, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows 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 2, 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 Limited, would be in the same terms if provided to the directors as at the date of this auditor's report.

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF TRANSMETRO CORPORATION LIMITED

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 2010 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 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in the report of the directors for the year ended 30 June 2010. 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 2010, complies with s 300A of the Corporations Act 2001.

Stirling International

Chartered Accountants

P. Turner

Peter Turner

St James Centre Level 11, 111 Elizabeth St Sydney 2000

30 September 2010

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 2010 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 2010 at Sydney, New South Wales.

STIRLING INTERNATIONAL
CHARTERED ACCOUNTANTS

P. Turner

P Turner
Partner

TRANSMETRO CORPORATION LIMITED
ABN 45 001 809 043

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 June 2010

	NOTE	Consolidated Group	
		30.06.2010	**30.06.2009**
		$	**$**
Sales Revenue	5	31,038,695	29,248,701
Interest income		96,204	90,961
Dividend Received		60,021	133,274
Trust Distribution		287,500	550,000
Total Revenue		**31,482,420**	**30,022,936**
Cost of Sales		(4,308,929)	(4,137,631)
Employee benefits expense		(8,686,241)	(8,262,271)
Other expenses		(15,038,125)	(13,451,125)
Share of net profits/(losses) of associates and joint ventures		(101,073)	(63,221)
EBITDA		**3,348,052**	**4,108,688**
Depreciation and amortisation expense		(1,398,669)	(1,008,923)
Finance costs		(662,969)	(710,900)
Profit before income tax	6	**1,286,414**	**2,388,865**
Income tax expense	7	(434,114)	(711,406)
Profit from continuing operations		**852,300**	**1,677,459**
Discontinued Operations			
Profit/ (Loss) from discontinued operations attributable to:			
Members of the parent entity	31	(107,680)	(52,704)
Profit from operations attributable to:			
Members of the parent entity		744,620	1,624,755
Earnings per share			
Attributable to members of the parent entity:			
Basic and diluted earnings per share (cents)	25	5.56	12.14

The accompanying notes form part of this financial report.

TRANSMETRO CORPORATION LIMITED
ABN 45 001 809 043

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

		Consolidated Group	
	NOTE	**30.06.2010**	**30.06.2009**
		$	**$**
Profit for the period		744,620	1,624,755
Other comprehensive income			
Revaluation increment/(decrement) on other financial assets	23	457,227	(180,333)
Other comprehensive income for the period, net of tax		457,227	(180,333)
Total comprehensive income for the period		1,201,847	1,444,422
Total comprehensive income attributable to:			
Members of the parent entity		1,201,847	1,444,422

The accompanying notes form part of this financial report.

TRANSMETRO CORPORATION LIMITED
ABN 45 001 809 043

CONSOLIDATED BALANCE SHEET AS AT

30 June 2010

	NOTE	Consolidated Group 30.06.2010 $	30.06.2009 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,549,045	1,536,282
Trade and other receivables	11	1,868,462	1,833,553
Inventories		254,194	272,834
TOTAL CURRENT ASSETS		3,671,701	3,642,669
NON-CURRENT ASSETS			
Investments accounted for using the equity method	12	6,318,991	6,494,791
Property, plant and equipment	15	20,150,088	20,449,476
Deferred tax assets	20	2,101,748	1,629,469
Intangible assets	16	1,549,981	1,594,531
Other financial assets	13	544,728	1,247,855
Other non current assets	17	280,000	280,000
TOTAL NON-CURRENT ASSSETS		30,945,536	31,696,122
TOTAL ASSETS		34,617,237	35,338,791
CURRENT LIABILITIES			
Trade and other payables	18	2,287,615	2,895,334
Borrowings	19	200,000	200,000
Current tax liabilities	20	432,765	(268,686)
Short-term provisions	21	1,234,634	1,140,727
TOTAL CURRENT LIABILITIES		4,155,014	3,967,375
NON-CURRENT LIABILITIES			
Borrowings	19	11,300,000	13,163,736
Deferred tax liabilities	20	2,041,485	1,887,305
TOTAL NON-CURRENT LIABILITIES		13,341,485	15,051,041
TOTAL LIABILITIES		17,496,499	19,018,416
NET ASSETS		**17,120,738**	**16,320,375**
EQUITY			
Issued capital	22	6,855,964	6,855,964
Reserves	23	5,751,269	5,294,042
Retained earnings		4,513,505	4,170,369
TOTAL EQUITY		**17,120,738**	**16,320,375**

The accompanying notes form part of this financial report.

TRANSMETRO CORPORATION LIMITED
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 June 2010

	Issued Capital Ordinary	Asset Revaluation Reserve	Retained Earnings	Total
	$	$	$	$
Balance at 1.7.2008	6,855,964	5,474,375	2,947,098	15,277,437
Total comprehensive income for the period	-	(180,333)	1,624,754	1,444,421
Dividend paid to shareholders	-	-	(401,483)	(401,483)
Balance at 30.06.2009	6,855,964	5,294,042	4,170,369	16,320,375
Balance at 1.7.2009	6,855,964	5,294,042	4,170,369	16,320,375
Total comprehensive income for the period	-	457,227	744,620	1,201,847
Dividend paid to shareholders	-	-	(401,483)	(401,483)
Balance at 30.06.2010	6,855,964	5,751,269	4,513,506	17,120,739

TRANSMETRO CORPORATION LIMITED
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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 June 2010

	NOTE	Consolidated Group 30.06.2010 $	30.06.2009 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		31,921,197	33,661,755
Payments to suppliers and employees		(28,736,307)	(28,951,772)
Distributions and dividends received		134,748	245,365
Interest received		96,204	95,069
Interest paid		(657,536)	(710,900)
Income tax refund/(paid)		(183,083)	(1,360,120)
Net cash provided by operating activities	28	2,575,223	2,979,397
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of investments		904,147	-
Purchase of non-current assets		(1,313,307)	(6,064,133)
Net cash used in investing activities		(409,160)	(6,064,133)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	3,850,000
Repayment of borrowings		(1,751,818)	(689,716)
Dividends paid		(401,483)	(401,483)
Net cash (used in)/provided by financing activities		(2,153,301)	2,758,801
Net increase/(decrease) in cash held		12,762	(325,935)
Cash and cash equivalents at beginning of period		1,536,282	1,862,217
Cash and cash equivalents at end of period	29	1,549,045	1,536,282

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

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 2010 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 Entity.

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 Entity 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 Entity'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 Entity'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 Entity'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)).

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 economic entity'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 economic entity 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 is recognised as it accrues in the income statement using the effective interest method.

t. Earnings per share

The Consolidated Entity 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

As of 1 July 2009, The Consolidated Entity determines and presents operating segments based on the information that internally is provided to the Board of Directors, who are The Consolidated Entity's chief operating decision maker. This change in accounting policy is due to the adoption of IFRS 8 Operating Segments. Previously, operating segments were determined and presented in accordance with AASB 114 Segment Reporting. The new accounting policy in respect of segment operating disclosures is presented as follows:

Comparative segment information has been re-presented in conformity with the transitional requirements of IFRS 8. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on net profit or EPS.

An operating segment is a component of The Consolidated Entity that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of The Consolidated Entity's other components if separately reported and monitored. An operating segment's operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate head office results.

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. Presentation of Financial Statements

The Consolidated Entity applies revised AASB 101 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, The Consolidated Entity presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. This presentation has been applied in this Financial Report at and for the year ended 30 June 2010.

x. 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 2010, but have not been applied in preparing this Financial Report:

AASB 9 Financial Instruments;

AASB 124 Related Party Disclosures;

AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project;

AASB 2009-10 Amendments to Australian Accounting Standards - Classification of Rights Issues;

AASB 2009-14 Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement; and

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.

The impact of these standards and interpretations is not considered to be significant and will be applied by The Consolidated Entity 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.

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.

5 REVENUE

	Note	CONSOLIDATED 2010 $	2009 $
Sales revenue		31,038,695	29,248,701
dividends received	5a	60,021	133,274
interest received	5b	96,204	90,961
distributions	5c	287,500	550,000
Total Revenue		31,482,420	30,022,936
a. Dividend revenue from:			
- other corporations		60,021	133,274
Total dividend revenue		60,021	133,274
b. Interest revenue from:			
- other corporations		96,204	90,961
Total interest revenue		96,204	90,961
c. Distributions revenue from:			
- other trust		287,500	550,000
Total distributions revenue		287,500	550,000

6 PROFIT FOR THE YEAR

Profit before income tax is after:		
Expenses		
Depreciation	1,398,669	1,008,923
Loss on sale of investment	309,998	-
Finance costs:		
- external	662,969	710,900
- related entities	-	-
Total finance costs	662,969	710,900
Foreign currency translation loss	51,061	24,561
Bad and doubtful debts:		
- trade receivables	6,179	2,866
- wholly-owned subsidiaries	-	-
Total bad and doubtful debts	6,179	2,866
Rental expense on operating leases	4,842,162	4,358,336

7 INCOME TAX	2010	2009
	$	$
The components of tax expense comprise:		
Current tax	1,026,827	752,183
Deferred tax	(643,728)	(40,778)
Adjustment for prior years	51,015	-
	434,114	711,405

The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:

	2010	2009
Prima facie tax on profit at 30%:	385,924	716,659
Add (deduct) tax effect of:		
Distributions from joint ventures and associates not assessable	(108,668)	(198,627)
Tax distributions from joint ventures	108,668	177,917
Other items	48,190	15,456
Income tax expense	434,114	711,405

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
A Wong	Group Financial Controller
J Agus	Company Secretary and Group Accountant
A V Kersen	General Manager - Property
S Nemetz	General Manager - Property
G Long	Group Sales & Marketing Manager
M Tien	International Sales Manager

(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

2010	Short-term Benefits			Post- Employment Benefits	
	Salary & Fees	Bonus	Non-cash Benefit	Superannuation	Total
	$	$	$	$	$
JAC McEvoy	-	-	-	-	-
A Notley	14,700	-	-	-	14,700
D Lloyd	14,700	-	-	-	14,700
G Bedwani	185,488	-	2,700	84,819	273,007
A Wong	116,000	-	-	14,800	130,800
J Agus	101,513	-	-	9,000	110,513
A V Kersen	93,399	-	-	15,600	108,999
S Nemetz	80,000	-	13,824	7,200	101,024
G Long	89,999	-	2,700	8,100	100,799
M Tien	84,999	-	-	7,650	92,649
TOTAL 2010	780,798	-	19,224	147,169	947,191

2009	**Short-term Benefits**			**Post- Employment Benefits**	
	Salary & Fees	**Bonus**	**Non-cash Benefit**	**Superannuation**	**Total**
	$	$	$	$	$
JAC McEvoy	-	-	-	-	-
A Notley	14,000	-	-	-	14,000
D Lloyd	14,000	-	-	-	14,000
G Bedwani	199,757	-	2,455	75,748	277,960
A Wong	118,231	-	-	15,084	133,315
J Agus	103,806	-	-	9,173	112,979
A V Kersen	73,845	-	-	6,646	80,491
S Nemetz	81,538	-	13,581	7,338	102,457
G Long	91,633	-	2,455	8,247	102,335
M Tien	83,653	-	-	7,509	91,162
TOTAL 2009	780,463	-	18,491	129,745	928,699

(d) Shareholdings

Number of shares held by Key Management Personnel

	Balance 1.7.09	Net Change	Balance 30.6.10
JAC McEvoy	11,637,663	-	11,637,663
A Notley	9,000	-	9,000
D Lloyd	-	-	-
G Bedwani	-	-	-
A Wong	-	-	-
J Agus	-	-	-
A V Kersen	-	-	-
S Nemetz	1,000	-	1,000
G Long	-	-	-
M Tien	-	-	-
	11,647,663	-	11,647,663

9 OPERATING SEGMENTS

The Consolidated group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of service offerings and operating segments are therefore determined on the same basis.

Transmetro Corporation Limited's operation during the year related to operation of Hotels, Serviced Apartments, Inns and Theme Pubs.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

*Unallocated item*s

The following items of income and expense are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Distribution from trust;
- Depreciation and amortisation;
- Finance costs; and
- income tax expense.

Comparative information

This is the first full reporting year in which AASB 8: Operating Segments has been adopted. Comparative information has been restated to conform to the requirements of the Standard.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

Segment performance (continuing operations)

	Hotels, Inns & Apartments $	Theme Pubs $	Total $
YEAR ENDED 30.06.2010			
Revenue			
External sales	21,553,765	9,484,930	31,038,695
Inter-segment sales	306,852	-	306,852
Interest and Dividends revenue	152,611	3,614	156,225
Total segment revenue	22,013,228	9,488,544	31,501,772
Reconciliation of segment revenue to group revenue			
Inter-segment elimination	(306,852)	-	(306,852)
Unallocated items:			
Trust distribution	-	287,500	287,500
Total group revenue	21,706,376	9,776,044	31,482,420
Segment net profit before tax	2,349,717	1,100,408	3,449,125
Reconciliation of segment result to group net profit/(loss) before tax			
Amounts not included in segment result but reviewed by the Board:			
• Equity accounted profits/(losses) of associates and JVs			(101,073)
Unallocated items:			
• Depreciation and amortisation			(1,398,669)
• Finance costs			(662,969)
• Income tax expense			(434,114)
Net profit after tax from continuing operations			852,300
YEAR ENDED 30.06.2009			
Revenue			
External sales	19,045,099	10,203,602	29,248,701
Inter-segment sales	275,217	-	275,217
Interest revenue	217,046	7,189	224,235
Total segment revenue	19,537,362	10,210,791	29,748,153
Reconciliation of segment revenue to group revenue			
Inter-segment elimination	(275,217)	-	(275,217)
Unallocated items:			
Trust distribution	-	550,000	550,000
Total group revenue	19,262,145	10,760,791	30,022,936
Segment net profit before tax	2,936,755	1,235,153	4,171,908
Reconciliation of segment result to group net profit/(loss) before tax			
Amounts not included in segment result but reviewed by the Board:			
• Equity accounted profits/(losses) of associates and JVs			(63,221)
Unallocated items:			
• Depreciation and amortisation			(1,008,923)
• Finance costs			(710,900)
• Income tax expense			(711,406)
Net profit after tax from continuing operations			1,677,459

		CONSOLIDATED 2010 $	CONSOLIDATED 2009 $
10 AUDITORS' REMUNERATION			
Remuneration of auditors of the entity for:			
- auditing or reviewing the accounts and consolidated accounts		82,000	96,200
- taxation services		6,000	5,000
		88,000	101,200
11 TRADE AND OTHER RECEIVABLES	Note		
CURRENT			
Trade receivables		994,852	939,550
Provision for impairment of receivables	11a	(32,043)	(38,222)
		962,809	901,328
Other receivables		356,409	140,652
Prepayments		549,244	791,573
		1,868,462	1,833,553

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 2008 $	Charge for the Year $	Amounts Written Off $	Closing Balance 30 June 2009 $
Consolidated				
Current trade receivables	(41,777)	689	2,866	(38,222)
	(41,777)	689	2,866	(38,222)

	Opening Balance 1 July 2009 $	Charge for the Year $	Amounts Written Off $	Closing Balance 30 June 2010 $
Consolidated Group				
Current trade receivables	(38,222)	-	6,179	(32,043)
	(38,222)	-	6,179	(32,043)

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	
	2010	2009
	$	$

12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Interest in joint venture entity	4,059,894	4,053,151
Associated unit trust	2,259,097	2,441,640
	6,318,991	6,494,791

(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% (2009: 31.1364%) interest in the assets and liabilities of the joint venture and is entitled to 31.1364% (2009: 31.1364%) of the profits generated by the joint venture. During the year the joint venture exchanged contracts for Metro Hotel on Pitt for $24,188,000. The sale was completed subsequent to the year end.

	CONSOLIDATED	
	2010	2009
	$	$
(i) Carrying amount of the investment in joint venture:		
Balance at the beginning of the year	4,053,151	4,045,264
Share of joint venture's profit after income tax	81,470	119,978
Dividends received	(74,727)	(112,091)
Balance at the end of the year	4,059,894	4,053,151
(ii) Share of joint venture entity's results and financial position:		
Current assets	1,449,668	502,980
Non current assets	6,638,184	6,692,598
Total assets	8,087,852	7,195,578
Current liabilities	1,268,603	383,071
Non current liabilities	3,203,936	3,203,936
Total liabilities	4,472,539	3,587,007
Revenues	1,257,936	1,447,260
Expenses	(1,176,466)	(1,327,282)
Profit before income tax	81,470	119,978
Income tax	-	-
Profit from ordinary activities after income tax	81,470	119,978

(b) Associated Unit Trust

The parent company holds 22.5467% (2009: 22.5467%) of the units in a unit trust that purchased the Metro Hotel Sydney Central in March 2005.

	CONSOLIDATED	
	2010	2009
	$	$
(i) Equity accounted profits of associates are broken down as follows:		
Share of associate's profit / (loss) before income tax	(182,543)	(183,199)
Share of associate's income tax expense	-	-
Share of associate's profit / (loss) after income tax	(182,543)	(183,199)
(ii) Movements in equity accounted investment in associate:		
Balance at the beginning of the year	2,441,640	2,624,839
Share of associate's profit / (loss) after income tax	(182,543)	(183,199)
Dividends received	-	-
Balance at the end of the year	2,259,097	2,441,640
(iii) Summary of assets, liabilities and performance of associate:		
Current assets	730,734	594,909
Non current assets	6,930,271	7,171,636
Total assets	7,661,005	7,766,545
Current liabilities	509,250	390,577
Non current liabilities	5,097,705	5,107,891
Total liabilities	5,606,955	5,498,468
Profit from ordinary activities after income tax	(182,543)	(183,199)

		CONSOLIDATED 2010 $	2009 $
13 OTHER FINANCIAL ASSETS			
Available-for-sale financial assets	13a	544,728	1,247,855
Less non-current portion		(544,728)	(1,247,855)
Current portion		-	-

		2010 $	2009 $
a.	**Available-for-sale Financial Assets Comprise**		
	Listed investments, at fair value		
	— shares in listed corporations	7,407	13,711
	— Fixed income securities	381,815	1,078,638
	— shares in other corporations	506	506
		389,728	1,092,855
	Unlisted investments, at cost		
	— units in unit trusts	155,000	155,000
		155,000	155,000
	Total available-for-sale financial assets	544,728	1,247,855

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 (2009: $285,714).
The original cost of fixed income securities is $960,554 (2009: $2,495,119).

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.

14 CONTROLLED ENTITIES

	Country of Incorporation	% Owned 2010	% Owned 2009
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	100
MHG Karratha Pty Ltd	Australia	100	
Ipswich International Trust	Australia	100	100
M.H.G Unit Trust	Australia	100	100
Gladstone Hotel Trust	Australia	100	100
Karratha Hotel Trust	Australia	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

SUBSIDIARY COMPANIES ACQUIRED DURING THE YEAR

The company has a 100% interest in MHG Karratha Pty Ltd which was incorporated during the year.

MHG Karratha has a 100% interest in Karratha Hotel Trust which was established during the year.

	CONSOLIDATED 2010 $	2009 $
15 PROPERTY, PLANT& EQUIPMENT		
FREEHOLD PROPERTY		
At independent valuation June 2009	10,050,500	10,050,500
BUILDINGS		
At cost	2,561,082	2,217,070
Less: accumulated depreciation	(78,634)	(50,411)
	2,482,448	2,166,659
LEASEHOLD IMPROVEMENTS, PLANT & EQUIPMENT, OFFICE FURNITURE AND FITTINGS		
At cost	18,501,420	18,994,828
Less: accumulated depreciation	(10,884,280)	(10,762,511)
	7,617,140	8,232,317
TOTAL PROPERTY, PLANT AND EQUIPMENT (NON CURRENT)	20,150,088	20,449,476

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

Movements in Carrying Amounts:

	Freehold Properties $	Building $	Leasehold Improvements, Plant & Equipment, Office Furniture and Fittings $	Total $
Consolidated:				
Balance at the beginning of the year	10,050,500	2,166,659	8,232,317	20,449,476
Additions	-	344,012	946,528	1,290,540
Disposals	-	-	(187,474)	(187,474)
Depreciation	-	(28,223)	(1,374,231)	(1,402,454)
Revaluation	-	-	-	-
Carrying amount at the end of the year	10,050,500	2,482,448	7,617,140	20,150,088

	CONSOLIDATED 2010 $	2009 $
16 INTANGIBLE ASSETS		
Goodwill on consolidation	1,110,299	1,110,299
Goodwill	348,867	348,867
Theme pubs acquisition costs	90,815	135,365
	1,549,981	1,594,531
17 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
18 TRADE AND OTHER PAYABLES		
CURRENT		
Trade payables	1,406,169	2,016,649
Other payables and accruals	881,446	878,685
	2,287,615	2,895,334

All amounts due for current payables are not interest bearing and generally on 30 day terms.

19 FINANCIAL LIABILITIES

	2010 $	2009 $
CURRENT		
Secured loans - banks	200,000	200,000
	200,000	200,000
NON CURRENT		
Secured loans - banks	11,300,000	12,150,000
Other secured loans	-	1,013,736
	11,300,000	13,163,736

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 capital ratio at a minimum of 30% (the surplus of tangible assets over liabilities excluding all intangible assets) 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:

	2010	2009
	-	1,092,350

20 TAX	Assets		Liabilities		Net	
	2010 $	2009 $	2010 $	2009 $	2010 $	2009 $
(a) Deferred tax assets and liabilities						
Recognised deferred tax assets and liabilities						
Property, plant and equipment	462,761	583,383	27,728	69,502	435,033	513,881
Revaluation adjustments direct into equity	-	-	2,013,757	1,817,802	(2,013,757)	(1,817,802)
Investment in associates and joint venture	542,406	489,666	-	-	542,406	489,666
Intangible Assets	6,000	6,000	-	-	6,000	6,000
Provisions	310,299	350,528	-	-	310,299	350,528
Capital losses	292,892	199,892	-	-	292,892	199,892
Capital gain deferred	487,391	-	-	-	487,391	-
Deferred tax assets/(liabilities)	2,101,749	1,629,469	2,041,485	1,887,305	60,264	(257,836)

	CONSOLIDATED	
	2010 $	2009 $
(b) Reconciliations		
(i) Gross Movements		
The overall movement in deferred tax accounts is as follows:		
Opening balance	(257,836)	(366,156)
(Charge) / credit to income statement		
- continuing operations	643,728	40,778
- discontinued operations	(129,673)	(9,742)
Charge / (credit) to equity	(195,955)	77,284
Closing balance	60,264	(257,836)
(ii) Amounts recognised in income statement		
Continuing operations		
Deferred tax (charged) / credited to the income statement relates to:		
Temporary differences for depreciation of property, plant and equipment	(48,041)	(1,629)
Provisions	37,444	13,445
Equity accounted investments	(52,740)	(52,594)
Tax losses	(93,000)	-
Capital gain deferred	(487,391)	-
	(643,728)	(40,778)
Discontinued operations		
Deferred tax (charged) / credited to the income statement relates to:		
Temporary differences for depreciation of property, plant and equipment	126,889	5,016
Provisions	2,784	4,726
	129,673	9,742
(c) Liabilities		
CURRENT		
Income tax	432,765	(268,686)

	Note	CONSOLIDATED 2010 $	2009 $
21 PROVISIONS			
Annual leave		603,268	561,615
Long service leave		229,883	177,629
Dividends		401,483	401,483
		1,234,634	1,140,727

22 ISSUED CAPITAL

		2010 $	2009 $
13,382,778 (2009: 13,382,778) ordinary shares fully paid		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 2010 and 30 June 2009 are as follows:

	Note	2010 $	2009 $
Total borrowings	19	11,500,000	13,363,736
Less cash and cash equivalents		1,549,045	1,536,282
Net debt		9,950,955	11,827,454
Total equity		17,120,738	16,285,079
Total capital		27,071,693	28,112,533
Gearing ratio		36.76%	42.07%

	CONSOLIDATED 2010 $	2009 $

23 ASSET REVALUATION RESERVE

	2010 $	2009 $
Balance at the beginning of the year	5,294,042	5,474,375
Transfer of revaluation loss to statement of comprehensive income on sale of fixed income securities	490,447	-
Revaluation of listed shares and fixed income securities	162,735	(633,113)
Revaluation of freehold property	-	375,500
Share of joint venture revaluation increments	-	-
Movement in deferred tax liability relating to revaluations	(195,955)	77,284
Balance at the end of the year	5,751,269	5,294,042

The asset revaluation reserve records revaluations of non current assets.

24 DIVIDENDS

	2010 $	2009 $
Declared fully franked final dividend of 3 cents (2009: 3 cents) per share	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	4,645,050	3,616,796

25 EARNINGS PER SHARE

	2010	2009
Profit from continuing operations	852,300	1,677,459
Loss from discontinued operations	(107,680)	(52,704)
Profit attributable to members of the parent entity	744,620	1,624,755
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share	13,382,778	13,382,778
Basic and diluted earnings per share from continuing operations	6.36	12.53
Basic and diluted loss per share from discontinued operations	(0.80)	(0.39)
Basic and diluted earnings per share attributable to members of the parent entity	5.56	12.14

26 CONTINGENT LIABILITIES

As at 30 June 2010 no contingent liabilities existed, except that:

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

b. As previously disclosed the company is a party to a put and call arrangement for the potential acquisition of the land and buildings of the Ipswich International Hotel at Ipswich, in Queensland. The company acquired the business assets of the hotel and entered into a lease over the property in September 2008. The put and call options are exercisable in September 2012 for a consideration of $18 million.

	CONSOLIDATED	
	2010	2009
	$	$

27 LEASING COMMITMENTS

Total commitments for future property, plant and equipment operating lease rentals:		
- Not later than one year	4,699,576	5,049,672
- Later than one year and not later than five years	14,200,211	12,521,147
- Later than five years	-	-
	18,899,787	17,570,819

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.

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

Profit after income tax	744,620	1,624,755
Share of Profit from equity accounted investments	101,073	63,221
Distributions received from equity accounted entities	74,727	112,091
Loss on disposal of assets	462,737	-
Foreign exchange (gain)/losses	51,060	24,562
Depreciation	1,417,031	1,051,824
Movement in deferred tax accounts	26,077	21,559
Increase/(decrease) in income tax payable	214,061	(640,267)
Increase/(decrease) in provisions	93,907	167,968
(Increase)/decrease in receivables and prepayments	(20,992)	(694,217)
(Increase)/decrease in inventories	18,640	(59,448)
Increase/(decrease) in creditors	(607,718)	1,307,349
Net cash provided/(used) by operating activities	2,575,223	2,979,397

29 RECONCILIATION OF CASH

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	1,549,045	1,536,282
Bank overdraft	-	-
	1,549,045	1,536,282

30 FINANCING FACILITIES

Firmly committed financing facilities of $12,200,000 were available to the group at the end of the financial year. As at that date $11,500,000 of these facilities was in use.

Loan facilities available to the parent entity:

(a) bank overdraft

(b) fixed advances

31 DISCONTINUED OPERATIONS

On 03 March 2010, the consolidated entity discontinued the operation of Metro Inn Edgecliff.
On 30 January 2010, the consolidated entity discontinued the operation of Paddy Maguires Star City.

Financial information relating to the discontinued operations is set out below.

The financial performance of the discontinued operation to the date of sale which is included in loss from discontinued operations per the statement of comprehensive income is as follows:

	CONSOLIDATED	
	2010	2009
	$	$
Revenue	836,550	1,524,999
Expenses	(1,009,471)	(1,600,291)
Loss before income tax	(172,921)	(75,292)
Income tax expense	65,241	22,588
Loss attributable to members of the parent entity	(107,680)	(52,704)

The net cash flows of the discontinuing operations which have been incorporated into the statement of cash flows are as follows:

	2010	2009
	$	$
Net cash inflow/(outflow) from operating activities	(53,227)	(2,144)
Net cash inflow from investing activities	-	(9,222)
Net cash inflow/(outflow) from financing activities	34,735	-
Net cash increase in cash generated by the discontinuing division	(18,492)	(11,366)

32 EVENT SUBSEQUENT TO BALANCE DATE

No matter or circumstance has arisen since the end of the financial year, except for:

(a) An associated entity that held the Metro Hotel Sydney Central sold the property for $39.5 million. The consolidated group holds 22.5467% of the units in this unit trust.

(b) Sale was completed for Metro Hotel on Pitt $24.188 million. This is held in a joint venture in which the consolidated group holds a 31.1364% interest.

Sales value for the above properties is greater than the book value at the time of sale.

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**	
Consolidated	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
	%	**%**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Financial Assets										
Cash and Cash Equivalents			1,549,045	1,536,282	1,549,045	1,536,282	-	-	-	-
Receivables			1,923,087	2,066,942	1,923,087	2,066,942	-	-	-	-
Investments - Fixed Income Securities	8	8	544,728	1,247,855	-	-	-	-	544,728	1,247,855
Total Financial Assets			4,016,860	4,851,079	3,472,132	3603,224	-	-	544,728	1,247,855
Financial Liabilities										
Bank Loans	5.4	4.8	11,500,000	12,350,000	200,000	200,000	11,300,000	1,150,000	-	11,000,000
Investment Loan		1.97	-	1,013,736	-	-	-	-	-	1,013,736
Trade and Other Payables			2,287,615	2,895,334	2,287,615	2,895,334	-	-	-	-
Total Financial Liabilities			13,787,615	16,259,070	2,487,615	3,095,334	11,300,000	1,200,000	-	12,013,736

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	
	2010	2009
	$	$
Cash and equivalents	1,549,045	1,536,282
Trade receivables	962,809	901,328
Other receivables	905,653	932,224
	3,417,507	3,369,834

Impairment Losses

The aging of the trade receivables at the reporting date was:

Gross receivables		
Not past due date	810,428	802,291
Past due 0 – 30	152,648	115,142
Past due 31 – 60	25,993	12,727
Past due 60 – 90	5,783	9,390
Past due 90 days and over	-	-
	994,852	939,550
Impairment	(32,043)	(38,222)
Trade receivables net of impairment loss	962,809	901,328

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	(38,222)	(41,777)
Impairment loss (recognised)/utilised	6,179	3,555
Effects of movement in foreign exchange	-	-
Balance at the end of the year	(32,043)	(38,222)

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 2010	USD	EUR
Cash and cash equivalent	88,087	1
Investments	322,500	-
Bank loans	-	-
Gross balance sheet exposure	410,587	1

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

The following significant exchange rates applied to the company and the consolidated group during the year:

	Reporting date spot rate	
AUD = 1	2010	2009
USD	0.8447	0.8084
EUR	0.6896	0.5763

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	
Carrying amount	2010 $	2009 $
Variable rate instruments		
Financial assets	-	-
Financial liabilities	11,500,000	13,363,736

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
Listed securities Other	389,222	1,092,350

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 2010, 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	
	2010	2009
	$	$
Change in profit		
- Increase in interest rate by 2%	(255,713)	(297,155)
- Decrease in interest rate by 2%	255,713	297,155
Change in Equity		
- Increase in interest rate by 2%	(255,713)	(297,155)
- Decrease in interest rate by 2%	255,713	297,155

Foreign Currency Risk Sensitivity Analysis

At 30 June 2010, 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%	6,130	2,456
- Decline in AUD to USD by 10%	(6,130)	(2,456)
Change in Equity		
- Improvement in AUD to USD by 10%	6,130	2,456
- Decline in AUD to USD by 10%	(6,130)	(2,456)

Price Risk Sensitivity Analysis

At 30 June 2010, 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
- Decrease in price of ASX listed securities by 5%	(25)	(25)
- Increase in price of other listed securities by 5%	41,949	31,656
- Decrease in price of other listed securities by 5%	(41,949)	(31,656)

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:

Consolidated

	2010 $		2009 $	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and equivalents	1,549,045	1,549,045	1,536,282	1,536,282
Trade and other receivables – current	1,923,087	1,923,087	2,066,942	2,066,942
Trade and other payables	(2,287,615)	(2,287,615)	(2,895,334)	(2,895,334)
Investments	544,728	544,728	1,247,855	1,247,855
Loans	(11,500,000)	(11,500,000)	(13,163,736)	(13,163,736)
Total	(9,770,755)	(9,770,755)	(11,207,991)	(11,207,991)

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. PARENT ENTITY DISCLOSURES

At and throughout the financial year ended 30 June 2010, the parent company was Transmetro Corporation Limited.

	Company	
Result of the parent entity	**30 June 2010**	**30 June 2009**
	$	**$**
Net profit	1,226,871	2,045,659
Other comprehensive income	457,227	(180,333)
Total comprehensive income	**1,684,098**	**1,865,326**
Financial position of the parent entity at year end		
Current assets	1,321,348	1,917,673
Total assets	45,449,005	45,060,527
Current liabilities	2,282,699	1,950,667
Total liabilities	28,355,069	29,249,205
Total equity of the parent entity comprising of:		
Issued capital	6,855,964	6,855,964
Asset revaluation reserve	4,692,624	4,235,397
Retained earnings	5,545,348	4,719,961
Total Equity	**17,093,936**	**15,811,322**

Parent entity contingencies

There are no other contingent liabilities and future commitments in respect to the Parent Entity except for:

LEASING COMMITMENTS

Total commitments for future property, plant and equipment operating lease rentals:		
- Not later than one year	787,384	761,710
- Later than one year and not later than five years	3,376,865	3,808,550
- Later than five years	-	-
	4,164,249	**4,570,260**

Additional stock exchange information

At 31 August 2010 the issued capital was 13,382,778 ordinary shares held by 537 shareholders.

Range of holdings	No. of Shareholders
1 - 1,000	333
1,001 - 5,000	158
5,001 - 10,000	17
10,001 - 100,000	25
100,001 - 9,999,999,999	4
	537
Holding less than a marketable parcel	257

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.

Additional stock exchange information

Twenty Largest Equity Security Holders

The names of the 20 largest holders of ordinary shares at 21 September 2010

		Unit	% of Issued Capital
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	Alan Davis Pty Ltd	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%