TMA GROUP OF COMPANIES LIMITED

ABN 66 006 627 087

ANNUAL REPORT 2010

Annual Report
For The Financial Year Ended
30 June 2010

Page Number

The **TMA Group of Companies Limited ('TMA')** (formerly Mark Sensing Limited) Board is committed to protecting and enhancing shareholder value and conducting the company's business ethically and in accordance with the highest standards of corporate governance.

The Directors support the Principles of Good Corporate Governance and Best Practice Recommendations published by the Australian Stock Exchange (ASX) Corporate Governance Council (CGC) in their 2nd edition of Corporate Governance Principles and Recommendations, August 2007. Whilst we have, for some time, had corporate governance policies and practices that substantially comply with those set out in the recommendations, we have reviewed and updated our practices in the light of the council's recommendations.

In line with these recommendations and in the spirit of good disclosure we now report on our compliance with each 'best practice' recommendation.

Name of Director	Year appointed	Non-executive	Independent	Retiring at 2010 AGM	Seeking re-election at 2010 AGM
Board Structure					
M Whelan, Chairman	2003	No	No	Yes *	Yes
A Karam, Managing Director	2008	No	No	No	No
C Karam, Operations Director	2008	No	No	Yes #	Yes
T Saad	2008	Yes	Yes	No	No
J Schwarz	2009	Yes	Yes	No	No

* Election following a 'casual' appointment by Directors.
# Retiring by rotation in accordance with the Constitution and the ASX Listing Rules.

Details of the background, experience and professional skills of each director are set out on page 14 of this Annual Report.

Comparison of Corporate Governance Practised

The following table shows the extent to which TMA Corporate Governance practices reflect the principles and recommendations set down by the ASX Corporate Governance Council (ASX CGC) in their 2nd Edition of Corporate Governance Principles and Recommendations, August 2007.

TMA's corporate governance practices for the year ended 30 June 2010, and at the date of this report, are outlined in this corporate governance statement. The following table lists each of the ASX Principles and TMA's assessment of compliance with the principles:

		Status
Principle 1: Lay solid foundations for management and oversight		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	✓
1.2	Companies should disclose the process for evaluating the performance of senior executives.	✓
1.3	Companies should provide the information indicated in the *Guide to reporting on Principle 1*.	✓
Principle 2: Structure the board to add value		
2.1	A majority of the board should be independent directors.	X
2.2	The chair should be an independent director.	X
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	✓
2.4	The board should establish a nomination committee.	✓
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	✓
2.6	Companies should provide the information indicated in the *Guide to reporting on Principle 2*.	✓
Principle 3: Promote ethical and responsible decision-making		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to:	✓
3.1.1	the practices necessary to maintain confidence in the company's integrity;	✓
3.1.2	the practices necessary to take into account their legal obligations and reasonable expectations of their stakeholders; and 3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	✓
3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	✓
3.3	Companies should provide the information indicated in the *Guide to reporting on Principle 3*.	✓
Principle 4: Safeguard integrity in financial reporting		
4.1	The board should establish an audit committee.	✓
4.2	The audit committee should be structured so that it:	
	• consists only of non-executive directors;	X
	• consists of a majority of independent directors;	X
	• is chaired by an independent chair, who is not chair of the board; and	✓
	• has at least three members.	✓
4.3	The audit committee should have a formal charter.	✓
4.4	Companies should provide the information indicated in the *Guide to reporting on Principle 4*.	✓
Principle 5: Make timely and balanced disclosure		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	✓
5.2	Companies should provide the information indicated in the *Guide to reporting on Principle 5*.	✓
Principle 6: Respect the rights of shareholders		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	✓
6.2	Companies should provide the information indicated in the *Guide to reporting on Principle 6*.	✓
Principle 7: Recognise and manage risk		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	✓
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	✓
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	✓
7.4	Companies should provide the information indicated in the *Guide to reporting on Principle 7*.	✓
Principle 8: Remuneration fairly and responsibly		
8.1	The board should establish a remuneration committee.	✓
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	✓
8.3	Companies should provide the information indicated in the *Guide to reporting on Principle 8*.	✓

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The role of the Board is to oversee and guide the management of TMA and its businesses with the aim of protecting and enhancing the interests of its shareholders, taking into account the interests of other stakeholders, including employees, customers, suppliers and the wider community.

The Board has a Charter which clearly establishes the relationship between the Board and management and describes their functions and responsibilities.

The responsibilities of the Board include:

- setting of objectives, goals and corporate direction;
- adopting and monitoring progress of the strategic plan;
- adopting an annual budget and constant monitoring of financial performance;
- ensuring adequate internal financial, accounting and managerial controls exist and are appropriately monitored for compliance;
- developing, publishing, reviewing, implementing and monitoring corporate governance policy, the committee system, the company's constitution, codes of conduct, corporate management and legislative compliance;
- ensuring significant business risks are identified and appropriately managed with particular emphasis on insurance requirements;
- ensuring TMA maintains, at all times, the highest standard of business, financial and ethical behaviour;
- selecting and recommending new Directors, including the Managing Director, to shareholders;
- setting compensation arrangements for executive Directors and executive management;
- addressing occupational health and safety issues and ensuring an appropriate system of management is implemented;
- reporting to shareholders and ensuring that all regulatory requirements are met; and
- approving decisions concerning the capital of the TMA Group, including any capital restructures and significant changes to major financing arrangements.

The Managing Director (CEO) is responsible to the Board for the day-to-day management and profit performance of the TMA group.

Review of performance by senior executives

Details of the performance review process for senior executives are set out in the Remuneration Report, which forms part of the Directors' Report on pages 14 to 24 of this Annual Report.

The roles and responsibilities of the company's Board and senior executives are consistent with those set out in ASX Principle 1. A copy of the Board Charter is available from the corporate governance section of the company's website.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Board structure

The directors determine the size of the board, with reference to the Constitution, which provides that there will be a minimum of 3 directors and a maximum of 7 directors.

The Board is currently comprised of 5 directors, with:

- three executive directors, including the Chairman; and
- two non-executive directors.

The directors in office at the date of this report, the year of each director's appointment and each director's status as an independent, non-executive or executive director are set out in the table on page 14 of this Annual Report.

The following Board changes have occurred since 1 July 2009:

- Mr James Schwarz appointed as a director with effect from 28 July 2009;

Director independence

Directors are expected to bring independent views and judgement to the Board's deliberations.

Under the Charter, the Board should have a non-executive independent Chairman (with different persons filling the roles of Chairman and Managing Director).

The Board has reviewed the position and associations of all directors in office at the date of this report and considers that only two of the five directors are independent. In considering whether a director is independent, the Board has had regard to the relationships affecting independent status described in ASX Principle 2 and other facts, information and circumstances that the Board considers relevant. The Board assesses the independence of new directors upon appointment and reviews their independence, and the independence of the other directors, annually and as appropriate.

The test of whether a relationship is material is based on the nature of the relationship and the circumstances of the director. Materiality is considered from the perspective of the company, the director, and the person or entity with which the director has a relationship.

The three directors who are not considered to be independent are:

- Mr Anthony Karam, Managing Director;
- Ms Corriene Karam, Operations Director; and
- Mr Michael Whelan, Executive Chairman.

The Board considers that Messrs Saad and Schwarz are independent directors in accordance with ASX Principle 2, given their continued and demonstrated performance and ability to make objective judgements on matters before the Board.

The Board considers that the company has not met all of the requirements of ASX Principle 2 in as much as it does not have a majority of independent Directors nor an independent Chairman.

Retirement and re-election

The company's Constitution requires one third of the directors (with a minimum of two), other than the Managing Director, to retire from office at each annual general meeting. Directors who have been appointed by the Board during the year (as a casual vacancy or as an addition to the Board) are required to retire from office at the next annual general meeting.

Directors cannot hold office for a period in excess of three years or beyond the third annual general meeting following their appointment without submitting themselves for re-election. Retiring directors are eligible for re-election by shareholders. Board support for directors retiring by rotation and seeking re-election is not automatic. The Board Charter and the company's letter of appointment for a non-executive director require a non executive director to take into account the views of the other non-executive directors of the company when making a decision to stand for re-election.

Under the Board Charter, there are no maximum terms for non-executive director appointments. Tenure of directors is dependent on their ability to meet established performance criteria with performance being reviewed on an annual basis.

Nomination and appointment of new directors

Recommendations of candidates for appointment as new directors are made by the Board's Nomination Committee for consideration by the Board as a whole. If it is necessary to appoint a new director to fill a vacancy on the Board or to complement the existing Board, a wide potential base of possible candidates is considered. In some cases, external consultants are engaged to assist in the selection process.

If a candidate is recommended by the Nomination Committee, the Board assesses the qualifications of the proposed new director against a range of criteria including background, experience, professional skills, personal qualities, the potential for the candidate's skills to augment the existing Board, and the candidate's availability to commit to the Board's activities. If these criteria are met and the Board appoints the candidate as a director, that director (as noted previously) must retire at the next annual general meeting and will be eligible for election by shareholders at that meeting.

Induction of new directors

New directors are provided with a formal letter of appointment which sets out the key terms and conditions of appointment, including duties, rights and responsibilities, the time commitment envisaged, and the Board's expectations regarding involvement with committee work.

As part of a comprehensive induction programme, the new director meets with the Chairman, the Audit Committee Chairman, the Managing Director, Divisional Managing Directors, and other key executives. The programme also includes site visits to some of TMA key operations.

Knowledge, skills and experience

All directors are expected to maintain the skills required to discharge their obligations to the company.

Directors are provided with papers, presentations and briefings on group businesses and on matters which may affect the operations of the group.

Directors are also encouraged to undertake continuing education and training relevant to the discharge of their obligations as directors of the company. Subject to prior approval by the Company Secretary, the reasonable cost of continuing education and training is met by the company.

To assist directors to maintain an appropriate level of knowledge, skill and experience in the operations of the company, directors undertake site visits each year to a number of TMA businesses.

Board access to information and independent advice

All directors have unrestricted access to employees of the group and, subject to the law, access to all company records and information held by group employees and external advisers. The Board receives regular detailed financial and operational reports from senior management to enable it to carry out its duties.

Consistent with ASX Principle 2, each director may, with the prior written approval of the Chairman, obtain independent professional advice to assist the director in the proper exercise of powers and discharge of duties as a director or as a member of a Board committee.

The company will reimburse the director for the reasonable expenses of obtaining that advice.

Conflicts of interest

Directors are required to avoid conflicts of interest and immediately inform their fellow directors should a conflict of interest arise. Directors are also required to advise the company of any relevant interests that may result in a conflict.

The Board has adopted the use of formal standing notices in which directors disclose any material personal interests and the relationship of these interests to the affairs of the company. A director is required to provide an updated notice to disclose any new material personal interests or if there is any change in the nature or extent of a previously disclosed interest.

Where a matter in which a director has a material personal interest is being considered by the Board, that director must not be present when the matter is being considered or vote on the matter, unless all of the other directors have passed a resolution to enable that director to do so or the matter comes within a category of exception under the Corporations Act 2001.

Committees of the Board

The Board has established an Audit Committee and a Nomination Committee and a Remuneration Committee as standing committees to assist the Board in the discharge of its responsibilities.

These committees review matters on behalf of the Board and (subject to the terms of the committee's Charter):

- refer matters to the Board for decision, with a recommendation from the committee (where the committee acts in an advisory capacity); or
- determine matters (where the committee acts with delegated authority), which it then reports to the Board.

Nomination Committee

The specific responsibilities of the Nomination Committee are set out in the committee's Charter, which reflects the requirements of the ASX Principles.

The Nomination Committee's responsibilities include:

- reviewing Board and committee composition and recommending new appointments to the Board and the committees;
- ensuring an effective induction programme for directors; and
- reviewing Board succession plans.

The members of the Nomination Committee at the date of this report are:

- Mr Tony Saad (Chairman)
- Mr Michael Whelan
- Ms Corriene Karam

The operation and responsibilities of the Nomination Committee are consistent with ASX Principle 2. The Board considers that the company has not met all of the requirements of ASX Principle 2 in as much as it does not have a majority of independent Directors on the Nomination Committee.

Details of meeting attendance for committee members are set out in the Directors' Report on page 18 of this Annual Report.

A summary of the committee's Charter is available from the corporate governance section of the company's website.

Audit Committee

Further information about the Audit Committee is provided in this statement under Principle 4: Safeguard Integrity in Financial Reporting.

Remuneration Committee

Further information about the Remuneration Committee is provided in this statement under Principle 8: Remunerate Fairly and Responsibly.

Review of Board performance

The Board conducts a self evaluation performance review twice a year covering the Board and its standing committees. Feedback on the performance of the Board and its committees was obtained through peer assessment held during Board meetings.

Review of performance by executive directors

Details of the performance review process for executive directors are set out in the Remuneration Report, which forms part of the Directors' Report on pages 19 and 24 of this Annual Report.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION -MAKING

Conduct and ethics

The Board has adopted a Code of Conduct to guide the directors and promote high ethical and professional standards and responsible decision-making.

In addition, the company has adopted a Code of Ethics and Conduct for all employees (including directors).

The Code of Ethics and Conduct is aimed at maintaining the highest ethical standards, corporate behaviour and accountability across the group. Employees and directors are expected to respect the law; respect confidentiality; properly use group assets, information and facilities; value and maintain professionalism; avoid conflicts of interest; act in the best interests of shareholders; contribute to the company's reputation as a good corporate citizen; and act with honesty, integrity, decency and responsibility at all times.

TMA encourages the reporting of unlawful and unethical behaviour, actively promotes and monitors compliance with the Code of Ethics and Conduct, and protects those who report breaches in good faith.

The Code of Ethics and Conduct provides protection to whistleblowers, as required by the Corporations Act 2001.

Under the code, whistleblowers are protected from any disadvantage, prejudice or victimisation for reports made in good faith of any breaches of the code or the Corporations Act 2001.

The Board has appointed protected disclosure officers (Mr Tony Saad, a non-executive Director and the Company Secretary) to receive reports and manage investigations in relation to potential breaches of the Corporations Act 2001.

Guidelines were developed to assist directors and senior executives to manage reports of whistleblower complaints.

The Board's Code of Conduct and the Code of Ethics and Conduct are consistent with ASX Principle 3.

Summaries of the codes are available from the corporate governance section of the company's website.

Share Trading Policy

The company's Share Trading Policy reinforces the requirements of the Corporations Act 2001 in relation to insider trading. The policy states that all employees and directors of the company, and its related companies, are expressly prohibited from trading in the company's securities, or securities in other entities in which TMA has an interest, if they are in possession of "inside information".

A director of TMA or a member of the Executive Committee (a committee comprised of senior executives of the group including divisional managing directors and chaired by the Managing Director) who intends to buy or sell shares must:

- advise the Company Secretary in advance of their intention to trade;
- confirm that they do not hold unpublished inside information; and

- have been advised by the Company Secretary that there is no known reason to preclude the proposed trading.

The company's Share Trading Policy require TMA directors and members of the Executive Committee to advise the Company Secretary if they intend to enter into, or have entered into, a margin lending or other security arrangements affecting the company's securities.

The Company Secretary, in consultation with the Chairman, determines if such arrangements are material and therefore require disclosure to the market.

Each director and Executive is also required to notify the Company Secretary of any trade in the company's securities, or an associated entity's securities, within three business days.

The company's Share Trading Policy prohibits executive directors and members of the Executive Committee from entering into transactions or arrangements which transfer the risk of any fluctuation in the value of shares obtained under TMA's long term incentive plan whilst the shares are subject to a restriction.

The company's Share Trading Policy is consistent with ASX Principle 3. A summary of the Share Trading Policy is available from the corporate governance section of the company's website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Audit Committee

The Audit Committee monitors internal control policies and procedures designed to safeguard company assets and to maintain the integrity of financial reporting, which is consistent with ASX Principle 4.

The Audit Committee has the following specific responsibilities (as set out in its Charter):

- reviewing all published financial accounts of the company and discussing the accounts with the external auditors and management prior to submission to the Board;
- reviewing any changes in accounting policies or practices and subsequent effects on the financial accounts;
- reviewing with management, the terms of the external audit engagement;
- reviewing and assessing non-audit services to be provided by the external auditor;
- monitoring and assessing the systems for internal compliance and control, legal compliance and risk management;
- reviewing and monitoring the company's continuous disclosure policies and procedures; and
- advising on the appointment, performance and remuneration of the external auditor.

The members of the Audit Committee at the date of this report are:

- Mr Tony Saad (Chairman)
- Mr Michael Whelan
- Ms Corriene Karam(member to 28 July 2009)
- Mr James Schwarz (member from 28 July 2009)

The Managing Director, the Operations Director, CFO, the Group Procurement Manager, the Company Secretary, the external auditor Hill Rogers Spencer Steer Assurance Partners, and any other persons considered appropriate, attend meetings of the Audit Committee by invitation.

The committee also meets from time to time with the external auditor in the absence of management.

The operations and responsibilities of the committee are consistent with ASX Principle 4.

The Board considers that the company has not met all of the requirements of ASX

Principle 4 in as much as not all members are non-executive and it did not have a majority of independent Directors on the Audit Committee prior to 28 July 2009.

The committee met two times during the year ended 30 June 2010. Details of meeting attendance for committee members are set out in the Directors' Report on page 18 of this Annual Report.

The Audit Committee's Charter is available from the corporate governance section of the company's website.

Independence of the external auditor

Appointment of auditor

The company's external auditor is Hill Rogers Spencer Steer Assurance Partners.

The effectiveness, performance and independence of the external auditor are reviewed by the Audit Committee.

If it becomes necessary to replace the external auditor for performance or independence reasons, the Audit Committee will formalise a procedure and policy for the selection and appointment of a new auditor.

Independence declaration

The Corporations Act 2001 requires the external auditor to make an annual independence declaration, addressed to the Board, declaring that the auditor has maintained its independence in accordance with the Corporations Act 2001 and the rules of the professional accounting bodies.

Hill Rogers Spencer Steer Assurance Partners has provided an independence declaration to the Board for the financial year ended 30 June 2010.

The independence declaration forms part of the Directors' Report and is provided on page 25 of this Annual Report.

Rotation of lead external audit partner

Mr Xavier Ugarte is the lead audit partner for Hill Rogers Spencer Steer Assurance Partners in relation to the audit of the company.

Mr Xavier Ugarte was appointed on 28 November 2008.

Restrictions on the performance of non-audit services by external auditors

As part of the company's commitment to safeguarding integrity in financial reporting, the company has implemented procedures and policies to monitor the independence and competence of the company's external auditor.

The Audit Committee has implemented a process that requires the prior approval of the Company Secretary for the provision of any non-audit services to the company or its related companies by the external auditor. In cases of uncertainty, a proposed engagement is referred to the Audit Committee. The Audit Committee has also approved guidelines to assist in identifying the types of services that may compromise the independence of the external auditor.

Examples of services that are considered to potentially compromise audit independence include valuation services and internal audit services. Details of fees paid (or payable) to Hill Rogers Spencer Steer Assurance Partners for non-audit services provided to TMA in the year ended 30 June 2010 are set out in the notes on page 85 of this Annual Report.

The Board has considered the nature of the non-audit services provided by the external auditor during the year and has determined that the services provided, and the amount paid for those services, are compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 and that the auditor's independence has not been compromised.

Attendance of external auditors at annual general meetings

In accordance with ASX Principle 6 and the Corporations Act 2001, Hill Rogers Spencer Steer Assurance Partners attend and are available to answer questions at the company's annual general meetings.

In addition to their right to ask questions at annual general meetings, shareholders may submit written questions for the external auditors to the Company Secretary no later than five business days before an annual general meeting.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Continuous disclosure

The company understands and respects that timely disclosure of price sensitive information is central to the efficient operation of the securities market and has adopted a comprehensive Market Disclosure Policy covering:

- announcements to the ASX ;
- prevention of selective or inadvertent disclosure;
- conduct of investor and analysts briefings;
- media communications;
- commenting on expected earnings;
- communication black-out periods; and
- review of briefings and communications.

Under the Continuous Disclosure Policy, the Company Secretary, as the nominated disclosure officer, has responsibility for overseeing and co-ordinating the disclosure of information by the company to the ASX and for administering the policy and the group's continuous disclosure education programme.

The Company Secretary, as the disclosure officer, is also responsible for referring matters to the Board's Disclosure Committee. Matters referred to the Disclosure Committee, and decisions made by the committee, are recorded and referred to the Board at its next meeting. The Disclosure Committee is comprised of the Managing Director and one other Director.

The Market Disclosure Policy, and the associated training and education programme, is reviewed and monitored by the Audit Committee. Compliance with the policy is also monitored by the Board. The company's Continuous Disclosure Policy is consistent with ASX Principle 5. A copy of the policy is available from the corporate governance section of the company's website.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Communications with shareholders

The company places considerable importance on effective communications with shareholders.

The company's Communications Policy promotes the communication of information to shareholders through the distribution of an annual report and half-year report, announcements through the ASX and the media regarding changes in its businesses, and the Chairman's address at the annual general meeting.

The company regularly reviews its communications policies and underlying processes to ensure effective communications with shareholders is maintained.

A copy of the Communications Policy is available from the corporate governance section of the company's website.

Annual general meeting

The company's annual general meeting is a major forum for shareholders to ask questions about the performance of TMA. It is also an opportunity for shareholders to provide feedback to the company about information provided to shareholders.

The company welcomes and encourages shareholder participation at general meetings to continue to improve the company's performance and shareholder communications.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Risk oversight and management

The company is committed to the identification; monitoring and management of material business risks associated with its business activities across the group and has embedded in its management and reporting systems a number of overarching risk management controls.

The risk management controls adopted by the company include:

- guidelines and limits for approval of capital expenditure and investments;
- a group compliance programme supported by approved guidelines and standards covering safety, the environment, legal liability, risk identification, quantification and reporting, and financial controls;
- a comprehensive risk financing programme including risk transfer to external insurers and reinsurers;
- policies and procedures for the management of financial risk and treasury operations, including exposures to foreign currencies and movements in interest rates;
- a formal dynamic planning process of preparing five year strategic plans each year for all businesses in the group;
- annual budgeting and monthly reporting systems for all businesses, which enable the monitoring of progress against performance targets and the evaluation of trends;
- directors' financial due diligence questionnaires to management;
- appropriate due diligence procedures for acquisitions and divestments; and
- crisis management systems for all key businesses in the group.

A copy of the Risk Management Policy is available from the corporate governance section of the company's website.

Divisional autonomy and responsibility to the Board

Divisional management is ultimately responsible to the Board for the division's internal control and risk management systems and is required to regularly report to it on the effectiveness of the systems in managing the division's material business risks.

Role of the Audit Committee and the internal audit function

The audit Committee assists the board in relation to risk management. The Audit Committee executes this function through a compliance reporting programme developed to encompass the areas identified as most sensitive to risk.

The internal audit function is independent of the external audit function. The Group CFO monitors the internal control framework of the group and provides reports to the Audit Committee. The Audit Committee approves the internal audit charter and the annual internal audit plan to ensure that planned audit activities are aligned to material business risks.

Financial reporting

CEO and CFO declaration and assurance

Consistent with ASX Principle 7 and section 295A of the Corporations Act 2001, the Managing Director (Chief Executive Officer) and Chief Financial Officer provided a written statement to the

Board ("Declaration") that, in their opinion:

- the company's financial report presents a true and fair view of the company's financial condition and operating results and is in accordance with applicable accounting standards; and
- the company's financial records for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001.

With regard to the financial records and systems of risk management and internal compliance in this written statement, the Board received assurance from the Managing Director and Finance Director that the Declaration was founded on a sound system of risk management and internal control and that the system was operating effectively in all material aspects in relation to the reporting of financial risks.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Board remuneration

Remuneration pool

The current annual remuneration pool for non-executive directors is $250,000. This fee pool was approved by shareholders at the 1997 annual general meeting.

Details of annual fee rates are set out in the Remuneration Report, which forms part of the Directors' Report on pages 19 to 23 of this Annual Report.

Remuneration of executive directors and senior executives

Details of remuneration for executive directors and senior executives are set out in the Remuneration Report, which forms part of the Directors' Report on pages 19 to 23 of this Annual Report.

The Remuneration Report also sets out details of remuneration practices and policies of TMA.

Remuneration Committee

The specific responsibilities of the Remuneration Committee are set out in the committee's Charter, which reflects the requirements of ASX Principle 8.

The Remuneration Committee's responsibilities include:

- reviewing and making recommendations to the Board on remuneration for the non-executive directors and fixed and variable remuneration of the Managing Director (including the level of participation in the long term incentive plan);
- reviewing and approving recommendations from the Managing Director on fixed and variable remuneration for senior executives (including the level and nature of participation in the long-term incentive plan); and
- reviewing and approving human resources policies and practices for senior executives.

The members of the Remuneration Committee at the date of this report are:

- Mr Tony Saad (Chairman)
- Mr Michael Whelan
- Ms Corriene Karam

The operation and responsibilities of the Remuneration Committee are consistent with ASX Principle 8. The composition of the Committee however has not met all of the requirements of ASX Principle 8 in as much as it does not have a majority of independent Directors.

The committee met once during the year ended 30 June 2010. Details of meeting attendance for committee members are set out in the Directors' Report on page 18 of this Annual Report.

A summary of the committee's Charter is available from the corporate governance section of the company's website.

Corporate governance documents

Please visit our website: (www.tmagroup.com.au) to view this **Corporate Governance Statement** and copies or summaries of corporate governance documents including:

- **Board Charter**, including the following

Attachment A…	Audit Committee Charter
Attachment B…	Nomination Committee Charter
Attachment C…	Risk Management Policy
Attachment D…	Remuneration Committee Policy
Attachment E…	Materiality Disclosure Policy
Attachment F…	Remuneration Policy
Attachment G…	Election of Directors Policy
Attachment H…	Whistle Blower Policy
Attachment I…	Share Trading Policy
Attachment J…	CEO & CFO Attestations
Attachment K…	Continuous Disclosure Policy
Attachment L…	Shareholder Communication Strategy
Attachment M…	Company Code of Conduct

- **Comparison to ASX CGC 8 Principles**

Directors' Report

The Directors of TMA Group of Companies Limited present the annual financial report of the company for the financial year ended 30 June 2010. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

1. Directors

The names and particulars of the directors of the company during or since the end of the financial year are:

Name	Particulars
Mr Michael Whelan	Chairman from 28 November 2008, Managing Director and Chief Executive Officer from July 2005 to 22 October 2008, Finance Director from January 2003 and CFO from October 2000. GAICD, Accountant CPA with extensive experience in finance and management from diversified industries both within Australia and overseas.
Mr Anthony Karam	Managing Director and Chief Executive Officer with over twelve years experience in the thermal paper market. Joined the Board on 22 October 2008.
Ms Corriene Karam	Operations Director, brings over ten years experience in the position to TMA. Joined the Board on 22 October 2008.
Mr Tony Saad	MBA, consultant specialising in business development, strategy, marketing, contract management and negotiation. Joined the Board in a non-executive capacity on 22 October 2008.
Mr James Schwarz	LLB with 14 years experience in merchant banking, corporate finance and private equity investment, joined the Board on 28 July 2009 in a non-executive capacity.

The above named directors held office during and since the end of the financial year except for:

Mr James Schwarz	- appointed 28 July 2009

Directorships of other listed companies

No directors held directorships of other listed companies in the 3 years immediately before the end of the financial year.

Company Secretary

Ms Willemien de Rie	Accountant, Cert CSA, joined TMA Group of Companies Limited on 22 March 2010.
Mr Gary Drewett	Accountant, ACA, period from 2002 to 22 March 2010.

2. Principal Activities

The Group's principal activities in the course of the financial year were the manufacture and sale of tickets, tags, labels and receipts on paper or film products, including the marksense tickets for the wagering industry and the research and development of thermal paper and film products.

During the financial year we acquired TTM Parking and Abacus Security which has expanded our principle activities to include 'off street parking', 'parking guidance systems' and 'security systems'.

TMA has, through organic growth and these acquisitions entered into new markets and as such have disclosed a new segment called 'Technology'.

Otherwise there was no significant change in the nature of those activities.

3. Review of Operations

The Group's profit before income tax for the year of $3,978,000 compared to $2,886,000 in the previous year.

The financial results for this year compared to last year are as follows:

	30 June 2009	% of Sales	**30 June 2010**	% of Sales	**% 09 to 10 Movement**
	$'000		$'000		
Sales	**44,888**		**55,190**		**23%**
EBITDA	4,754	11%	6,015	11%	27%
EBIT	3,427	8%	4,337	8%	27%
Profit before tax	**2,886**	**6%**	**3,978**	**7%**	**38%**
Profit after tax	2,847	6%	3,066	6%	8%

Commentary on the results

The Group continued its strong trend of revenue growth in 2010 with revenue increasing by 23%. This is additional to the 2009 revenue growth of 21%. Profit before tax (PBT) was up again by 38% on the previous year.

The ongoing delivery of growth by the Group continues with S E Asia and Australia & New Zealand growing by 56% and 28% respectively.

PBT increased 38% over the previous year, with improvements coming from our Australian & NZ region with growth of 11% alongside a 48% reduction in the losses generated by the China business.

As the Group continues to deliver its growth and profit strategy there have been a number of significant one off costs. These include acquisition costs, management restructure costs and PCSO contract bidding and implementation costs. The underlying EBITDA, Net Profit after Tax and EPS are as follows:

	30 June 2010	% of Sales	**% 09 to 10 Movement**
	$'000		
EBITDA	7,083	13%	49%
Profit after tax	3,814	7%	34%
EPS	$0.0325		32%

Strong cash flow has resulted in a net debt falling to $3,047,000 which represents about 16% of total equity compared to 34% in 2009. There was also significant improvement in Interest Cover (EBIT / net interest expense) to 8.1 times for the year against 5.9 times for 2009.

Review of Operations (cont'd)

The strong profit result and positive cash flow generation reflects the full year impact of the initiatives taken in the previous year to underpin margins. A stronger Australian dollar coupled with these initiatives, which included selective price increases, improved purchasing terms and tight working capital controls, held through the financial year.

Our solid profit before tax growth of 38% is beginning to reflect the benefits from our continued growth and merger integration programme.

The low level of net debt positions TMA for future growth. The Group is well placed to pursue both organic growth and other complementary acquisitions.

Australia and New Zealand

The Directors are very pleased to see the Group win major contracts from 'blue chip' customers, reinforcing TMA's reputation for product quality and service capability. Examples of our recent major contracts are-

- **Coles Label Contract**

The Group announced on 27 July 2010 that TMA Australia Pty Limited, has won a new contract to supply in store and distribution centre self adhesive labels to the Coles Division of Wesfarmers Limited (ASX code WES). The contract term is for a period of up to five years which represents a significant expansion of TMA's labels business. Initial estimates indicate that the contract will generate revenue of approximately $7 million per annum.

- **Qantas Print Management**

The Group announced on 18 August 2010 that TMA Australia Pty Limited has been awarded the Qantas Print Management Contract, related to the procurement, execution and delivery of all printed matters for Qantas Airways Limited (ASX:QAN).

The 2 year agreement, with a 1 year option, is expected to generate up to $10 million of annual revenue for the Group and is in addition to TMA's existing contract with Qantas.

- **Perth Airport**

The Group announced on 25 August 2010 that TMA Australia Pty Limited has been awarded the contract to supply and install car park access and control equipment at Perth Airport.

This contract is to supply and install the latest technology in parking equipment including licence plate recognition, online reservation system and the new print @ home ticket for customers and will generate revenue of up to $4 million during the current financial year.

TMA Australia Pty Limited has also secured an ongoing preventative maintenance agreement as part of the contract.

- **Acquisitions**

In addition to the organic growth the Group expects to continue to pursue new business opportunities like the acquisition of Premier Business Group which will bring estimated annual sales of AUD7 million to the Group with a strong EBITDA margin of 15%, prior to synergies.

Review of Operations (cont'd)

Premier will provide further diversification of TMA's manufacturing capability whilst also adding products and broadening the scope of TMA. We anticipate significant synergies with our existing operation in New Zealand which will be extracted without any further investment cost to TMA.

Philippines

The joint venture with the Philippines Charity and Sweepstakes Organisation "PCSO" as announced on 18 December 2009 has effectively commenced from 1 July 2010 with similar volumes to the old agreements. September 2011 remains the time that the full contract will transition to us which is expected to effectively increase our volume by a factor of 3 to 4 times our current volumes.

The agreement provides for a profit sharing joint venture (JV) between the PCSO and TMA, with the JV to establish the first thermal coating plant in the Philippines and to provide all of the required consumables used by the PCSO in all current and future gaming activities. Under the JV, TMA will retain 80% of the JV's profit and the PCSO will receive 20%.

This new agreement will provide a number of benefits to the Group. In particular it will:

- Secure our long term business in the Philippines;
- Significantly increase the volume of business in the Philippines;
- Improve our operating margins for the direct product supplied into the Philippines;

Additionally:

- This Joint Venture resides directly with the PCSO with no involvement of any third party intermediaries; and
- Being the first thermal coating plant in the Philippines, this opens opportunities for us to participate in the broader Philippines and S E Asian markets.

This Joint Venture represents a significant milestone and achievement in securing the long term growth and profitability of the Group.

Our China Result

TMA continues to invest a significant amount of time and money on the China business. As a result of these activities the China business has incurred a loss of $542,000 down from $1,046,000 for the previous financial year. While this is a disappointing result, it is critical to understand that this has been driven by the need to restructure and reposition our products in the China market to create the right base for the future growth and profitability.

Our People

Our people are the heart of our organisation and the key to its ongoing success. I would like to acknowledge and thank all our staff for their continual commitment, understanding and hard work.

Outlook

In line with our recent ASX releases, TMA expects our revenues will continue to grow by more than 15% each year for the next 2 years. It is also expected that our profit will continue to grow and improve as the ongoing process of business improvement and synergies are realised.

The FY10-11 growth will come from the new work for Coles and Qantas along with the acquisition of TTM and Premier Business Group; the following year's growth being underpinned by the Philippine Charity Sweepstakes Organisation (PCSO).

Review of Operations (cont'd)

TMA continues to maintain its strong focus on profitable organic and acquisition growth.

Subsequent Events

TMA has signed a share sale agreement to purchase Premier Business Group ("Premier") in New Zealand with an expected completion date of 30 September 2010.

As advised in our ASX release dated 23 August 2010, Premier is expected to add estimated annual sales of AUD7 million to the Group with a strong EBITDA margin of 15%, prior to synergies. The business has been acquired at a multiple of less than four times EBITDA with part of the consideration deferred over two years.

TMA also advise that we have completed negotiations to both increase and renew our banking facilities with the National Australia Bank (NAB) for a further 3 years.

No other matter or circumstance, other than that referred to in the financial statements or notes thereto, has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Future Developments

Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

4. Dividends

TMA did not declare or pay any dividends during the current or preceding financial year to the holders of ordinary shares. TMA Australia Pty Limited did pay $695,000 of the dividend that was declared by TMA Australia Pty Limited prior to the merger with Mark Sensing Limited (2009: TMA Australia Pty Limited prior to joining the consolidated group of Mark Sensing Limited declared $853,000 and paid $148,000).

In respect of the financial year ended 30 June 2010, the directors recommend the payment of a dividend of 0.9 cents per share, franked to 100% at 30% corporate income tax to the holders of the cumulative, redeemable preference shares on 31 August 2010. This dividend was recognised as a liability at the reporting date.

5. Change in the State of Affairs

During the financial year there was no significant change in the state of affairs of the Group other than that referred to in the financial statements or notes thereto.

6. Subsequent Events

TMA has signed a share sale agreement to purchase Premier Business Group ("Premier") in New Zealand with an expected completion date of 30 September 2010.

We also advise that we have completed negotiations to both increase and renew our banking facilities with the National Australia Bank (NAB) for a further 3 years.

As advised in our ASX release dated 23 August 2010, Premier is expected to add estimated annual sales of AUD7 million to the Group with a strong EBITDA margin of 15%, prior to synergies. The business has been acquired at a multiple of less than four times EBITDA with part of the consideration deferred over two years.

Subsequent Events (cont'd)

No other matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

7. Future Developments
Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

8. Share Options
Share Options Granted to Directors and Executives
During and since the end of the financial year no share options were granted.

Executive and Employee Share Option Plan
During and since the end of the financial year no executive and employee share option plan options were granted or exercised.

Performance Based Option Plan
During and since the end of the financial year no performance based options were granted or exercised.

9. Directors' Meetings
The following table sets out the number of Directors' meetings (including meetings of Committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a director or committee member). During the financial year, 13 Board meetings, 2 Audit Committee meetings, 1 Nomination Committee and Remuneration Committee meeting were held.

	Board of Directors		Audit Committee		Nomination Committee		Remuneration Committee	
Directors	**Held**	**Attend**	**Held**	**Attend**	**Held**	**Attend**	**Held**	**Attend**
M. Whelan	13	13	2	2	1	1	1	1
A. Karam	13	13	-	-	-	-	-	-
C. Karam	13	12	1	1	-	-	-	-
T. Saad	13	10	2	2	1	1	1	1
J. Schwarz	13	11	2	2	1	1	1	1

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 42 to the financial statements.

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 42 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and

Non-audit services (cont'd)

- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Auditor's independence declaration

The auditor's independence declaration is included on page 25 of the annual report.

10. Directors' Shareholdings

The following table sets out each director's relevant interest in shares and options of the company as at the date of this report.

Director	Fully Paid Ordinary Shares	Unlisted Redeemable Preference Shares	Options
A. Karam *	94,775,593	14,666,666	-
C. Karam	-	-	-
T. Saad	-	-	-
M. Whelan	-	-	-
J. Schwarz *	250,000	-	-

* Includes shares held jointly or otherwise by entities associated with the director.

11. Remuneration Report

The directors of TMA during the year were:

- M. Whelan Executive Chairman.
- A. Karam Chief Executive officer.
- C. Karam Operations Director.
- T. Saad Non-executive Director.
- J. Schwarz Non-executive Director (appointed 28 July 2009).

The senior management, including the five highest remunerated company and Group executives during the year were:

- M. Howell Sales & Marketing Manager
- R. Weaver General Manager Mark Sensing - Shanghai
- L. Smith National Security Manager
- J. Budden Supply Chain Manager (resigned 18 June 2010)
- G. Aloe NSW Operations Manager

The Board reviews the remuneration packages of all Directors and Executive Officers on an annual basis. Remuneration packages are reviewed with due regard to performance and other relevant factors.

In order to retain and attract executives of sufficient calibre to facilitate the efficient and effective management of the company's operations, the Board seeks the advice of external advisers in connection with the structure of remuneration packages.

11. Remuneration Report (cont'd)

Remuneration packages contain the following key elements:

- Salary/fees;
- Benefits – including the provision of motor vehicle, superannuation; and
- Incentive schemes – including discretionary performance related bonuses and the discretionary issue of share options under the executive and employee share option plan as disclosed in note 35 to the financial statements.
  (No options were issued or exercised under this scheme in the current or prior financial year)

The following table discloses the remuneration of the Directors of the company:

		Short - term		Post Employment	Equity		
2010	**Salary/ Fee**	**Other**	**Non Monetary**	**Super-annuation**	**Options**	**Other Benefits**	**Total**
Name	**$**	**$**	**$**	**$**	**$**	**$**	**$**
A. Karam (ii) C. Karam (ii)	750,000	-	19,209	-	-	-	769,209
T. Saad (iii)	50,000	-	-	-	-	-	50,000
J. Schwarz	22,917	-	-	-	-	-	22,917
M. Whelan (i)(vi)	241,284	877(b)	5,097	14,725	-	3,713(a)	265,696
	1,064,201	877	24,306	14,725	-	3,713	1,107,822

		Short - term		Post Employment	Equity		
2009	**Salary/ Fee**	**Other**	**Non Monetary**	**Super-annuation**	**Options**	**Other Benefits**	**Total**
Name	**$**	**$**	**$**	**$**	**$**	**$**	**$**
A. Karam (i) (iv)	275,068	22,922(b)	50,414	9,452	-	4,585(a)	362,441
C. Karam (i) (v)	240,685	20,057(b)	27,414	9,452	-	4,011(a)	301,619
T. Saad (iii)	30,699	-	-	2,763	-	-	33,462
M. Whelan (i) (vi)	231,821	(3,776)(b)	3,274	17,568	-	7,683(a)	256,571
P. Sherman	35,833	-	-	-	-	-	35,833
G. Duff	16,667	-	-	-	-	-	16,667
	830,773	39,203	81,102	39,235	-	16,279	1,006,592

(a) Long service leave
(b) Annual leave

Details of elements of compensation related to performance:

(i) Executives who are remunerated by the company.
(ii) Engaged under contract with Antcor Pty Limited from 1 July 2009.
An annual contract package of $750,000 per annum, plus GST plus FBT.
The contract has no fixed term. Termination is by either party giving the other 1 months notice.
(iii) Mr Saad is also associated with a company which receives fees of $38,088 (2009: $55,440) for consulting services provided.

11. Remuneration Report (cont'd)

(iv) On 22 October 2008, Mr Anthony Karam was appointed CEO and the details of his employment contract as approved by shareholders on that same day are as follows:

- A base salary package of $400,000 per annum, plus statutory superannuation subject to annual review.
- A discretionary cash performance bonus to be determined by the remuneration committee. This bonus is not subject to pre-determined thresholds.
- Termination payments limited to a maximum of 6 month's base salary. A 2 month notice period is required to terminate the contract.
- A fully maintained motor vehicle.
- The contract has a fixed term of five years. Alternatively Mr Karam could elect for early termination by giving the Company 6 months notice.

(v) On 22 October 2008, Ms Corriene Karam was appointed Operations Director and the details of her employment contract as approved by shareholders on that same day are as follows:

- A base salary package of $350,000 per annum, plus statutory superannuation subject to annual review.
- A discretionary cash performance bonus to be determined by the remuneration committee. This bonus is not subject to pre-determined thresholds.
- Termination payments limited to a maximum of 6 month's base salary. A 2 month notice period is required to terminate the contract.
- A fully maintained motor vehicle.
- The contract has a fixed term of five years. Alternatively Ms Karam could elect for early termination by giving the Company 6 months notice.

(vi) Mr M Whelan Executive Chairman and the details of his employment contract dated 16 September 2002 (amended and effective 1 January 2006) are as follows:

- A base salary package including superannuation of $250,000 per annum, subject to annual review.
- A discretionary cash performance bonus to be determined by the remuneration committee. This bonus is not subject to pre-determined thresholds.
- Termination payments limited to a maximum of 1 year's base salary. A 3 month notice period is required to terminate the contract.
- Motor vehicle running costs are reimbursed.
- The contract does not have a fixed term, however is subject to 3 months notice to terminate.

No other director or executive has a contract of employment with elements of remuneration linked to performance. The remuneration of non-executive directors is competitive for the industry and in keeping with the responsibilities of public company directors. Remuneration for non-executive directors comprises fixed fees, which may be in the form of cash, non-cash benefits and superannuation. No part of the remuneration is incentive-based, other than the discretionary bonuses and share options.

The following table discloses the remuneration of the senior management including the five highest remunerated executives of the Group:

11. Remuneration Report (cont'd)

		Short – term		Post Employment	Equity		
2010	**Salary/ Fee**	**Other**	**Non Monetary**	**Super-annuation**	**Options**	**Other Benefits**	**Total**
Name	**$**	**$**	**$**	**$**	**$**	**$**	**$**
R. Weaver	225,983	(838)(b)	-	14,725	-	-	239,870
M. Howell	201,799	4,453(b)	-	18,162	-	-	224,414
J. Budden	164,172	(26,738)(b)	-	14,775	-	-	152,209
G. Aloe	138,821	(10,651)(b)	-	9,794	-	706(a)	138,670
L. Smith	116,496	9,608(b)	-	10,485	-	129(a)	136,718
	847,271	(24,166)	-	67,941	-	835	891,881

		Short - term		Post Employment	Equity		
2009	**Salary/ Fee**	**Other**	**Non Monetary**	**Super-annuation**	**Options**	**Other Benefits**	**Total**
Name	**$**	**$**	**$**	**$**	**$**	**$**	**$**
M. Howell (vii)	214,544	7,281(b)	-	19,309	-	-	241,133
R. Weaver (viii)	139,603	9,584(b)	10,096	9,936	-	-	169,218
G. Baldock	101,442	14,009(b)	42,442	5,769	-	1,691(a)	165,353
J. Grazotis	101,305	(1,356)(b)	21,869	9,000	-	1,947(a)	132,765
G. Drewett	111,927	5,564(b)	-	10,073	-	2,179(a)	129,744
	668,821	35,082	74,407	54,087	-	5,817	838,214

(a) Long service leave
(b) Annual leave

(vii) From date of merger 22 October 2008
(viii) Appointed 10 November 2008

<u>Company Performance and Shareholder Wealth</u>
Below is a table summarising key Group performance and shareholder wealth statistics for the Group over the last five years.

The Board will continue to review and monitor the remuneration and incentive framework to ensure that performance is fairly rewarded and encouraged, and to attract, motivate and retain a high quality executive team.

Financial Year	EBITDA $'000	EPS Cents*	Total DPS Cents	Share Price Cents *
30 June 2008	2,086	1.98	-	16
N.B. TMA / MSL Merged on 22 Oct 2008				
30 June 2009	4,754	2.47	-	16
(After 10:1 Share Consolidation)				
30 June 2010	6,015	2.51	-	23

* Prices shown have been adjusted for the 10:1 share consolidation.

12. Indemnification and Insurance of Officers and Auditors

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company, the Company Secretary, and all Executive Officers of the company and of any related body corporate against a liability incurred as such a Director, Secretary or Executive Officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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

13. Environmental Regulations

The Group's activities are subject to various environmental regulations under both Commonwealth and State legislation.

The Directors are not aware of any breaches of those environmental regulations during or since the end of the financial year.

14. Non Audit Services

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 42 to the financial statements. The non-audit services include taxation services and performing the due diligence for the mergers.

15. Auditor's Independence Declaration

The auditor's independence declaration is included on page 25 of the annual financial report.

16. Rounding off of amounts

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in this report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the Directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors

Anthony Karam
Director

SYDNEY, 31 August 2010.

Hill Rogers Spencer Steer

31 August 2010

The Board of Directors
TMA Group of Companies Limited
6 Straits Avenue,
Granville NSW 2142

Dear Board Members,

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of TMA Group of Companies Limited.

As lead audit partner for the audit of the financial statements of TMA Group of Companies Limited for the financial year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

This declaration is in respect of TMA Group of Companies Limited and the entities it controlled during the period.

Yours sincerely,

HILL ROGERS SPENCER STEER
ASSURANCE PARTNERS

Chartered Accountants

Xavier M. Ugarte

XAVIER M UGARTE

Partner

Sydney

Dated 31 August 2010

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TMA GROUP OF COMPANIES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of TMA Group of Companies Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, 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 controls 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 the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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*.

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Hill Rogers Spencer Steer

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TMA GROUP OF COMPANIES LIMITED

Auditor's Opinion

In our opinion:

a. the financial report of TMA Group of Companies Limited is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2009 and of its performance for the year ended on that date; and

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

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 pages 19 to 23 of the director's report 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 Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conduct in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of TMA Group of Companies Limited for the year ended 30 June 2010 complies with Section 300A of the *Corporations Act 2001*.

HILL ROGERS SPENCER STEER
ASSURANCE PARTNERS

Chartered Accountants

Xavier M. Ugarte

XAVIER M UGARTE

Partner

Sydney

Dated 31 August 2010

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Practising as Hill Rogers Spencer Steer Assurance Partners

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Directors' Declaration

In the opinion of the directors of TMA Group of Companies Limited:

a. the attached consolidated financial statements and notes thereto and the remuneration disclosures that are contained in the Remuneration Report included in the Directors' report are in accordance with the Corporations Act 2001, including:

   1. giving a true and fair view of the financial position of the Consolidated Entity as at 30 June 2010 and of its performance for the financial year ended on that date;
   2. complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and

b. there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable;

c. the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

Anthony Karam
Director

SYDNEY, 31 August 2010.

Consolidated Statement of Comprehensive Income for the Financial Year Ended 30 June 2010

	Notes	Year ended 30/06/10 $'000	Year ended 30/06/09 $'000
Continuing Operations			
Revenue	6	55,190	44,888
Cost of sales		(40,251)	(33,156)
Gross profit		14,939	11,732
Investment revenue	8	35	61
Share of profits from associates	19	221	39
Net foreign exchange loss	9	(29)	(560)
Marketing expenses		(4,695)	(3,705)
Occupancy expenses		(1,445)	(653)
Administration expenses		(4,515)	(3,448)
Finance costs	10	(533)	(580)
Profit Before Income Tax		3,978	2,886
Income tax expense	11	(912)	(39)
Profit for the year	13	3,066	2,847
Other comprehensive income			
Exchange differences on translating foreign operations		116	(685)
Total comprehensive income for the year		3,182	2,162
Profit attributable to:			
Owners of the Company		3,182	2,162
Total comprehensive income attributable to Owners of the Company		3,182	2,162
Earnings Per Share:			
- Basic (cents per share)	14	2.51	2.47
- Diluted (cents per share)	14	2.51	2.47

Notes to the financial statements are included on pages 33 to 86

TMA GROUP OF COMPANIES LIMITED

Consolidated Statement of Financial Position
As at 30 June 2010

	Note	30/06/10 $'000	30/06/09 $'000
ASSETS			
Current Assets			
Cash and bank balances	38	3,738	3,218
Inventories	17	8,937	7,952
Trade and other receivables	15	13,954	8,393
Current tax assets	11.2	183	269
Other assets	16	693	582
Total Current Assets		27,505	20,414
Non-Current Assets			
Investments accounted for using the equity method	19	382	226
Plant and equipment	20	9,726	10,189
Deferred tax assets	11.3	1,337	669
Other intangible assets	21, 22	1,867	687
Total Non-Current Assets		13,312	11,771
Total Assets		40,817	32,185
LIABILITIES			
Current Liabilities			
Trade and other payables	23	10,762	7,975
Borrowings	24	6,267	6,778
Current tax liabilities	11.2	1,319	-
Provisions	25	1,039	1,647
Total Current Liabilities		19,387	16,400
Non-Current Liabilities			
Borrowings	24	518	933
Deferred tax liabilities	11.3	687	703
Provisions	25	1,063	915
Total Non-Current Liabilities		2,268	2,551
Total Liabilities		21,655	18,951
Net Assets		**19,162**	**13,234**
Equity			
Issued capital	28	6,111	3,234
Reserves	29	6,408	6,292
Retained earnings	30	6,643	3,708
Total Equity Attributable to owners of the company		**19,162**	**13,234**

Notes to the financial statements are included on pages 33 to 86

Consolidated Statement of Changes in Equity for the year ended 30 June 2010

Consolidated	Share Capital $'000	Cumulative Preference Shares $'000	General Reserves $'000	Revaluation Reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2008	-	-	-	-	2	1,883	1,885
Reverse acquisition of MSL	3,234	-	5,492	-	-	(169)	8,557
Asset revaluation	-	-	-	1,505	-	-	1,505
Dividend paid	-	-	-			(853)	(853)
Translation of foreign operations exchange differences taken to equity	-	-	(22)	-	-	-	(22)
Profit for the year	-	-	-	-	-	2,847	2,847
Other comprehensive income of the year	-	-	-	-	(685)	-	(685)
Balance at 30 June 2009	3,234	-	5,470	1,505	(683)	3,708	13,234
Dividend paid	-	-	-	-	-	(131)	(131)
Issue of share (share based payment)	677	-	-	-	-	-	677
Issue of non participating preference shares	-	2,200	-	-	-	-	2,200
Profit for the year	-	-	-	-	-	3,066	3,066
Other comprehensive income of the year	-	-	-	-	116	-	116
Balance at 30 June 2010	3,911	2,200	5,470	1,505	(567)	6,643	19,162

Notes to the financial statements are included on pages 33 to 86

TMA GROUP OF COMPANIES LIMITED

Consolidated Statement of Cash Flows
for the year ended 30 June 2010

	Note	Year ended 30/06/10 $'000	Year ended 30/06/09 $'000
Cash flows from operating activities			
Receipts from customers		55,214	45,012
Payments to suppliers and employees		(53,152)	(40,199)
Interest and other costs of finance paid		(639)	(555)
Income tax paid/(tax refund received)		(64)	(604)
Net cash provided by/(used in) operating activities	38.1	1,359	3,654
Cash flows from investing activities			
Interest received		21	54
Payment for intangibles		(1,294)	(219)
Payment for investments		(498)	-
Payments for plant and equipment & intangibles		(706)	(764)
Proceeds from sale of plant and equipment		73	156
Dividends received		65	-
Net cash used in investing activities		(2,339)	(773)
Cash flows from financing activities			
Proceeds on issue of shares		2,878	-
Repayment of borrowings		(375)	(2,177)
Proceeds from borrowings		1,892	2,110
Payment of dividend		(695)	(148)
Repayment of borrowings from Associate company		(2,200)	(195)
Net cash (used in)/provided by financing activities		1,500	(410)
Net increase in cash and cash equivalents		520	2,471
Cash and cash equivalents at the beginning of the year		3,218	747
Cash and cash equivalents at the end of the year	38	3,738	3,218

Notes to the financial statements are included on pages 33 to 86

1. General information

TMA Group of Companies Limited is a listed public company, incorporated and operating in Australia, New Zealand, China and the Philippines.

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Granville, NSW
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2. Summary of Significant Accounting Policies

Adoption of New and Revised Accounting Standards

During the current year the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of the Group.

AASB 3: Business Combinations

In March 2008 the Australian Accounting Standards Board revised AASB 3 and as a result, some aspects of business combination accounting have changed. The changes apply only to business combinations which occur from 1 July 2009. The following is an overview of the key changes and the impact on the Group's financial statements in relation to the acquisition of Abacus and TTM.

Recognition and measurement impact

Recognition of acquisition costs – The revised version of AASB 3 requires that all costs associated with a business combination be expensed in the period in which they were incurred. Previously such costs were capitalised as part of the cost of the business combination.

As such $145,000 of costs associated with the acquisition of Abacus and TTM were expensed during the current financial year.

Measurement of contingent considerations – The revised AASB 3 requires that contingent considerations associated with a business combination be included as part of the cost of the business combination. They are recognised at the fair value of the payment calculated having regard to probability of settlement. Any subsequent changes in the fair value or probability of payment are recognised in the statement of comprehensive income except to the extent where they relate to conditions or events existing at acquisition date, in which case the consideration paid is adjusted. The previous version of AASB 3 allowed such changes to be recognised as a cost of the combination impacting goodwill.

Recognition of contingencies – The revised AASB 3 prohibits entities from recognising contingencies associated with a business combination, unless they meet the definition of a liability.

Disclosure impact

The revised AASB 3 contains a number of additional disclosure requirements not required by the previous version of AASB 3. The revised disclosures are designed to ensure that user's of the Group's financial statements are able to understand the nature and financial impact of any business combinations on the financial statements.

2. Summary of Significant Accounting Policies (cont'd)

AASB 8: Operating Segments
In February 2007 the Australian Accounting Standards Board issued AASB 8 which replaced AASB 114: Segment Reporting. As a result, some of the required operating segment disclosures have changed with the addition of a possible impact on the impairment testing of goodwill allocated to the cash generating units (CGUs) of the entity. Below is an overview of the key changes and the impact on the Group's financial statements.

Measurement Impact
Identification and measurement segments – AASB 8 requires the 'management approach' to the identification measurement and disclosure of operating segments. The 'management approach' requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker, for the purpose of allocating resources and assessing performance. This could also include the identification of operating segments which sell primarily or exclusively to other internal operating segments. Under AASB 114, segments were identified by business and geographical areas, and only segments deriving revenue from external sources were considered.
The adoption of the 'management approach' to segment reporting has resulted in a redesignation of the Group's reportable segments.
Under AASB 8, operating segments are determined based on management reports using the 'management approach', whereas under AASB 114 financial results of such segments were recognised and measured in accordance with Australian Accounting Standards. Following the adoption of AASB 8, the identification of the Group's reportable segments has changed.

Impairment testing of the segment's goodwill
AASB 136: Impairment of Assets, paragraph 80 requires that goodwill acquired in a business combination shall be allocated to each of the acquirer's CGUs, or group of CGUs that are expected to benefit from the synergies of the combination. Each cash generating unit (CGU) which the goodwill is allocated to must represent the lowest level within the entity at which goodwill is monitored, however it cannot be larger than an operating segment. Therefore, due to changes in the identification of segments, there is a risk that goodwill previously allocated to a CGU which was part of a larger segment could now be allocated across multiple segments if a segment had to be split as a result of changes to AASB 8.
Management have considered the requirements of AASB 136 and determined the implementation of AASB 8 has not impacted the CGUs of each operating segment.

Disclosure Impact
AASB 8 requires a number of additional quantitative and qualitative disclosures, not previously required under AASB 114, where such information is utilised by the chief operating decision maker. This information is now disclosed as part of the financial statements.

AASB 101: Presentation of Financial Statements
In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the group's financial statements.

Disclosure Impact
Terminology changes – The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.
Reporting changes in equity – The revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income.

2. Summary of Significant Accounting Policies (cont'd)

The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income - The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The group's financial statements now contain a statement of comprehensive income.

Other comprehensive income – The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

Standards and interpretations adopted with no effect on financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

AASB 2008-7*Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*	The amendments deal with the measurement of the cost of investments in subsidiaries, jointly controlled entities and associates when adopting A-IFRS for the first time and with the recognition of dividend income from subsidiaries in a parent's separate financial statements.
AASB 123 *Borrowing Costs* (as revised in 2007) and AASB 2007- 6 *Amendments to Australian Accounting Standards arising from AASB 123*	The principal change to AASB 123 was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these financial statements because it has always been the Group's accounting policy to capitalise borrowing costs incurred on qualifying assets.

New accounting standards for application in future periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

- AASB 9: Financial instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 108, 112, 118, 121, 127, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements.

- AASB 2009-8: Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010)

2. Summary of Significant Accounting Policies (cont'd)

These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Group.

- AASB 2009-10: Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010).

These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options of warrants pro-rata to existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Group.

- AASB 2009-12: Amendment to Australian Accounting Standards [AASBs 5, 8, 10, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039, and 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the Group.

- AASB 2009-13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Group.

- AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).

This interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This interpretation is not expected to impact the Group.
The Group does not anticipate the early adoption of any of the above Australian Accounting standards.

3. Significant accounting policies

3.1 Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

3. Significant accounting policies (cont'd)

***Statement of compliance* (cont'd)**

The financial statements comprise the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 31 August 2010.

3.2 Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars.

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of the subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-Group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

3. Significant accounting policies (cont'd)

3.3 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions or recognition under AASB 3(2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 *Income Taxes* and AASB 119 *Employee Benefits* respectively*;*
- liabilities or equity instruments related to the replacement by the Group of an acquiree's sharebased payment awards are measured in accordance with AASB 2 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 *Noncurrent Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

3.4 Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

3. Significant accounting policies (cont'd)

Investments in associates (cont'd)

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations.* Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

3.5 Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3. Significant accounting policies (cont'd)

3.6 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

3.6.1 Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3.6.2 Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

3.6.3 Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.7 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

3. Significant accounting policies (cont'd)

3.7.1 The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.8 Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Australian dollars ('$'), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

3. Significant accounting policies (cont'd)

3.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.10 Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

The Group has no defined benefit retirement benefit plans.

3.11 Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

3.12 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.12.1 <u>Current tax</u>

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3.12.2 <u>Deferred tax</u>

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

3. Significant accounting policies (cont'd)

Deferred tax (cont'd)

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3.12.3 <u>Current and deferred tax for the period</u>

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

3.13 Plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straightline method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The following estimated useful lives are used in the calculation of depreciation:

- Plant & Equipment 2-15 years
- Leasehold improvements 10 years
- Equipment under finance lease 3-7 years

3. Significant accounting policies (cont'd)

3.14 Intangible assets

3.14.1 Intangible assets acquired separately

Intangible assets acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3.14.2 Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3.14.3 Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3.15 Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. Significant accounting policies (cont'd)

Impairment of tangible and intangible assets excluding goodwill (cont'd)

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of 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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.17.1 Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

3. Significant accounting policies (cont'd)

Provisions (cont'd)

3.17.2 Restructurings

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

3.17.3 Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

3.17.4 Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation recognised in accordance with AASB 118 *Revenue*.

3.18 Financial assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3.18.1 Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3.19 Financial liabilities and equity instruments issued by the Group

3.19.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.19.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

3. Significant accounting policies (cont'd)

3.19.3 Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

3.19.4 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

3.20 Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

3.21 Comparative amounts

If any change to the presentation or classification of items in its financial statements comparative amounts is required, then the reclassified amounts will be fully disclosed.

4. Merger and Acquisition Transactions Summary

- **Mark Sensing** (prior year)

On 22 October 2008 the shareholders of Mark Sensing Limited approved the merger with TMA Group of Companies Pty Limited (TMA).

The transaction has been accounted for using the guidelines as set out in AASB 3 'Business Combinations'. In line with the guidelines of that standard, the transaction has been accounted for as a reverse acquisition. As part of the reverse acquisition accounting requirements a notional cost of equity of $15.244 million was deemed to be issued by TMA and has been included in the cost of business combination.

- As part of the merger 952,749,232 ordinary shares in Mark Sensing Limited were issued to Karam Family Holdings

Key matters to note in relation to accounting for the merger as a reverse acquisition include:

- The Consolidated Income Statement for the year ended 30 June 2009 comprises the consolidated results of TMA, as the accounting acquirer for the year and those of Mark Sensing Limited from the date of acquisition.

Dividends

- Dividends declared in 2009 in the consolidated results are that of TMA Australia Pty Limited pre acquisition.

4. Merger and Acquisition Transactions Summary (cont'd)

Taxation

- The head entity of the Tax Consolidated Group is TMA Group of Companies Limited (formerly Mark Sensing Limited).

- Abacus Security

On 6 July 2009 TMA Australia Pty Limited acquired all of the business assets including long term contracts, management and staff of Abacus Security Pty Limited. Details of the acquisition are disclosed in notes 21 and 37.

- TTM Group

On 9 October 2009 TMA Australia Pty Limited acquired TTM Equipment Pty Limited. TTM Equipment specialises in off-street car park equipment sales, supply, installation, maintenance and service of parking revenue and control equipment in Australia.

The main advantages of this acquisition to the TMA Group are to further expand our capacity and footprint in the off-street car park market throughout Victoria, Queensland and Tasmania.

Further details are disclosed in notes 21 and 37

5. Critical judgement and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The 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 if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

5.1 Critical judgements in applying accounting policies

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

5.1.1 Recoverability of intangible

During the year, the directors reconsidered the recoverability of the Group's intangible asset which are included in the consolidated statement of financial position at 30 June 2010 at $1,867,000. (2009: $687,000).

The acquisitions continue to progress in a very satisfactory manner, and customer reaction has reconfirmed the directors' previous estimates of anticipated revenues from the project.

5.1.2 Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

5. Critical judgement and key sources of estimation uncertainty (cont'd)

The carrying amount of goodwill at the end of the reporting period was $1,663,000 after an impairment loss of $24,000 was recognised during 2010. (2009 was $327,000.)

5.1.3 Useful lives of plant and equipment

As described at 3.13 above, the Group reviews the estimated useful lives of plant and equipment at the end of each annual reporting period. During the financial year, the directors determined that the useful lives of certain items of equipment will remain unchanged.

5.1.4 Impairment of plant and equipment

Determining whether plant and equipment is impaired requires an estimation of the value in use of the cash-generating units to which the plant and equipment has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of plant and equipment at year end was $9,726,000 (2009:$10,189,000) after an impairment loss of $nil (2009: $nil) was recognised during the current financial year.

	Note	Year ended 30/06/10 $'000	Year ended 30/06/09 $'000
6. Revenue			
Revenue from continuing operations consisted of the following items: (excluding investment revenue – see note 8)			
(i) Revenue from sale of goods		55,190	44,888
Total attributable to continuing operations		55,190	44,888

7. Segment information

7.1 Adoption of AASB 8 Operating Segments

The Group has adopted AASB 8 *Operating Segments* and AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 8* with effect from 1 January 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Following the adoption of AASB 8, the identification of the Group's reportable segments has changed.

7.2 Products and services from which reportable segments derive their revenues

In prior years, segment information reported externally was analysed on the basis of geographical segments that the Group's operated in (Australia and New Zealand, China and South East Asia). This year the information reported to the Group's Chief Executive Officer for the purpose of resource allocation and assessment of performance has been expanded in line with its recent acquisitions. The Group's reportable segments under AASB 8 are therefore as follows

- Australia and New Zealand Converting
- Australia and New Zealand Technology
- China and
- South East Asia.

7 Segment information (cont'd)

***Australia and New Zealand Converting reportable segment – supply airline, parking, venue, gaming, transit tickets, thermal and plain paper or poly receipt rolls, labels and tags, security and protective coatings applied to paper, film or board and converts coated and non coated product to customer specifications.

***Australia and New Zealand Technology reportable segment – supply several kinds of equipment with the view to establishing new markets for the Australia and New Zealand Converting segment.

***China reportable segment - supply airline, parking, venue, gaming & lottery, transit tickets, thermal paper or poly receipt rolls, bag-tags, labels to customer specifications for the domestic (China) markets.

***South East Asia reportable segment – supply airline, parking, venue, gaming, transit tickets, thermal and plain paper or poly receipt rolls, labels and tags, security and protective coatings applied to the paper, film or board and converts coated and non coated product to customer specifications.

Information regarding these segments is presented below. Amounts reported for the prior period have been restated to conform to the requirements of AASB 8. The accounting policies of the new reportable segments are the same as the Group's accounting policies.

The following is an analysis of the Group's revenue, results and asset allocation by reportable operating segment for the period under review:

7.3 Segment revenues and results

	Segment Revenue		Segment PBT	
	Year ended		Year ended	
	30/06/10	30/06/09	30/06/10	30/06/09
Continuing Operations	**$'000**	**$'000**	**$'000**	**$'000**
Australia and New Zealand				
-Converting	30,971	32,115	4,585	5,078
-Technology	10,027	-	788	-
China	5,579	7,266	(542)	(1,046)
South East Asia	8,613	5,507	(61)	-
Total Revenue	**55,190**	**44,888**		
Gross PBT			**4,770**	**4,032**
Share of profit of associate			221	39
Central administration costs and directors salaries			(480)	(605)
Finance costs			(533)	(580)
Profit before tax			**3,978**	**2,886**

Revenue reported above represents revenue generated from external customers. There were $6,988,000 inter-segment sales in the year (2009: $2,442,000).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, profits of associates, investment revenue, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

7. Segment information (cont'd)

7.4 Segment Assets and Liabilities

	Year ended	
Segment Assets	**30/06/10**	**30/06/09**
	$'000	**$'000**
Australia and New Zealand		
-Converting	29,147	26,313
-Technology	5,199	-
China	5,441	5,872
South East Asia	1,030	-
Consolidated Assets	40,817	32,185
Segment Liabilities		
Australia and New Zealand		
-Converting	(14,011)	(15,868)
-Technology	(4,648)	-
China	(2,757)	(3,083)
South East Asia	(239)	-
Consolidated Liabilities	(21,655)	(18,951)

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than investments in associates, 'other financial assets' and tax assets. Goodwill is allocated to reportable segments as described in note 21.2. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- all liabilities are allocated to reportable segments including 'other financial liabilities', current and deferred tax liabilities, and 'other' liabilities.

7.5 Other Segment information

	Depreciation and amortisation		Additions to Non-current assets	
	Year ended		Year ended	
	30/06/10	**30/06/09**	**30/06/10**	**30/06/09**
	$'000	**$'000**	**$'000**	**$'000**
Australia and New Zealand				
-Converting	1,085	962	652	730
-Technology	156	-	44	-
China	249	365	10	34
South East Asia	-	-	-	-
Total	1,490	1,327	706	764

There were no impairment losses attributable to the reportable segments.

7. Segment information (cont'd)

7.6 Revenue from major products and services

	Note	Year ended 30/06/10 $'000	Year ended 30/06/09 $'000
-Converting		45,163	44,888
-Technology		10,027	-
Total		55,190	44,888

7.7 Geographical information

The Group operates in three principal geographical areas – Australia (country of domicile), and New Zealand, China and South East Asia.

The Group's revenue from continuing operations from external customers and information about its non-current assets* by geographical location are detailed below.

Location	**Revenue from external customers**		**Non Current Assets***	
	Year ended		**Year ended**	
	30/06/10	**30/06/09**	**30/06/10**	**30/06/09**
	$'000	**$'000**	**$'000**	**$'000**
Australia and New Zealand	40,998	32,115	12,079	10,086
China	5,579	7,266	1,233	1,685
South East Asia	8,613	5,507	-	-
Total	55,190	44,888	13,312	11,771

* Non-current assets excluding financial instruments, deferred tax assets, post-employment benefit assets, and assets arising from insurance contracts.

7.8 Information about major customers

Included in revenues arising from sales of converting product of $45,163,000 (2009: $44,888,000) are revenues of approximately $5 million (2009: $5 million) which arose from sales to the groups largest customer.

8. Investment revenue

	Note	Year ended 30/06/10 $'000	Year ended 30/06/09 $'000
Interest revenue:			
Bank Deposit		22	36
Other		13	25
Total		35	61

9. Other gains and losses

	Year ended	
	30/06/10	30/06/09
Continuing Operations	**$'000**	**$'000**
Net foreign exchange gains/(losses)	(29)	(560)
Total	(29)	(560)

No other gains or losses have been recognised in respect of loans and receivables or held-to maturity

10. Finance costs

	Note	Year ended	
		30/06/10	30/06/09
Continuing operations		**$'000**	**$'000**
Interest on bank overdraft and loans		516	562
Interest on obligations under finance leases		17	18
Total interest expense for financial liabilities not classified as at fair value through profit or loss		533	580

The weighted average capitalisation rate on funds borrowed generally is 7.8% per annum (2009: 7.5% per annum).

	Note	Year ended	
		30/06/10	30/06/09
11. Income taxes		**$'000**	**$'000**
11.1 Income tax recognised in profit or loss:			
Tax expenses comprises:			
Current tax expense/(income) of the current year		245	222
Adjustments recognised in the current year in relation to the current tax of prior years		(15)	91
Acquisitions through business combinations		-	298
Deferred tax expense/(income) relating to the origination and reversal of temporary differences		682	(572)
Total tax (income)/expense attributable to continuing operations		912	39
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:			
(Loss)/Profit from continuing operations		3,978	2,886
Income tax (income)/expense calculated at 30%		1,194	866

11. Income taxes (cont'd)

	Note	Year ended 30/06/10	Year ended 30/06/09
11.1 Income tax recognised in profit or loss (Cont'd)		**$'000**	**$'000**
Effect of expenses that are not deductible in determining taxable profit		43	15
Effect of unused tax losses and tax offsets not recognised as deferred tax assets		137	-
Effect of unused tax losses and tax offsets recognised as deferred tax assets		(474)	-
Effect of previously unrecognised and unused tax losses utilised during the year		-	(966)
Effect of different tax rates of subsidiaries operating in other jurisdictions		27	33
		927	(52)
Adjustments recognised in the current year in relation to the current tax in prior years		2	92
Income tax expense / (income) recognised in profit and loss		912	39

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

	Note	Year ended 30/06/10	Year ended 30/06/09
11.2 Current tax assets and liabilities		**$'000**	**$'000**
Current tax assets			
Tax refund receivable		183	269
Current tax liabilities			
Income tax payable		1,319	-

11.3

2009	Opening balance	Recognised in Profit or loss	Recognised in Acquisitions /disposal	Closing balance
Temporary differences				
Plant & equipment	-	(618)	(85)	(703)
Finance leases	-	3	1	4
Capital Expenditure	-	(27)	134	107
Exchange difference on foreign currency balances	56	31	(74)	13
Provisions	184	42	224	450
Doubtful debts	-	37	-	37
Other financial liabilities	-	45	13	58
Inventory	-	(85)	85	-
	240	(572)	298	(34)

11. Income taxes (cont'd)

		Recognised in		
2010	Opening balance	Profit or loss	Acquisitions /disposal	Closing balance
Temporary differences				
Plant & equipment	(703)	25	-	(678)
Finance leases	4	-	-	4
Capital Expenditure	107	61	-	168
Exchange difference on foreign currency balances	13	36	-	49
Provisions	450	144	-	594
Doubtful debts	37	38	-	75
Accruals	58	(41)	-	17
Other	-	(7)	-	(7)
	(34)	256	-	222
Unused tax losses and credits				
Tax losses	-	428	-	428
	(34)	684	-	650

11.4 Tax consolidation

Relevance of tax consolidation to the Group

The company and its wholly-owned Australian resident entities have formed a tax-consolidated Group with effect from 1 July 2002 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated Group is TMA Group of Companies Limited (previously Mark Sensing Limited). The members of the tax-consolidated Group are identified at note 18.

Nature of tax sharing agreements

Entities within the tax-consolidated Group have entered into a tax sharing agreement with the head entity. Under the terms of this arrangement, TMA Group of Companies Limited and each of the entities in the tax-consolidated Group have agreed to pay a tax equivalent payment to or from the head entity, based on notional tax payable calculated as if the entity was a separate tax payer. Such amounts are reflected in the individual accounts as amounts receivable from or payable to other entities in the tax-consolidated Group.

The tax sharing agreement entered into between members of the tax-consolidated Group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

12. Discontinued Operations

The Group has no plans to discontinue any of its operations.

		Note	Year ended 30/06/10 $'000	Year ended 30/06/09 $'000
13.	**Profit for the year from continuing operations**			
	Profit for the year from continuing operations is attributable to:			
	Owners of the Company		3,066	2,847
			3,066	2,847
	Profit for the year from continuing operations has been arrived at after charging (crediting):			
13.1	**Depreciation, amortisation and impairment expense**			
	Depreciation of plant and equipment		1,434	1,311
	Amortisation and impairment of intangible assets		56	16
	Total depreciation, amortisation and impairment expense		1,490	1,327
13.2	**Research and development costs expensed as incurred**		363	282
13.3	**Employee benefits expenses**			
	Post employment benefits		825	671
	Other employee benefits		11,328	9,933
	Total employee benefits expense		12,153	10,604

		Note	Year ended 30/06/10 Cents per share	Year ended 30/06/09 Cents per share
14	**Earnings per share**			
	Basic earnings per share			
	From continuing operations		2.51	2.47
	Diluted earnings per share		2.51	2.47
	From continuing operations			

14.1 Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows.

	30/06/10	30/06/09
Profit for the year attributable to the owners of the Company	3,066	2,847
Earnings used in the calculation of basic earnings per share from continuing operations	2,935	2,847
Weighted average number of ordinary shares for the purpose of basic earnings per share (all measures) #	117,179,086	115,484,687

14. Earnings per share (cont'd)

	Note	Year ended 30/06/10	Year ended 30/06/09
		$'000	$'000
14.2 Diluted earnings per share			
The earnings used in the calculation of diluted earnings per share are as follows.			
Earnings used in the calculation of total diluted earnings per share from continuing operations		2,935	2,847
Weighted average number of ordinary shares used in the calculation of diluted earnings per share #		117,179,086	115,484,687

We have no potential ordinary shares that are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share.

\# During the year, shareholders approved a 10:1 share consolidation. Last year's shares have been adjusted to reflect this change

14.3 Impact of changes in accounting policies

Changes in the Group's accounting policies during the year are described in detail in note 2. To the extent that those changes have had an impact on results reported for 2010 and 2009, they have had an impact on the amounts reported for earnings per share.

	Effect on profit for the year from continuing operations		Effect on basic earnings per share		Effect on diluted earnings per share	
	Year ended		**Year ended**		**Year ended**	
	30/06/10	**30/06/09**	**30/06/10**	**30/06/09**	**30/06/10**	**30/06/09**
	$'000	**$'000**	**Cents per share**	**Cents per share**	**Cents per share**	**Cents per share**
Changes in accounting policies relating to:						
business combinations	(242)	-	(0.21)	-	(0.21)	-

15 Trade and other receivables

	30/06/10	30/06/09
	$'000	$'000
Trade receivables	11,753	8,249
Allowance for doubtful debts	(298)	(150)
	11,455	8,099
Other – Non trade receivables	2,499	294
	13,954	8,393

15. Trade receivables (cont'd)

15.1 Trade receivables

The average credit period on sale of goods is 78 days (2009:67 days). No interest is charged on the trade receivables. An allowance has been made for estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience. During the current financial year, the allowance for doubtful debts increased by $148,000 of which $5,000 is due to foreign exchange movements (2009 increased by $150,000 of which $18,000 is due to foreign exchange movements).

Our policy requires customers to pay 30 days after end of month (effectively an average of 60 days), depending on the customer segment. Our 120 days and past customers are mainly within our Chinese subsidiary which has historically afforded longer payment terms. All credit and recovery risk associated with trade receivables has been provided for in the balance sheet.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period but against which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts (which include interest accrued after the receivable is more than 60 days outstanding) are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

	30/06/10	30/06/09
	$'000	$'000
Ageing of past due but not impaired		
60-90 days	742	872
90-120 days	727	454
Past 120 days	900	1,171
Total	2,369	2,497
Average age (days)	78	67
Movement in the allowance for doubtful debts		
Balance at beginning of the year	(150)	-
Increase in provision	(153)	(58)
Acquisitions through business combinations	-	(110)
Foreign exchange translation gains and losses	5	18
Balance at the end of the year	(298)	(150)

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

Included in the allowance for doubtful debts are individually impaired trade receivables amounting to $298,000 (30 June 2009: $150,000).The impairment recognised represents the difference between the carrying amount of these trade receivable and the present value. The Group does not hold any collateral over these balances.

15. Trade receivables (cont'd)

Ageing of impaired trade receivables	Note	30/06/10 $'000	30/06/09 $'000
60-90 days		-	-
90-120 days		-	-
Past 120 days		(298)	(150)
Total		(298)	(150)

16 Other assets

	30/06/10 $'000	30/06/09 $'000
Prepayments	693	582
Current	693	582
Non-current	-	-
	693	582

17 Inventories

	30/06/10 $'000	30/06/09 $'000
Raw Materials	3,146	3,596
Work in Progress	1,189	1,200
Finished Goods	4,602	3,156
	8,937	7,952

18 Subsidiaries

Details of the Company's subsidiaries at 30 June 2010 are as follows.

Name of Entity	Principal activity	Place of Incorporation and operation	Proportion of ownership interest and voting power 30/06/10	30/06/09
TMA Australia Pty Limited (ii), (iii)	Converting and Technology	Australia	100%	100%
TMA New Zealand Limited, (iii)	Converting	New Zealand	100%	100%
TMA Group Philippines Inc (v)	Converting	Philippines	100%	Nil
Mark Sensing (Aust) Pty Limited (ii)	Converting	Australia	100%	100%
Mark Sensing Shanghai Thermal Paper Products Co Ltd	Converting	People's Republic of China	100%	100%
Mark Sensing Philippines Incorporated	Converting	Philippines	100%	100%

18 Subsidiaries (cont'd)

Name of Entity	Principal activity	Place of Incorporation and operation	Proportion of ownership interest and voting power 30/06/10	30/06/09
Mark Sensing China Limited	Converting	Hong Kong, PRC	100%	100%
Mark Sensing International Pty Ltd (ii)	Converting	Australia	100%	100%
TTM Equipment Pty Ltd (ii) (iv)	Technology	Australia	100%	Nil
TTM Equipment NSW Pty Ltd (ii) (iv)	Technology	Australia	100%	Nil
TTM Equipment VIC Pty Ltd (ii) (iv)	Technology	Australia	100%	Nil

(i) TMA Group of Companies Limited is the head entity within the tax-consolidated Group. (Previously known as Mark Sensing Limited)

(ii) These companies are members of the tax-consolidated Group

(iii) These companies merged with Mark Sensing Limited (now known as TMA Group of Companies Limited) on 22 October 2008.

(iv) TTM Group of companies joined the group on 13 November 2009

(v) TMA Group Philippines Inc commenced operations on 2 March 2010. (Profits from September 2011 will be shared at the ratio of 80% TMA and 20% with the PCSO)

19 Investment in Associates

Details of the Group's associates at 30 June 2010 are as follows.

Name of Entity	Principal activity	Place of Incorporation and operation	Proportion of ownership interest and voting power 30/06/10	30/06/09
Queensland Gaming and Wagering Supplies Pty Ltd	Converting	Australia	50%	50%

Summarised financial information in respect of the Group's associates is set out below

	30/06/10	30/06/09
	$'000	$'000
Total assets	1,764	1,123
Total liabilities	(1,000)	(670)
Net Assets	764	453
Group's share of net assets of associates	382	226

19 Investments in Associates (cont'd)

	30/06/10	30/06/09
	$'000	(i) $'000
Total revenue	5,549	3,522
Total profit for the period	442	78
Group's share of profit of associates	221	39

(i) For the period from 22 October 2008

20 Plant and equipment

	30/06/10	30/06/09
	$'000	$'000
Cost or valuation	21,709	21,094
Accumulated depreciation and impairment	(11,983)	(10,905)
	9,726	10,189
Plant and equipment	9,135	9,630
Leasehold improvements	496	412
Equipment under finance lease	95	147
	9,726	10,189

Plant and equipment (cont'd) ***Cost or valuation***	**Plant & Equipment $'000**	**Leasehold Improvements $'000**	**Equipment Under Finance Lease $'000**	**Total $'000**
Balance at 1 July 2008	4,056	484	4,165	8,705
Additions	742	2	27	771
Revaluation	-	-	29	29
Transfer	3,437	(50)	(3,783)	(396)
Disposals	(155)	-	(279)	(434)
Acquisitions through business combinations	12,020	1,413	92	13,525
Net foreign currency exchange differences (ii)	(894)	(212)	-	(1,106)
Balance at 30 June 2009	19,206	1,637	251	21,094
Additions	435	24	-	459
Disposals	(131)	-	(28)	(159)
Acquisitions through business combinations	570	-	-	570
Net foreign currency exchange differences (ii)	(458)	202	-	(255)
Balance at 30 June 2010	19,622	1,863	223	21,709
Accumulated depreciation/ amortisation and impairment				
Balance at 1 July 2008	(1,737)	(12)	(1,749)	(3,498)
Depreciation expenses (i)	(1,154)	(102)	(55)	(1,311)
Disposal	113	-	130	243
Revaluation	715	-	1,530	2,245
Transfers	29	1	56	86
Acquisitions through business combinations	(8,112)	(1,323)	(16)	(9,451)
Net foreign currency exchange differences (ii)	570	211	-	781
Balance at 30 June 2009	(9,576)	(1,225)	(104)	(10,905)

Plant and equipment
(cont'd)

Accumulated depreciation/ amortisation and impairment **(cont'd)**	**Plant & Equipment $'000**	**Leasehold Improvements $'000**	**Equipment Under Finance Lease $'000**	**Total $'000**
Depreciation expense (i)	(1,226)	(176)	(33)	(1,435)
Disposals	108	-	21	129
Acquisitions through business combinations	(276)	-	-	(276)
Impairment losses charged to profit (iii)	-	-	-	-
Net foreign currency exchange differences (ii)	483	34	(13)	504
Balance at 30 June 2010	(10,487)	(1,367)	(129)	(11,983)
Net book value				
As at 30 June 2009	9,630	412	147	10,189
As at 30 June 2010	9,135	496	95	9,726

(i) The aggregate of depreciation allocated has been recognised as an expense during the financial year.

(ii) Net foreign currency exchange differences are included in the movement in the foreign currency translation reserve in the Balance Sheet. The foreign current exchange differences relate to translation of the overseas subsidiaries' financial statements to Australian dollars.

20.1 Assets pledged as security

Plant and equipment with a carrying amount of $9.6 million (30 June 2009: $10.1 million) have been pledged to secure borrowings of the Group (see note 24). The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

In addition, the Group's obligations under finance leases (see note 26) are secured by the lessors' title to the leased assets, which have a carrying amount of $95,000 (30 June 2009: $146,000).

20.2 Plant and equipment stated at revalued amounts

Had the Group's plant and equipment been measured on historical cost basis, their carrying amount would have been as follow.

	30/06/10	**30/06/09**
	$'000	**$'000**
Plant and equipment	7,330	7,742
Equipment under finance	95	146
	7,425	7,888

21 Goodwill

	30/06/10	30/06/09
	$'000	$'000
Cost	1,687	327
Accumulated impairment	(24)	-
	1,663	327

	30/06/10	30/06/09
	$'000	$'000
Cost		
Balance at beginning of year	327	327
Additional amounts recognised from business combinations occurring during the year (note 37)	1,360	-
Balance at end of year	1,687	327
Accumulated Impairment		
Balance at beginning of year	-	-
Impairment expense	(24)	-
Balance at end of year	(24)	-

21.1 Impairment expense recognised in the year

At the end of the reporting period, the Group assessed the recoverable amount of goodwill, and determined that goodwill associated with certain of the Group's converting activities was impaired $24,000 (2009: nil).

21.2 Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to the following cash-generating units

- Converting
- Technical

Before recognition of impairment losses, the carrying amount of goodwill (other than goodwill classified as held for sale and goodwill relating to discontinued operations) was allocated to cash generating units as follows.

	30/06/10	30/06/09
	$'000	$'000
Converting	327	327
Technical (Unallocated)	1,360	-
	1,687	327

<u>Converting</u>

The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial forecasts covering a five-year period, and a discount rate of 9.5% per annum (2009: 8.5% per annum).

Cash flow projections during the forecast period are based on the gross margins increasing at 1% per year (benefiting from volume growth) with the assumption that any raw materials price price rises are passed onto customers throughout the forecast period. The sales growth has been limited to a steady 3% per year.

21. Goodwill (cont'd)

Technical

The goodwill created by the acquisitions of Abacus and the TTM businesses were acquired by the Group in July & November 2009. Both businesses have continued to operate on a satisfactory basis in the period under TMA Group control. No write-down of the assets of the TTM Group is considered necessary.

The key assumptions used in the value in use calculations for the converting and technical equipment cash-generating units are as follows.

Budgeted gross margin

Average gross margins achieved in the period immediately before the budget period, increased for expected efficiency improvements. This reflects past experience, except for efficiency improvements. The directors expect efficiency improvements of 2 - 4% per year to be reasonably achievable.

Raw materials price inflation

Forecast consumer price indices during the forecast period for the countries from which raw materials are purchased. The values assigned to the key assumption are consistent with external sources of information.

22 Other intangible assets

	30/06/10	30/06/09
	$'000	**$'000**
Cost	338	462
Accumulated amortisation and impairment	(134)	(102)
	204	360

	Capitalised development	Software licences	Total
Cost	**$'000**	**$'000**	**$'000**
Balance at 1 July 2008	382	13	395
Additions	157	78	235
Disposals	(382)	214	(168)
Balance at 30 June 2009	157	305	462
Additions	-	33	33
Disposals	(157)		(157)
Balance at 30 June 2010	-	338	338

22. Other intangible assets (cont'd)

	Capitalised development	Software licences	Total
Accumulated amortisation and impairment			
Balance at 1 July 2008	-	-	-
Amortisation and impairment expense	-	(16)	(16)
Disposals	-	(86)	(86)
Balance at 30 June 2009	-	(102)	(102)
Amortisation and impairment expense	**-**	(32)	(32)
Disposals	**-**	**-**	**-**
Balance at 30 June 2010	-	(134)	(134)

The following useful lives are used in the calculation of depreciation:

Software Licences 5-10 Years

23 Trade and other payables

	30/06/10	**30/06/09**
	$'000	**$'000**
Trade payables	7,469	7,058
Other	3,293	917
	10,762	7,975

The average credit period on purchases of goods from is 70 days (2009: 67 days). No interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

24 Borrowings

	30/06/10	**30/06/09**
	$'000	**$'000**
Unsecured – at amortised cost		
Loan from related company (v)	-	1,967
Secured – at amortised cost		
Bank overdraft (i) (ii) (Note 38)	-	-
Bank bills, and term loans(i) (iii)	6,671	5,546
Finance lease liabilities (iv) (note 26)	114	198
	6,785	5,744
	6,785	7,711
Current	6,267	6,778
Non-current	518	933
	6,785	7,711

24. Borrowings (cont'd)

(i) Bank bills, term loans, letter of credit and overdraft relate to facilities provided by the National Australia Bank Limited and are secured in full by a Registered Mortgage Debenture over the whole of the assets of TMA Group of Companies Limited, together with a guarantee and indemnity and negative pledge from the parent entity and all other Group entities.
(ii) Bank overdraft is subject to an annual review on or before 30 September 2010. The bank overdraft facility was limited to a maximum drawing of $100,000 (2009: $200,000).
(iii) Bank bills are drawn for 30 to 180 days and are repayable at maturity and subject to annual review on 30 September 2009. Term loans are for periods of 2 to 5 years. The bank bill and term loan facility is limited to a maximum drawing of $7.5 million (2009: $8.7 million).
(iv) Secured by the assets leased. The borrowings are a mix of variable and fixed interests rate debt with repayment periods not exceeding 5 years.
(v) Amount repayable to related party of the Group. Interest is not charged on the outstanding loan balance. Amount repayable to a related party of the Group. Interest is charged on the outstanding loan

25 Provisions

	30/06/10	30/06/09
	$'000	$'000
Employee Benefits	1,551	2,022
Other provisions (see below)	551	540
	2,102	2,562
Current	1,039	1,647
Non-current	1,063	915
	2,102	2,562

Other provisions	Site Restoration
	$'000
Balance at 1 July 2009	540
Additional provisions recognised	11
	551

26 Obligations under finance leases

26.1 Leasing arrangements

Finance leases relate to manufacturing equipment and motor vehicles with initial lease terms of three to five years. The Group has options to purchase the equipment for a nominal amount at the conclusion of the lease agreements.

The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

26. Obligations under finance leases (cont'd)

26.2 Finance lease liabilities

	Minimum Lease Payments		Present value of Minimum lease payments	
	30/06/10	**30/06/09**	**30/06/10**	**30/06/09**
	$'000	**$'000**	**$'000**	**$'000**
Not later than one year	92	82	91	69
Later than one year and not later than five years	23	132	23	128
Later than five years	-	-	-	-
	115	214	114	197
Less future charges	(1)	(17)	-	-
Present value of minimum lease payments	114	197	114	197

	30/06/10	**30/06/09**
	$'000	**$'000**
Included in the financial statements as:		
-Current borrowings (note 24)	92	69
-Non-current borrowings (note 24)	22	128
	114	197

26.3 Fair value

The fair value of the finance lease liabilities is approximately equal to their carrying amount.

27 Retirement benefit plans

27.1 Defined contribution plans

The Group is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The total expense recognised in the statement of comprehensive income/income statement of $824,000 (2009: $671,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 30 June 2010, contributions of $13,000 (2009: $8,000) due in respect of the 2010 (2009) reporting period had not been paid over to the plans. These amounts were paid subsequent to the end of the reporting period.

28 Issued Capital

	30/06/10	30/06/09
	$'000	$'000
Fully paid ordinary shares (i)		
- 2010, 117,179,086 shares	3,911	-
- 2009, 115,484,755 shares	-	3,234
Redeemable preference shares		
- 2010, 14,666,666	2,200	-
- 2009, nil	-	-
	6,111	3,234

(i) Quantity of shares shown are after the 10:1 consolidation, effective 16 March 2010

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

28.1 Fully paid ordinary shares

	Number of shares (i)	Share capital
		$'000
Balance at 30 June 2009	115,484,755	3,234
Issue of shares as consideration for the acquisition of TTM equipment group	1,694,400	677
Impact of rounding down on the 10:1 share consolidation on 16 March 2010	(69)	-
Balance at 30 June 2010	117,179,086	3,911

Fully paid ordinary shares carry one vote per share and carry a right to dividends.

The fair value of shares issued for TTM equipment group was determined by reference to the market rate for similar consulting services.

(i) Numbers of shares shown are after the 10:1 consolidation on 16 March 2010.

28.2 Redeemable preference shares

	Number of shares (i)	Share capital
		$'000
Balance at 30 June 2009	-	-
Issue of shares (i) 1 December 2009	14,666,666	2,200
Balance at 30 June 2010	14,666,666	2,200

28 Issued Capital (cont'd)

Redeemable cumulative preference shares are entitled to receive a preference dividend before any dividends are declared to the ordinary shareholders. The redeemable cumulative preference can be redeemed at any time at the option and sole discretion of the company. The price of the shares to be redeemed will be the 5 day weighted average price of our ordinary shares in the period preceding the proposed date of redemption. Redeemable preference shares have no right to share in any surplus assets or profits and have limited voting rights.

(i) Quantity of shares shown are after the 10:1 share consolidation on 16 March 2010.

Issued Capital	
Balance at 30 June 2010	6,111

28.3 Share options granted under the employee share option plan

At 30 June 2010, executives and senior management held nil options over ordinary shares (30 June 2009: nil options).

29 Reserves

	30/06/10	30/06/09
	$'000	**$'000**
Capital profits reserve	16	16
Asset revaluation reserve	1,505	1,505
Fair value reserve	5,454	5,454
Foreign currency translation reserve	(567)	(683)
	6,408	6,292

29.1 Capital profits reserve

	2010	2009
	$'000	**$'000**
Balance at beginning of year	16	-
Acquisition through business combinations	-	16
Balance at end of year	16	16

29.2 Asset revaluation reserve

Balance at beginning of year	1,505	-
Revaluation increment	-	1,505
Balance at end of year	1,505	1,505

The asset revaluation reserve arises on the revaluation of plant and equipment. Where a revalued item of plant or equipment is sold that portion of the asset revaluation reserve which relates to that asset, and is effectively realised, is transferred directly to retained earnings.

29. Reserves (cont'd)

	30/06/10	30/06/09
	$'000	$'000
29.3 Fair value reserve		
Balance at beginning of year	5,454	-
Acquisition through business combinations	-	5,454
Balance at end of year	5,454	5,454

The fair value reserve arises from the accounting treatment under AASB 3 Business combinations and the resulting discount on consolidation.

	30/06/10	30/06/09
29.4 Foreign currency translation reserve		
Balance at beginning of year	(683)	-
Acquisition through business combinations	-	(206)
Movement during the year	(116)	(477)
Balance at end of year	(567)	(683)

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

30 Retained earnings

	30/06/10	30/06/09
	$'000	$'000
Retained earnings	6,643	3,708

	2010	2009
	$'000	$'000
Balance at beginning of year	3,708	1,883
Dividend declared	(131)	(853)
Acquisition through business combinations	-	(169)
Net profit attributable to members	3,066	2,847
Balance at end of year	6,643	3,708

31 Dividends

No dividends were declared or paid during the year to holders of ordinary shareholders.

Recognised amounts	Year ended 30/06/10		Year ended 30/06/09	
	Cents per share	Total $'000	Cents per share	Total $'000
Redeemable cumulative preference shares				
Final dividend:				
Fully franked at a 30% tax rate	0.89	131	-	-

During the year, dividends of $695,000 (2009: $148,000) were paid against a dividend that was declared by TMA Australia Pty Limited before the MSL & TMA merger.

32. Franking account balance

	Company	
	30/06/10	**30/06/09**
	$'000	**$'000**
Adjusted franking account balance	2,363	1,646

33. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2009.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 24, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 28, 29 and 30 respectively.

The Group operates in three principal geographical areas (note 7), primarily through subsidiary companies established in the markets in which the Group trades. None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand the group's manufacturing and distribution assets, as well as to make the routine outflows of tax, dividends and repayment of maturing debt. The Group's policy is to borrow centrally, using a variety of borrowing facilities, to meet anticipated funding requirements.

The Group's risk management committee reviews the capital structure on a semi-annual basis. As a part of this review the committee considers the cost of capital and the risks associated with each class capital. The Group has a target gearing ratio of 30-66% in line with the industry norm, which is determined as the proportion of net debt to equity. Based on recommendations of the committee the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

33. Capital risk management (cont'd)

33.1 Gearing Ratio

The gearing ratio at end of the reporting period was as follows.

	30/06/10	30/06/09
	$'000	$'000
Debt (i)	6,785	7,711
Cash and cash equivalents	(3,738)	(3,218)
Net debt	3,047	4,493
Equity (ii)	19,162	13,234
Net debt to equity ratio	15.9%	34.0%

(i) Debt is defined as long and short term borrowings (excluding derivatives and financial guarantee contracts), as detailed in Note 24

(ii) Equity includes all capital and reserves of the Group that are managed as capital.

33.2 Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

33.3 Financial risk management objectives

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group undertakes certain transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arise. Exchange rate exposures are managed where possible by offsetting overseas sales proceeds with overseas purchases creating a natural hedge.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

33. Capital risk management (cont'd)

33.4 Market Risk

The Group's activity expose it primarily to the financial risks of changes in foreign currency exchange rates (refer note 33.5)) and interest rates (refer note 33.6). The Group does not enter into derivative financial instruments to manage its exposure to interest rate and foreign exchange risk

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

33.5 Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows.

	Liabilities		Assets	
	30/06/10	30/06/09	30/06/10	30/06/09
Currency of	**$'000**	**$'000**	**$'000**	**$'000**
USA (USD)	1,031	1,097	1,964	1,654
Europe (EUR)	-	2,801	-	3,048
China (RMB)	2,757	2.591	2,736	4,125
Philippines (Peso)	1,359	729	1,331	848
NZ (NZD)	4,301	3,730	1,955	3,020

33.5.1 Foreign Currency sensitivity analysis

The Group is mainly exposed to USD, EUR, RMB, and NZD (2009: USD,EUR, RMB and NZD).

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian Dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A negative number indicates an increase in loss and other equity where the Australian Dollar strengthens against the respective currency. A positive number indicates an increase in profit and other equity where the Australian dollars weakens against the respective currency.

33. Capital risk management (cont'd)

	Profit after tax		Equity (reserves)	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
10% weakening of the AUD against the USD with all other variables held constant	73	44(i)	-	-
10% strengthening of the AUD against the USD with all other variables held constant	(59)	(35)(i)	-	-
10% weakening of the AUD against the Euro with all other variables held constant	-	131(ii)	-	-
10% strengthening of the AUD against the Euro with all other variables held constant	-	(107)(ii)	-	-
10% weakening of the AUD against the RMB with all other variables held constant	2	2	165	173(iii)
10% strengthening of the AUD against the RMB with all other variables held constant	(1)	(1)	(135)	(141(iii)
10% weakening of the AUD against the Peso with all other variables held constant	(2)	9(iv)	-	-
10% strengthening of the AUD against the Peso with all other variables held constant	2	(8)(iv)	-	-
10% weakening of the AUD against the NZ with all other variables held constant	(149)	(121)(v)	93	95
10% strengthening of the AUD against the NZ with all other variables held constant	182	99(vi)	(76)	(77)

(i) This is mainly attributable to the exposure outstanding on USD receivable and payable at year end.

(ii) This is mainly attributable to the exposure outstanding on Euro payables and receivables at year end.

(iii) This is mainly attributable to the exposure to Chinese RMB plant and equipment at year end.

(iv) This is mainly attributable to the exposure outstanding on Peso receivables.

(v) This is mainly attributable to the exposure outstanding on NZD payables and intercompany loan at year end.

(vi) This is mainly attributable to the exposure to NZD plant and equipment at year end.

33.6 Interest rate risk management

The Group is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The Group does not use interest rate swaps or forward interest contracts to manage interest rate risk.

33.6.1 Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point increase or decrease is used as management believes this is the possible change in interest rates.

33. Capital risk management (cont'd)

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's:

- Net profit after tax would decrease by $19,000 and increase by $19,000 (2009: net profit after tax would increase by $18,000 and decrease by $18,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.
- Other comprehensive income would not be impacted upon.

The group's sensitivity to interest rates has increased during the current period mainly due to the increase in variable rate debt instruments.

33.7 Credit risk management

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The Group had adopted the policy of only dealing with creditworthy counterparties. The Group measures credit risk on a fair value basis.

Trade receivables consist of a large number of customers. spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

33.8 Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

33.8.1 Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

33. Capital risk management (cont'd)

	Weighted Average Effective Interest Rate %	Less than 1 month $'000	1-3 months $'000	3 months to 1 year $'000	1 to 5 years $'000	5+ years $'000
30 June 2010						
Non-interest bearing		6,438	5,289	3,356	-	-
Finance lease liability	7.9	4	10	65	-	-
Variable interest rate instruments	6.79	58	172	459	6,629	-
		6, 500	5,471	3,880	6,629	-
30 June 2009						
Non-interest bearing	-	2,851	4,728	396	-	-
Finance lease liability	8.3	6	17	59	132	-
Variable interest rate instruments	6.5	65	197	512	6,723	-
		2,922	4,942	967	6,855	-

The following table details the Group's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the company/Group anticipates that the cash flow will occur in a different period.

	Weighted Average Effective Interest Rate %	Less than 1 month $'000	1-3 months $'000	3 months to 1 year $'000	1 to 5 years $'000	5+ years $'000
30 June 2010						
Non – interest bearing		3,918	7,835	-	-	-
Variable interest rate instruments	1.0	3,738	-	-	-	-
		7,656	7,835	-	-	-
30 June 2009						
Non-interest bearing	-	2,497	5,751	-	-	-
Variable interest rate instruments	0.6	3,218	-	-	-	-
		5,715	5,751	-	-	-

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

The Group has access to financing facilities as described in note 33.8.2 below, of which $0.715 million were unused at the end of the reporting period (2009: $2.189 million). The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

33. Capital risk management (cont'd)

33.8.2. Financing facilities

	30/06/10	30/06/09
	$'000	$'000
Secured equipment loan facility, reviewed annually:		
- amount used	1,027	1,499
- amount unused	1,667	1,549
	2,694	3,048
Secured bank overdraft facility, reviewed annually:		
- amount used	-	-
- amount unused	100	200
	100	200
Secured bank loan facilities with various maturity dates through to 2012 and which may be extended by mutual agreement:		
- amount used	3,930	4,047
- amount unused	907	1,778
	4,837	5,825

34 Share-based payments

34.1 Employee share option plan

The Group has an ownership-based compensation scheme for executives and senior employees. In accordance with the terms of the plan, as approved by shareholders at a previous annual general meeting, executives and senior employees with more than five years service with the Group may be granted options to purchase ordinary shares at an exercise price as determined by the Directors.

Each employee share option converts into one ordinary share of TMA Group of Companies Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

No options were issued nor in existence during either the 2010 or 2009 years.

35 Key management personnel compensation

Details of key management personnel

The key management personnel of the TMA Group of Companies Limited during the year were:

A. Karam	Chief Executive Officer from 23 October 2008
M. Whelan	Chief Executive Officer to 22 October 2008 and Chairman from 28 November 2008
C. Karam	Operations Director from 23 October 2008
T. Saad	Non-executive Director from 23 October 2008
J.Schwarz	Non-executive Director from 28 July 2009

35. Key management personnel compensation (cont'd)

M. Howell	Sales & Marketing Manager
R. Weaver	General Manager – Shanghai/Sales Director Australia
G. Aloe	NSW Operations Manager
L. Smith	National Security Manager
J. Budden	Supply Chain Manager resigned 18 June 2010

The Board reviews the compensation packages of all key management personnel on an annual basis and makes recommendations to the board.

Compensation packages are reviewed and determined with due regard to the current market rates and are benchmarked against comparable industry salaries, adjusted by a performance factor to reflect the performance of the company.

Bonuses are paid at the discretion of the directors who take into consideration the profitability of the company and the performance of the individual.

Key management personnel compensation

The aggregate compensation of the key management personnel of the Group is set out as below:

	Year ended	
	30/06/10	30/06/09
	$'000	$'000
Short-term employee benefits	1,912	1,730
Post-employment benefits	83	93
Other long-term benefits	5	22
Termination benefits	-	-
Share-based payments	-	-
	2,000	1,845

The compensation of each member of the key management personnel of the Group is set on page 21.

36 Related party transactions

Transactions with other related parties

Other related parties include:

- the parent entity;
- entities with joint control or significant influence over the Group;
- associates;
- joint ventures in which the entity is a venturer; subsidiaries; and other related parties

The parent entity is TMA Group of Companies Limited.

During the financial year the parent entity, TMA Group of Companies Limited provided accounting and administration services, to related parties. A management fee of $213,000 (2009: $213,000) was charged for those services at cost plus.

Other transactions that occurred during the financial year between related parties were:

- Sale and purchase of goods at cost plus;
- Reimbursement of travel and other related expenses at cost; and
- Management fees accrued on an interest free basis, and
- Interest on loan to Antcor Pty Ltd (formerly known as TMA Properties) up to the issue of redeemable preference shares on 1 December 2009.
- Lease of premises from Antcor
- Accrued dividend on the redeemable preference shares
- Management services provided by Antcor

37 Business Combinations

37.1 Subsidiaries and business acquired

	Principal activity	Date of Acquisition	Proportion of shares acquired	Consideration transferred
Abacus Security*	Technical	4 July 2009	-	200
TTM Group #	Technical	13 November 2009	100%	1,643

TTM Equipment Pty Limited, TTM Equipment (NSW) Pty Limited and TTM Equipment (Vic) Pty Limited, ('TTM').

The TTM business is equipment, sales, supply, installation, maintenance and service of parking revenue and control equipment in Australia.

The main advantages of this acquisition to the TMA Group are to further expand our capacity and footprint in this market throughout Australia in support of the converting business.

* TMA Australia Pty Limited acquired the business of Abacus which is the supply, installation and maintenance of security systems.

The main advantage of this acquisition to the TMA Group is to further expand our capacity and footprint in this market throughout Australia in support of the converting business

37.2 Consideration transferred

	ABACUS	TTM Group	Total
	$'000	$'000	$'000
Cash	150	980	1,130
Deferred settlement	50	-	50
Issued 16,944,000 shares @ $0.04	-	677	677
Total Consideration	200	1,657	1,857
Net assets acquired	-	(497)	(497)
Goodwill	200	1,160	1,360

Acquisition-related costs amounting to $145,000 (Abacus: $65,000; TTM Group: $80,000) have been excluded from the consideration transferred and have been recognised as an expense in the period, within the 'administration expenses' line item in the statement of comprehensive income/income statement.

37. Business Combinations (cont'd)

37.3 *Assets acquired and liabilities assumed at the date of acquisition*

	ABACUS	TTM Group	Total
	$'000	**$'000**	**$'000**
Current assets			
Cash & cash equivalents	-	139	139
Trade receivables	-	338	338
Inventories	-	302	302
Deferred tax asset	-	137	137
Non-current assets			
Plant & equipment	-	293	293
Current liabilities			
Trade & other payables	-	(648)	(648)
Non-current liabilities	-		
Non-current payables	-	(64)	(64)
Net Assets	-	497	497

37.4 *Goodwill arising on acquisition*

	ABACUS	TTM Group	Total
	$'000	**$'000**	**$'000**
Consideration transferred	200	1,657	1,857
Less: fair value of identifiable net assets acquired	-	(497)	(497)
Goodwill arising on acquisition	200	1,160	1,360

Goodwill arose in the acquisition of Abacus and TTM Group because the cost of the combination includes the consideration paid for the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Abacus and TTM Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The Group also acquired the customer lists and customer relationships of Abacus and TTM Group as part of the acquisition. These assets could not be separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

37. Business Combinations (cont'd)

37.5 *Net cash outflow on acquisition of subsidiaries*

	Year ended	
	30/06/10	30/06/09
	$'000	$'000
Consideration paid in cash	1,116	-
Less: cash and cash equivalent balances acquired	677	-
	1,793	-

37.6 *Impact of acquisitions on the results of the Group*

Included in the profit for the year is a loss of $77,000 attributable to Abacus and a profit of $193,000 attributable to TTM Group. Revenue for the period includes $0.3 million in respect of Abacus and $1.8 million in respect of TTM Group.

Had these business combinations been effected at 1 July 2009, the revenue of the Group from continuing operations would have been $56.2 million, and the profit for the year from continuing operations would have been $3.25 million. The directors of the Group consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

In determining the 'pro-forma' revenue and profit of the Group had Abacus and TTM Group been acquired at the beginning of the current reporting period, the directors have:

- calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognized in the pre-acquisition financial statements;
- based borrowing costs on the funding levels, credit ratings and debt/equity position of the Group after the business combination;

37.7 *Impact of acquisitions since balance date*

No new acquisitions have been completed since balance.

38 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	Notes	30/06/10	30/06/09
		$'000	$'000
Cash and cash equivalents		3,738	3,218
		3,738	3,218

38. Cash and cash equivalents (cont'd)

38.1 ***Reconciliation of profit for the period to net cash flows from operating activities***

	Year ended	
	30/06/10	**30/06/09**
	$'000	**$'000**
Profit for the period	3,066	2,847
Loss/(Profit) on sale of non-current assets	(5)	(17)
Depreciation and amortisation of non-current assets	1,412	1,351
Acquisition costs expensed	169	-
Share of associates profit	(156)	(39)
Interest received and receivable	18	(54)
Dividend received and receivable	(65)	-
Foreign exchange movements	72	(282)
Adjustments on foreign currency translation	(63)	-
Adjustments on fair value	-	(955)
Doubtful debts	-	50
(Increase)/decrease in net deferred tax asset	(832)	153
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
Current receivables	(3,188)	(1,557)
Current inventories	(976)	274
Current tax assets	(539)	-
Other current assets	(4,706)	(26)
Other Non-current assets	-	(83)
Increase/(decrease) in liabilities:		
Current payables	6,112	1,265
Current tax liabilities & provisions	1,424	270
Current provisions	(532)	(81)
Non-current provisions	148	538
Cash from/(used in) operating activities	1,359	3,654

The bank facilities are detailed below:

38.2 **NAB FACILITIES**

Limit for term loans for asset purchase	2,694	3,048
Interchangeable Facilities		
- Variable Rate Commercial Bill Acceptance Facility	4,837	5,825
- Overdraft AUD Facility	100	200
- Overdraft facility-temporary		-
Total Facility	7,631	9,073

The Group has access to financing facilities at reporting date as indicated above. The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

39 Operating lease arrangements

39.1 Leasing arrangements

Operating leases

Operating lease rental commitments relate to the rental of properties in Australia, Shanghai, New Zealand and the Philippines. The lease terms vary from zero years to five years as follows;

- Australia (Melbourne), fixed rental rate to June 2011; then increase by CPI to June 2012
- Australia (Sydney), fixed rental rate to October 2011; then increase by CPI to October 2014
- New Zealand, fixed to December 2010, then increase by CPI to June 2011 when the lease has an option to be renewed;
- China, fixed to March 2011,then to a market rental rate; and
- Philippines, month by month rental only.

39.2 Payments recognised as an expense

	Year ended	
	30/06/10	**30/06/09**
	$'000	**$'000**
Minimum lease payments	1,370	685
Contingent rentals	-	-
	1,370	685

39.3 Non-cancellable operating lease payments

Not later than 1 year	1,304	1,308
Longer than 1 year but not longer than 5 years	2,201	3,411
Longer than 5 years	-	-
	3,504	4,719

40 Commitments for expenditure

40.1 *Capital expenditure commitments*

	30/06/10	**30/06/09**
	$'000	**$'000**
Group's share of associates and equity accounted jointly controlled entities' capital commitments		
Not longer than 1 year	1,000	-
Longer than 1 year and not longer than 5 years	2,000	-
Longer than 5 years	107,000	-
	110,000	-

The TMA Philippines Joint Venture agreement executed 4 December 2009 requires that TMA Philippines Inc invest into plant and equipment in the Philippines an amount of $100,000,000 over life of the 50 year contract.

40.2 *Lease commitments*

Finance lease liabilities and non-cancellable operating lease commitments are disclosed in notes 26 and 39 to the financial statements.

41 Contingent liabilities and contingent assets

	30/06/10	**30/06/09**
	$'000	**$'000**
Court proceedings (i)	-	-
Group's share of associates' contingent liabilities (ii)	-	-

(i) An entity in the Group is a defendant in a legal action which commenced in February 2005, involving the alleged failure of the entity to pay commissions. The directors believe, based on legal advice, that the action can be successfully defended and therefore no losses (including for costs) will be incurred.

In relation to the same matter, the Group has a claim outstanding that commissions were overpaid. Based on legal advice the directors believe there is a probability that the claim will be successful however the entity is not able to reliably measure the amounts to be received or paid, if any at this stage. No provision has been made or contingent asset recorded in regards to the above action.

(ii) The amount disclosed represents the Group's share of contingent liabilities of associates. The extent to which an outflow of funds will be required is dependent on the future operations of the associates being more or less favourable than currently expected.

42 Remuneration of auditors

	30/06/10	30/06/09
	$	$
Auditor of the parent entity		
Audit and review of the financial reports	99,527	90,000
Taxation services	69,990	27,851
Other non-audit services	58,629	183,596
	228,146	301,447
Other auditors		
Audit and review of TMA NZ	12,195	5,639
Tax and other services TMA NZ	9,922	18,637
Audit and review of Mark Sensing China	31,668	32,121
Tax and other services of Mark Sensing China	-	57,008
Audit and review of Mark Sensing Philippines	12,000	18,518
Taxation services of Mark Sensing Philippines	2,800	11,438
	296,731	444,808

The auditor of TMA Group of Companies Limited is Hill Rogers Spencer Steer Assurance Partners.
The auditor of TMA Australia Pty Ltd is Hill Rogers Spencer Steer Assurance Partners.
The auditor of Mark Sensing (Aust) Pty Ltd is Hill Rogers Spencer Steer Assurance Partners.
The auditor of TTM Group is Hill Rogers Spencer Steer Assurance Partners.
The auditors of TMA New Zealand is Gilligan & Company.
The auditor of Mark Sensing China is CWCC CPA.
The auditor of TMA Group Philippines Inc is Diaz Murillo Dalupan and Company.
The auditor of Mark Sensing Philippines Inc is Diaz Murillo Dalupan and Company.

43 Events after reporting period

2010: Other than the Premier Group acquisition announced in August 2010 and the renewal of the banking facilities for a further 3 years, there are no other significant subsequent events.

2009: Other than the Abacus acquisition announced in July 2009, there are no other significant subsequent events.

44 Parent entity information

As at and throughout the financial year ending 30 June 2010 the parent company of the Consolidated entity was TMA Group of Companies Limited.

45 Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on 31 August 2010.

Shareholder Information

Number of holders of equity securities

Ordinary share capital

117,179,086 fully paid ordinary shares are held by 1,027 individual shareholders.

All issued ordinary shares carry one vote per share.

Preference share capital

14,666,666 unlisted, redeemable cumulative preference shares are held by 1 shareholder.

Holders of redeemable preference shares are entitled to receive notice of and to attend meetings of the holders of ordinary shares.

All issued redeemable cumulative preference shares carry one vote per share, however, the right to vote is restricted to meetings convened for the purpose of reducing the capital or winding-up or sanctioning the sale of the undertaking of the Company or where the proposition to be submitted to the meeting directly affects their rights and privileges or when the Listing Rules require holders of preference shares to be entitled to vote.

Options

No options are held by individual shareholders. Options do not carry a right to vote.

Distribution of Holders of Equity Securities

Analysis of numbers of shareholders by size of holding

		Ordinary shares		Redeemable preference	
		Holders	Fully Paid	shares	Options
1-	1,000	328	187,132	-	-
1,001-	5,000	358	953,084	-	-
5,001-	10,000	114	907,433	-	-
10,001-	100,000	184	5,719,201	-	-
100,001-	Over	40	109,412,236	14,666,666	-
		1,027	**117,179,086**	**14,666,666**	**-**

There were 752 holders of less than a marketable parcel of 8,696 ($ 0.23 on 10 August 2010) ordinary shares.

Substantial Shareholder

An extract of the company's register of Substantial Shareholder is set out below:

Number and Percentage of Shares in which interest is held

	No of Ordinary Fully Paid shares held	Percentage of Issue Share Capital (%)
Karam Family Holdings Pty Ltd	94,775,593	80.88

TMA GROUP OF COMPANIES LIMITED
Additional Stock Exchange Information (Cont'd)
As at 12 August 2009

Twenty Largest Shareholders

	Name	Number of Ordinary Fully Paid 20 Cent shares held	Percentage of Issued Share Capital
		No.	%
1.	Karam Family Holdings	94,775,593	80.88
2.	Common Sense Computing Pty Ltd (Group)	4,735,524	4.04
3.	Mr Gerald Harvey (Group)	1,391,275	1.19
4.	Jubarene Pty Ltd	1,101,360	0.94
5.	Angolet Pty Ltd	500,000	0.43
6.	Richard Ewan Bromley Mews	381,134	0.33
7.	Dynamic Dental Lobaratory Pty Ltd	370,728	0.32
8.	Brett John Holdsworth	338,880	0.29
9.	Barwick Investments Pty Ltd	328,961	0.28
10.	Langview Pty Ltd	315,983	0.27
11.	Mr Barry Richard Lindemann & Mrs Leone Eileen Lindemann	280,000	0.24
12.	Mr Czeslaw Czapla & Mr Zdzislaw Czapla	279,395	0.24
13.	Ronald Stephen Baxter	274,160	0.23
14.	B Munro Pty Ltd	267,508	0.23
15.	Mr Gregory John Pearse	260,000	0.23
16.	Mr Ashley James Falconer	252,216	0.22
17.	Jamber Investments Pty Ltd (The Amber Schwarz Fam A/c)	250,000	0.21
18.	Jaystin Pty Ltd	250,000	0.21
19.	Brindle Holdings Pty Ltd	234,530	0.20
20.	Sidhu Super Pty Ltd	200,000	0.17
		106,787,247	91.13

Name:

TMA Group of Companies Limited
ABN : 66 006 627 087

Directors:

Mr. Michael WHELAN
- Chairman

Mr. Anthony KARAM
- CEO

Ms. Corriene KARAM

Mr. Tony SAAD

Mr. James SCHWARZ

Company Secretary and Chief Financial Officer:

Ms. Willemien De Rie, Cert (CSA)

Registered Office:
TMA Group of Companies Limited
6 Straits Avenue
Granville, 2142
NSW, Australia
Tel: (02) 9892 9999
Fax: (02) 9892 9900

Email : info@tmagroup.com.au

Auditors:

HILL ROGERS SPENCER STEER ASSURANCE PARTNERS
Level 5, 1 Chifley Square
Sydney, NSW
Australia, 2000

Bankers:

NATIONAL AUSTRALIA BANK
Level 18
255 George Street
Sydney, NSW
Australia, 2000

Solicitors:

SWAAB Attorneys
Level 1,
20 Hunter Street
Sydney, NSW
Australia, 2000

Share Register:

Registries Limited
Level 7,
207 Kent Street
Sydney NSW 2000

GPO Box 3993
Sydney NSW 2001

Stock Exchange Listing:

TMA Group of Companies LIMITED shares are quoted by the Australian Stock Exchange Limited
ASX code TMA

Website:

www.tmagroup.com.au

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