

Print Mail Logistics Limited
ABN 14 103 116 856

Financial Report
for the Year Ended
30 June 2010

TABLE OF CONTENTS

Corporate Directory.....	2
Directors' Report	3
Auditor's Independence Declaration	13
Corporate Governance Statement.....	14
Statements of Comprehensive Income	20
Statements of Financial Position.....	21
Statements of Changes in Equity	22
Statements of Cash Flows	24
Notes to the Financial Statements.....	25
Directors' Declaration.....	73
Independent Auditor's Report	74
Shareholder Information	76

The financial statements were authorised for issue by the Board of directors on 4 August 2010. The Board has the power to amend or reissue the report after it has been issued.

CORPORATE DIRECTORY

Directors

John W Woods
Chairman (Non-executive)

Nigel B Elias
Director (Executive)

Robert C Cameron
Director (Non-executive)

Secretaries

Ian B Hopkins
Adrian J Pereira

Notice of Annual General Meeting

The Annual General Meeting of Print Mail Logistics Limited
will be held at: Lenna of Hobart, Cnr Runnymede Street
& Salamanca Place
Battery Point, Tasmania 7004
at: 2:30pm
on: Friday 10th September 2010

A formal notice of meeting is enclosed with this Annual Report.

Principal registered office in Australia

Ground Floor,
28-30 Davey Street
Hobart TAS 7000
+61 3 6220 8444

State of incorporation

New South Wales

Share Register

Armstrong Registry Services Limited
Level 22, 307 Queen Street
Brisbane QLD 4000
+61 7 3231 0050

Auditor

WHK Horwath
120 Edward Street
Brisbane QLD 4000

Solicitors

Allens Arthur Robinson
Deutsche Bank Place
126 Phillip Street
Sydney NSW 2000

Bankers

Australia and New Zealand Banking Group Limited
40 Elizabeth Street
Hobart TAS 7000

National Australia Bank Limited
Level 10, 86 Collins Street
Hobart TAS 7000

Stock exchange listings

Print Mail Logistics Limited shares are listed on the National
Stock Exchange of Australia (NSX) (Code: PNT).

Website address

www.pml.com.au

DIRECTORS' REPORT

Your Directors present their report on Print Mail Logistics Limited ("Company") and its controlled entities (collectively referred to as "Consolidated Entity") for the year ended 30 June 2010.

Directors

The names of each person who has been a Director of the Company during the year and to the date of this report are:

John W Woods
 Nigel B Elias
 Robert C Cameron (appointed 1 April, 2010)
 Robert K Stewart (resigned 11 March, 2010)
 William K Downie (appointed 11 March 2010, resigned 1 April 2010).

The Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretaries

The names of each person who has been a Company Secretary of the Company during the year and to the date of this report, together with their qualifications and experience are:

Ian B Hopkins – Has a Bachelor of Commerce (University of New South Wales), and is a Certified Practicing Accountant. Mr Hopkins was appointed Company Secretary on 2 June 2004, and has 20 years experience as a Company Secretary.

Adrian J Pereira – Has a Bachelor of Commerce (University of Tasmania), and is a Chartered Accountant. Mr Pereira was appointed Company Secretary on 25 January 2007. Mr Pereira is the Chief Financial Officer of the Company with 5 years experience in that role together with 4 years experience in a public Chartered Accounting firm.

Meetings of Directors

During the financial year 20 meetings of Directors (including three meetings of Committees of Directors) were held. Attendances by each Director during the year were as follows;

	Directors' meetings		Committee meetings	
	Number of meetings	Number attended	Number of meetings	Number attended
John W Woods	17	17	3	3
Nigel B Elias	17	17	3	3
Robert C Cameron	3	1	3	3
Robert K Stewart	11	10	-	-
William K Downie	1	1	-	-

Corporate Structure

The Company is a listed public company limited by shares and is incorporated and domiciled in Australia.

Operating Results

The consolidated profit of the Consolidated Entity after providing for income tax for the year ended 30 June 2010 was \$92,206 (2009: \$218,873).

DIRECTORS' REPORT (continued)

Review of Operations

In November 2009, the Company listed on the National Stock Exchange of Australia ("NSX"). An Initial Public Offering ("IPO") raised \$3,631,000 (\$2,972,275 net of costs associated with the IPO) of which \$2,290,099 was utilised to repay debt and \$682,176 was utilised to contribute towards funding capital expenditures.

In December 2009 and June 2010 the Company repaid LSL Holdings Pty Ltd (In Liquidation) ACN 051 792 575 secured convertible notes "E" and "F" respectively - each with a face value of \$250,000. As at the date of this report, the Company owed this creditor a further \$750,000 – repayable as to \$250,000 in each of December 2010 and June and December 2011.

Over the course of the year, the offset printing market in Tasmania has been characterised by over capacity with a number of industry participants operating at margins which, in the opinion of the management of the Company, are unsustainable. However, the digital variable data printing market has shown some resilience as both governmental and corporate organisations seek to conduct their businesses with increased efficiency. During the year the Consolidated Entity has had some success in entering markets outside of the state of Tasmania.

In light of the current business environment your Board considers the results of the Consolidated Entity to be satisfactory.

Financial Position

The Consolidated Entity's financial position has improved from a negative net worth of \$1,591,683 (restated) at 30 June 2009 to a positive net worth of \$1,781,937 at 30 June 2010. This improvement has arisen primarily as a result of the IPO raising \$2,972,275 net of the costs associated with the IPO.

Your Board considers the Consolidated Entity's financial position to be satisfactory.

Key Business Strategies

The Consolidated Entity's business strategies are to leverage its industry experience and credibility to provide transactional printing and related communication solutions to the Australian and selected international markets.

Future Prospects

With the objective of maximising the Consolidated Entity's net worth, the Consolidated Entity proposes to increase revenue by way of concentrating on markets outside of the state of Tasmania.

Significant Changes in the State of Affairs

The Company listed on the NSX in November 2009. A total of \$3,631,000 was raised by way of this IPO with the proceeds utilised to repay debt and fund capital expenditures.

Principal Activities

The principal activities of the Consolidated Entity during the financial year were the rendering of printing, mailing and distribution services.

After Balance Date Events

No matters or circumstances have arisen since the end of the financial year which would significantly affect or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in subsequent financial years.

Environmental issues

The Consolidated Entity takes all reasonable action to ensure that it meets general environmental standards and regulations.

DIRECTORS' REPORT (continued)

Dividends

No dividends were paid or declared during the financial year (2009: nil). No recommendation for payment of dividends has been made.

Options

No options over issued shares or interests in the Company or a controlled entity were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Indemnification of Officers or Auditors

The Company has entered into a deed of access, insurance and indemnity ("Deed") with each of the Directors of the Company.

The Company has undertaken to indemnify each Director in certain circumstances and to maintain Directors' and Officers' insurance cover in favour of each Director for seven years after the Director has ceased to be a Director.

To the extent permitted by law and to the extent available in the market at a cost that would not be unfairly prejudicial to the Company, the Company must, for the duration of the Deed and for the period ended seven years after the Director has ceased to be an officer of the Company;

- maintain and pay the premium on a Directors and Officers insurance policy; or
- ensure that a related body corporate, as defined by section 9 of the *Corporations Act 2001* maintains and pays the premium on a Directors and Officers insurance policy.

The Company has executed a Directors and Officers insurance policy during the year. The amount of that insurance premium is \$9,792 per annum.

During or since the end of the financial year, the Company has not given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums to indemnify the external auditor.

Proceedings on Behalf of the Company

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

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

DIRECTORS' REPORT (continued)

Directors' Particulars

John W Woods - Chairman (Non-executive)

Mr Woods is a Fellow of the Institute of Chartered Accountants in Australia and has held the positions of Chairman of the Institute's State Council in Tasmania and Chairman of the State Membership Committee. He served as a National Councillor from 1982 to 1986 and has been a member of the National Membership Committee, the National Disciplinary Committee, the National Education Committee and a member of the National Examination Committee.

In addition to being a registered Company Liquidator since 1975, Mr Woods is an Official Liquidator, is a registered Tax Agent and, until 2008, a Company Auditor. Mr Woods currently sits on the Tasmanian Regional Liaison Committee of the Australian Securities and Investments Commission (ASIC) and is a past member of the Tasmanian Auditors and Liquidators Disciplinary Board.

Mr Woods is Chairman of the Company having been appointed a Director of the Company in June, 2009.

Mr Woods' special responsibilities include that of Chairman of the Audit and Risk Management Committee, Chairman of the Nominations Committee and Chairman of the Remuneration Committee.

Mr Woods holds a beneficial interest in 50,000 ordinary shares in the Company.

Nigel B Elias – Director (Executive)

Mr Elias has extensive national and international experience as a Company Director and Chief Executive Officer of organisations including the GenaWare Group and Australian Card Services. Other roles have included positions with the Bank of Montreal, the Mercantile Bank of Canada, Canadian Commercial and Industrial Bank, Citicorp Australia and CIBC Australia.

Mr Elias has been duly admitted to the degree of Bachelor of Arts (University of Lancaster, UK) and Master of Business Administration (Columbia University, USA).

Mr Elias is Managing Director of the Company having been appointed Chief Executive Officer and Director of the Company in June 2004.

Mr Elias is responsible for all aspects of the Consolidated Entity's activities.

Mr Elias holds a beneficial interest in 3,035,720 ordinary shares in the Company.

Robert C Cameron - Director (Non-executive)

Mr Cameron was appointed a Director of the Company on 1 April 2010 having fulfilled the position of Director of the Company in prior financial years.

Mr Cameron is a Fellow of the Institute of Chartered Accountants and a former Director of Asia Pacific Infrastructure Limited ACN 010 966 793.

Mr Cameron holds a beneficial interest in 504,000 ordinary shares in the Company.

DIRECTORS' REPORT (continued)

Auditor's Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 13 of this report.

Non-audit Services

The Board, in accordance with advice from the Audit and Risk Management Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board, in accordance with advice from the Chief Financial Officer prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid/are payable to the external auditors during the year ended 30 June 2010:

Taxation advice	<u>\$10,750.00</u>
Total	<u>\$10,750.00</u>

Corporate Governance

The Directors of the Company support and adhere to the principles of corporate governance recognising the need for the highest standard of corporate behaviour and accountability. A review of the Company's corporate governance practices was undertaken during the year. A copy of the Corporate Governance Statement is set out on page 14 of this report.

DIRECTORS' REPORT (continued)

Remuneration Report

Remuneration Policy

The Board's policy for determining remuneration of the key management personnel and executives (collectively referred to as "Executives") for the Consolidated Entity, which is set by the Remuneration Committee, is set out as follows:

- remuneration is determined in the context of general market and industry practice (so far as directly relevant benchmarks can be identified for comparative purposes) and the need to attract and retain high-caliber personnel;
- Executives, comprising of the Directors, Company Secretaries, the General Manager and the Chief Financial Officer, have authority and responsibility for planning, directing and controlling the activities of the Consolidated Entity;
- compensation levels are competitively set to attract and retain appropriately qualified and experienced Executives; and
- the compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:
 - the capability and experience of the Executives;
 - the Executive's ability to control the relevant business performance;
 - the Consolidated Entity's earnings; and
 - the growth in share price and the delivery of constant returns on shareholder wealth.

There is no remuneration paid or payable to a person in the form of securities.

DIRECTORS' REPORT (continued)

Remuneration Report (continued)

Executives

The following table provides employment details of persons who were, during the financial year, Executives of the Consolidated Entity.

Executive	Position held	Term of contract	Period of notice required for termination and related amounts payable	Proportion of elements of remuneration related to performance ¹				Proportion of elements of remuneration not related to performance		
				Non-salary cash based incentives	Shares /Units	Options/ Rights	Other	Fixed Salary ²	Other	Total%
Nigel B Elias	Managing Director	2.5 years commencing on 1 July 2009 and terminating on 31 December 2011	2 months. In the event the employment contract is terminated, Mr Elias is entitled to a payment equivalent to 4 months salary.	-	-	-	-	66.7%	33.3%	100%
Peter A MacLeod	General Manager	2.5 years commencing on 1 July 2009 and terminating on 31 December 2011	2 months. In the event the employment contract is terminated, Mr MacLeod is entitled to a payment equivalent to 6 months salary.	-	-	-	5.5%	84.9%	9.6%	100%
Adrian J Pereira	Chief Financial Officer / Company Secretary	2.5 years commencing on 1 July 2009 and terminating on 31 December 2011	2 months. In the event the employment contract is terminated, Mr Pereira is entitled to a payment equivalent to 6 months salary.	-	-	-	5.7%	88.2%	6.1%	100%
Ian B Hopkins ¹	Company Secretary	Appointed 2 June 2004	-	-	-	-	-	-	100%	100%
John W Woods	Chairman/ Non-executive Director	Appointed 1 June 2009	-	-	-	-	-	100%	-	100%
Robert C Cameron	Non-executive Director	Appointed 1 April 2010	-	-	-	-	-	100%	-	100%
Robert K Stewart ⁵	Chairman/ Non-executive Director	7 June 2007 – 11 March 2010	-	-	-	-	-	100%	-	100%
William K Downie	Non-executive Director	11 March 2010 – 1 April 2010	-	-	-	-	-	100%	-	100%

¹Mr Hopkins held the position of Company Secretary for the entirety of the financial year having been appointed to the position of Company Secretary on 2 June 2004. During the period to 22 October 2009, Mr Hopkins was employed by Allens Arthur Robinson Corporate Pty Ltd ACN 001 314 512 and the Consolidated Entity contracted with Allens Arthur Robinson Corporate Pty Ltd ACN 001 314 512 for the provision of Mr Hopkins' company secretarial services to the Consolidated Entity. During that period, the Consolidated Entity paid fees totalling \$20,053 to Allens Arthur Robinson Corporate Pty Ltd ACN 001 314 512 in consideration for the provision of company secretarial services by Mr Hopkins. On 13 November 2009, the Company entered into an agreement with Hopkins Corporate Solutions Pty Ltd ACN 139 791 825 for the provision of company secretarial services on account of the Consolidated Entity. During the period 22 October 2009 to 30 June 2010, the fees paid or payable for the provision of company secretarial services to the Consolidated Entity totalled \$14,048.00 plus GST.

²Fixed salary consists of base salary as well as employer contributions to superannuation funds. Remuneration is reviewed annually by the Remuneration Committee through a process that considers individual, business and the overall performance of the Consolidated Entity.

DIRECTORS' REPORT (continued)

Remuneration Report (continued)

Executives (continued)

³During the period, performance related bonuses totalling \$12,670 were paid to Mr MacLeod (as to \$6,335) and Mr Pereira (as to \$6,335). The bonuses were paid in July, 2009 based on financial performance measures that were met at 30 June 2009. The performance bonuses were calculated using the following formula:

Consolidated Entities Earnings before Depreciation and Amortisation ("EBDA")		1
	X	
(Number of employees at balance date)		4

Effective 1 July 2009, Mr MacLeod and Mr Pereira were excluded from participation in the staff profit share arrangement and effective 31 December 2009, the staff profit share was terminated. The measure was adopted at inception to motivate the staff, including Executives, to increase shareholder wealth by maximising EBDA.

⁴There have been no changes to the persons or positions occupied from that listed above subsequent to year-end.

⁵During the period, there was no remuneration paid to Mr Stewart.

DIRECTORS' REPORT (continued)

Remuneration Report (continued)

Remuneration Details

The following table of payments and benefits details, in respect to the financial year, the components of remuneration for each Executive of the Consolidated Entity.

Executive	Short-term benefits				Post employment benefits		Long-term benefits		Equity-settled share-based payments		Cash settled share-based payments	Termination benefits	Total
	Salary, fees and leave	Profit share and bonuses ^{1,2,3}	Non-monetary	Other ⁴	Pension and superannuation	Other	Incentive plans	Other	Shares /units	Options /rights			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Nigel B Elias	160,586	80,225	-	-	21,675	-	-	-	-	-	-	-	262,486
Peter A MacLeod	90,000	11,207	-	4,835	9,543	-	-	-	-	-	-	-	115,585
Adrian J Pereira	90,000	11,207	-	501	9,543	-	-	-	-	-	-	-	111,251
Ian B Hopkins ⁵	-	-	-	14,048	-	-	-	-	-	-	-	-	14,048
John W Woods	7,500	-	-	-	675	-	-	-	-	-	-	-	8,175
Robert C Cameron	7,500	-	-	-	675	-	-	-	-	-	-	-	8,175
Robert K Stewart	-	-	-	-	-	-	-	-	-	-	-	-	-
William K Downie	1,808	-	-	-	163	-	-	-	-	-	-	-	1,971
Total	357,394	102,639	-	19,384	42,274	-	-	-	-	-	-	-	521,691

¹During the financial year, the following Executives were paid bonuses as consideration for agreeing to enter into a Deed of Employment with the Company on 1 July 2009:

- Mr Elias \$87,447 (including superannuation of \$7,222)
- Mr MacLeod \$5,415 (including superannuation of \$920)
- Mr Pereira \$5,415 (including superannuation of \$920).

²During the financial year, the following Executives were paid a bonus related to a staff profit share arrangement for the period ended 30 June 2009 in accordance with employment agreements with the Company that applied on 30 June 2009:

- Mr MacLeod \$6,335 (including superannuation of \$523)
- Mr Pereira \$6,335 (including superannuation of \$523).

³The following Executives were paid an ex gratia bonus for additional duties carried out during the IPO:

- Mr MacLeod \$900
- Mr Pereira \$900.

⁴During the financial year, other short-term benefits were paid on account of motor vehicle allowances paid to Mr MacLeod (as to \$4,835) and Mr Pereira (as to \$501).

⁵Mr Hopkins held the position of Company Secretary for the entirety of the financial year having been appointed to the position of Company Secretary on 2 June 2004. During the period to 22 October 2009, Mr Hopkins was employed by Allens Arthur Robinson Corporate Pty Ltd ACN 001 314 512 and the Consolidated Entity contracted with that law firm for the provision of Mr Hopkins' company secretarial services to the Consolidated Entity. During that period, the Consolidated Entity paid fees totalling \$20,053 to Allens Arthur Robinson Corporate Pty Ltd ACN 001 314 512 in consideration for the provision of company secretarial services by Mr Hopkins. On 13 November 2009, the Company entered into an agreement with Hopkins Corporate Solutions Pty Ltd ACN 139 791 825 for the provision of company secretarial services on account of the Company and the Consolidated Entity. During the period 22 October 2009 to 30 June 2010, the fees paid or payable for the provision of company secretarial services to the Consolidated Entity totalled \$14,048.00 plus GST.

DIRECTORS' REPORT (continued)

Remuneration Report (continued)

Loans to Executives

There are no loans to Executives at balance date.

Share and Options Granted to Executives

No options were granted during the year or in prior financial years.

Executives' Interest in Contracts

On 2 July 2007, Mr Elias entered into a call option in respect of the secured convertible notes issued to LSL Holdings Pty Ltd ACN 051 792 575 (currently LSL Holdings Pty Ltd (In Liquidation) ACN 051 792 575).

On 13 November 2009, the Company entered into an Agreement with Hopkins Corporate Solutions Pty Ltd ACN 139 791 825 for the provision of company secretarial services by Mr Hopkins to the Consolidated Entity. The Agreement does not include a termination date however if required, the Company Secretary's services may be terminated at any time.

Signed in accordance with a resolution of the Board of directors.



John W Woods
Chairman

4th August 2010
Hobart, Tasmania

AUDITOR'S INDEPENDENCE DECLARATION



Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Print Mail Logistics Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2010 there have been:

- (i) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

WHK Horwath

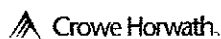
WHK HORWATH

Vanessa M de Waal

VANESSA M DE WAAL
Principal

Brisbane, 4 August 2010.

Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees.



WHK Pty Ltd trading as WHK Horwath Brisbane is a member of Crowe Horwath International Association, a Swiss entity. Each member firm of Crowe Horwath is a separate and independent legal entity.

Member Crowe Horwath International
WHK Horwath Brisbane
Level 16, WHK Horwath Centre 120 Edward Street
Brisbane Queensland 4000 Australia
GPO Box 736 Brisbane Queensland 4001 Australia
Telephone +61 7 3233 3555 Facsimile +61 7 3210 6183
Email info.bri@whkhorwath.com.au www.whkhorwath.com.au
A WHK Group firm

CORPORATE GOVERNANCE STATEMENT

This statement outlines the primary corporate governance practices of Print Mail Logistics Limited ("Company") that have been in place during the year.

Board of Directors

The current Board of directors consists of John W Woods, Nigel B Elias and Robert C Cameron.

The activities of the Board are governed by the Board Charter. In general, the Board's functions and responsibilities are to:

- chart strategy and set financial targets for the Consolidated Entity;
- monitor the implementation and execution of strategy and performance against financial targets; and
- appoint and oversee the performance of executive management and generally to take and fulfil an effective leadership role in relation to the Consolidated Entity.

The composition of the Board is determined according to the following principles:

- the Board must comprise members with a broad range of experience, expertise, skills and contacts relevant to the Consolidated Entity and its business;
- there must be at least three Directors;
- the number of Directors may be increased where the Board considers that additional expertise is required in specific areas or when an outstanding candidate is identified; and
- at least half of the Board must be non-executive Directors at least two of whom must also be independent.

One third of the Directors (other than a Managing Director) must retire at each Annual General Meeting of the Company. Additionally, each Director must not hold office longer than three consecutive Annual General Meetings without standing for re-election.

The Board has also established committees to assist in carrying out its function and for its effective and efficient performance. The committees established at the date of this report are the following;

- Audit and Risk Management Committee;
- Nominations Committee; and
- Remuneration Committee.

Due to the size of the Company and the composition of the Board, each of the Directors is nominated to each of the three committees.

Powers of Managing Director

Mr Elias is the current Managing Director of the Company. The Managing Director is able to exercise any powers conferred on him by the Board pursuant to Rule 18.1 of the Constitution.

Role of Company Secretary

The Company Secretary is responsible for ensuring the Company meets its compliance with reporting obligations and managing the respective charter and is also accountable to the Board on all corporate governance matters.

Access to Information

Each Director has the right to seek independent legal or other professional advice at the expense of the Company in the event of any doubt regarding matters arising in the course of carrying out their duties.

CORPORATE GOVERNANCE STATEMENT (continued)

Remuneration Policy

Pursuant to the Constitution, the Directors are to be paid out of the funds of the Company as remuneration for their services. The amount is to be determined by the Company in a general meeting and divided among them in the proportion and manner as they agree or, in default of agreement, equally.

The Company has also established a Remuneration Committee to advise on the remuneration (including non-monetary forms of remuneration such as incentive plans and salary packaging) payable to senior management and non-executive Directors of the Company under its Charter.

Managing Directors' fees are separately determined by the Board on advice from the Remuneration Committee.

A copy of the Remuneration Report is set out in the Directors' Report.

Appointment of Directors

The Nomination Committee has the role of developing suitable criteria (in regards to experience, expertise, skills, qualifications, contacts and other qualities) for Board candidates. If necessary, the Board will consider and conduct relevant ASIC and Federal Police Searches on each candidate.

Upon appointment of a Director the Board will direct that the proper documentation be prepared notifying the National Stock Exchange of Australia ("NSX") and the Australian Securities and Investments Commission ("ASIC") of the appointment.

Ethical Conduct

Pursuant to the Company's Code of Ethics and Values, all Directors are encouraged to achieve the highest possible standards in the discharge of their obligations. Each Director has an obligation to comply with the spirit and principles of the code and law to:

- act in good faith in the best interests of the Company and for a proper purpose;
- observe confidentiality;
- act in the interests of all shareholders to avoid any potential conflict of interest;
- exercise a reasonable degree of care and diligence;
- not make improper use of information; and
- not make improper use of their position.

Similarly, the Board has adopted a Code of Conduct for Transactions in Securities which governs the ability of Directors, senior management and employees to trade in Company shares.

Continuous Disclosure and Communication with Shareholders

As set out in the Company's Charter, the Board aims to ensure that Shareholders are informed of all major developments affecting the Consolidated Entity's state of affairs.

Information is communicated to Shareholders as follows:

- the Company's continuous disclosure obligations are reviewed as a standing item on the agenda for each regular meeting of the Board. Each Director is required at every such meeting to confirm details of any matter within their knowledge that might require disclosure to the market;
- the annual report is distributed to all shareholders. The Board ensures that the annual report includes relevant information about the operations of the Consolidated Entity during the year, changes in the state of affairs of the Consolidated Entity, and details of future developments in addition to the other disclosures required by the *Corporations Act 2001*;

CORPORATE GOVERNANCE STATEMENT (continued)

Continuous Disclosure and Communication with Shareholders (continued)

- proposed major changes in the Consolidated Entity which may impact on share ownership rights and the removal and appointment of Directors are submitted to a vote of shareholders at an Annual General Meeting ("AGM"). If resolutions are required to be put to Shareholders before the next AGM, a general meeting will be called with at least 28 days' notice in accordance with the Constitution and the *Corporations Act 2001*. The Board encourages the full participation of Shareholders at the AGM and at other general meetings to ensure a high level of accountability and identification with the Consolidated Entity's strategy and goals;
- the external auditors will be requested to attend the AGM and be available to answer questions by Shareholders on the conduct of the audit and the preparation and content of the audit report;
- the half-yearly report contains summarised financial information and a review of the operations of the Consolidated Entity during the period. The report is lodged with and is available from the NSX. It is also sent to any Shareholder who requests it from the Company;
- Company announcements are made in a manner which is factual, timely, clear, and objective, and so as not to omit any information material to decisions of Shareholders and potential investors in the Company; and
- Information concerning the Company, including copies of announcements made through the NSX and the annual report and half-yearly report, is made available to Shareholders and prospective investors in the Company on the Company's website. The Company has a continuing commitment to electronic communication with Shareholders and stakeholders generally including via its website.

Shareholder Privacy

Personal information will generally be collected directly from Shareholders through the use of any of our standard forms, over the internet, via email or through a telephone conversation. There may, however, be some instances where personal information will be collected indirectly because it is unreasonable or impractical to collect personal information directly. A notification will be issued in these instances in advance, or where that is not possible, as soon as reasonably practical after the information has been collected.

The Company takes all reasonable measures to ensure all personal information is stored safely to protect it from misuse, loss, unauthorised access, modification or disclosure, including electronic and physical security measures.

Generally, the Company only uses and discloses personal information for the purposes for which it was collected. However, personal information may be disclosed to:

- service providers, who assist the Company in operating its business. These service providers may not be required to comply with the Company's privacy policy;
- other service providers, who provide the various services which Shareholders have requested and the Company have arranged. These service providers may not be required to comply with the Company's privacy policy;
- a purchaser of the assets and operations of the Company's business, providing those assets and operations are purchased as a going concern; and
- the Company's related entities and other organisations that are affiliated for the purposes of providing Shareholders with information about services and various promotions that might be of interest.

A Shareholder may request their personal information by written request to the Company.

CORPORATE GOVERNANCE STATEMENT (continued)

Dealings in Securities

The Constitution permits Directors to acquire securities. Company policy prohibits any dealing in, or procuring the dealing in, securities except in accordance with the Code of Conduct for Transactions in Securities ("Code").

The Code applies to all Directors and Officers of the Company and to all Executives, including the Chief Financial Officer, and employees nominated by the Board.

The Code permits Directors and other persons to whom the Code applies to trade in securities during a four week period starting immediately after the announcement to the NSX of the half-yearly and annual results and after the conclusion of the AGM provided that:

- the person is not in possession of price sensitive information; and
- the trading is not for short term or speculative gain.

In the event that a transaction is for consideration of greater than \$50,000 worth of securities, the prior written approval of the Chairman is required prior to entering into discussions for the potential sale of those securities.

Otherwise, trading in securities by Directors and other persons to whom the Code applies is prohibited unless prior written approval is granted by the Chairman. In the case of any proposed trade by the Chairman, written authority to trade may be obtained from another non-executive Director.

As explained above, Directors are prohibited from improper use of information or their position both under the Code of Ethics and Values and the *Corporations Act 2001*. Therefore, no such person may trade Securities, either for short-term speculative gain or otherwise, whilst in possession of price sensitive information.

Additionally, the *Corporations Act 2001* prohibits trading in securities with a related party unless it is on arm's length terms or approved by shareholders.

Heavy sanctions apply if these duties are breached including punitive action commenced by ASIC.

Related Party Contracts

The Directors are under a general duty not to enter into transactions with related parties unless certain conditions have been fulfilled. Internally, these activities are governed by the respective charters, some of which include the following:

- Board Charter;
- Code of Conduct for Transactions in Securities; and
- Audit and Risk Management Committee Charter.

The *Corporations Act 2001* requires that all related party transactions must be entered into on arm's length terms or if not, approved by shareholders of the Company as this will generally amount to a 'material personal interest' in a matter. This prohibition is enforced to protect the rights of shareholders.

A Director who has any material personal interest in a matter must not be present at a meeting while the matter is being considered and must not vote on the matter.

CORPORATE GOVERNANCE STATEMENT (continued)

Conflict of Interest

A conflict of interest is defined by the Company to mean a situation where a matter which impacts upon a Director's ability to ensure that their duties are discharged efficiently, honestly and fairly, arises.

Practical steps taken by the Company to assist in identifying and avoiding potential conflicts of interest are as follows:

- monitoring and confidentially retaining relevant interest information on all Board and senior staff members for conflict identification and monitoring;
- undertaking performance reviews and regular receipting of disclosure notices;
- instituting appropriate remedial or preventative action, which will include:
 - where appropriate quarantining relevant operational areas from other operational areas where information or activity in one operational area is not accessible so as to ensure that 'Chinese walls' prevent the flow of sensitive or non-public information to other organisational areas unless there is 'a reason to know';
 - requiring senior management to monitor and supervise procedures to ensure proper functioning of Chinese walls and information flows;
 - allocating another Board member or employee to discharge the duty where appropriate;
 - declining to undertake transactions; or
 - always disclosing potential conflicts to third parties.

It is the responsibility of the senior management to ensure that there is an ongoing daily awareness given to identification and management of conflicts of interest and a conflict of interest register is kept and maintained.

Additionally, employees of the Company are also strongly encouraged to disclose all conflicts of interests which may arise.

Audit and Risk Management Committee

The role of the Audit and Risk Management Committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Consolidated Entity, and fulfil the responsibility for the identification of significant business risks and review of the major risks affecting each business segment and develops strategies to mitigate these risks.

The Audit and Risk Management Committee members are appointed by the Board, with the current members being Mr Woods, Mr Elias and Mr Cameron. However, the Company Secretary is also accountable to the Board on all corporate governance matters and is responsible for managing the respective charter.

Business is considered as the Committee may determine, with additional items of business considered as appropriate, including:

- review of Charter and consider plans for the coming year;
- review of policies on sensitive issues or practices such as environmental issues;
- review of the operation and effectiveness of internal controls;
- meet with the external auditors to discuss next year's audit plan and budget;
- review of the results and findings of the half-yearly audit/review;
- review of business risks facing the Consolidated Entity, and of the Consolidated Entity's business continuity plan, and assessment of the adequacy of internal controls; and
- review of related party transactions.

CORPORATE GOVERNANCE STATEMENT (continued)

Audit and Risk Management Committee (continued)

The external auditors are selected according to criteria set by the Committee which include most significantly:

- the lack of any current or past connection or association with the Company or with any member of senior management that could in any way impair, or be seen to carry with it any risk of impairing, the independent external view they are required to take in relation to the Company and the Consolidated Entity;
- their general reputation for independence and probity and professional standing within the business community; and
- their knowledge of the industry within which the Company and the Consolidated Entity operate.

Audit staff employed by the external audit partner, including the partner or other principal with overall responsibility for the engagement, are required to be rotated periodically, and in any event at intervals not exceeding five years, so as to avoid any risk of impairing the independent external view that the external auditors are required to take in relation to the Company and the Consolidated Entity. The performance of the external auditor is reviewed on an annual basis.

Risks

The Board has the responsibility for the maintenance of the Company's strategy which includes the identification of significant business, legal, financial and organisational risks. This responsibility is fulfilled by the Audit and Risk Management Committee which reviews the major risks affecting each business segment and develops strategies to mitigate these risks and reports to the Board following each meeting.

The risks of the Company's and the Consolidated Entity's business are reviewed by the Board following each report by the Audit and Risk Management Committee. This report is a specific agenda item at each regular meeting of the Board to ensure that the Company is able to effectively respond to such risks.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010	Notes	CONSOLIDATED ENTITY		PARENT ENTITY	
		2010 \$	2009 \$	2010 \$	2009 \$
Revenue from continuing operations	2	7,751,256	7,477,470	7,451,242	8,080,818
Changes in inventories of finished goods and work in progress		(79,095)	(25,766)	(79,095)	(25,766)
Raw materials and consumables used		(2,817,743)	(2,836,666)	(2,817,743)	(2,836,666)
Employee benefits expense		(2,734,047)	(2,776,465)	(2,734,047)	(2,776,465)
Finance costs	3	(260,451)	(375,002)	(163,037)	(392,149)
Depreciation and amortisation expense	3	(774,661)	(557,530)	(443,276)	(405,814)
Operating leases	3	-	(29,689)	(521,942)	(305,490)
Occupancy expenses		(321,470)	(288,395)	(321,470)	(288,395)
Office and administration expenses		(575,954)	(569,706)	(638,462)	(569,706)
Ordinary expenses		(140,638)	(232,722)	(140,638)	(164,572)
Loss on foreign currency translation		-	(13,681)	-	(13,681)
Loss on disposal of shares		-	(413,915)	-	-
Share of net profits/(loss) of associates		(8,345)	-	-	-
Profit/(Loss) before income tax		38,852	(642,067)	(408,469)	302,114
Income tax (expense)/benefit	4	53,354	354,149	236,604	50,946
Profit/(Loss) for the year from continuing operations		92,206	(287,918)	(171,865)	353,060
Profit/(Loss) for the year from discontinued operations	5	-	506,791	-	-
Profit/(Loss) for the year		92,206	218,873	(171,865)	353,060
Other comprehensive income					
Other comprehensive income for the year net of income tax		-	-	-	-
Total comprehensive income/(loss) for the year		92,206	218,873	(171,865)	353,060
Profit/(Loss) for the year attributable to:					
Owners of the parent entity		92,206	218,873	(171,865)	353,060
Non-controlling interest		-	-	-	-
Profit/(Loss) for the year		92,206	218,873	(171,865)	353,060
Total comprehensive income/(loss) for the year attributable to:					
Owners of the parent entity		92,206	218,873	(171,865)	353,060
Non-controlling interest		-	-	-	-
Total comprehensive income/(loss) for the year		92,206	218,873	(171,865)	353,060
Earnings per share and Diluted earnings per share					
From continuing operations:					
Basic and Diluted earnings per share (cents)	8	0.40	(2.90)		
From discontinued operations:					
Basic and Diluted earnings per share (cents)	5	0.00	5.10		
From profit for the year:					
Basic and Diluted earnings per share (cents)		0.40	2.20		

The accompanying notes form part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2010	Notes	CONSOLIDATED ENTITY			PARENT ENTITY		
		2010	2009	1.07.08	2010	2009	1.07.08
		\$	\$	\$	\$	\$	\$
Current Assets							
Cash and cash equivalents	9	(67,388)	30,170	713	(67,666)	30,060	367
Trade and other receivables	10	519,319	543,412	554,490	1,199,309	543,412	558,586
Inventories	11	177,396	146,865	121,099	177,396	146,865	121,099
Other current assets	12	120,365	158,638	32,255	120,363	157,428	32,255
Total Current Assets		749,692	879,085	708,557	1,429,402	877,765	712,307
Non-Current Assets							
Investments	13	-	-	414,766	2	2	3
Investments accounted for using the equity method	14	807,655	-	-	-	-	-
Deferred tax assets	4	414,971	191,812	-	414,972	154,769	-
Property, plant and equipment	15	2,964,820	2,450,827	2,352,433	1,567,888	1,098,233	2,352,433
Total Non-Current Assets		4,187,446	2,642,639	2,767,199	1,982,862	1,253,004	2,352,436
Total Assets		4,937,138	3,521,724	3,475,756	3,412,263	2,130,769	3,064,743
Current Liabilities							
Trade and other payables	16	781,375	1,214,596	1,500,678	789,380	846,629	1,498,994
Interest bearing liabilities	17	1,080,942	1,118,237	1,684,462	495,224	1,118,236	1,684,462
Non-interest bearing liabilities	18	60,000	-	1,404,147	60,000	625,274	1,171,911
Short term provisions	19	225,056	341,880	241,430	225,056	341,880	241,430
Total Current Liabilities		2,147,373	2,674,713	4,830,717	1,569,660	2,932,019	4,596,797
Non-Current Liabilities							
Long term provisions	19	100,163	85,603	85,212	100,163	85,603	85,212
Interest bearing liabilities	17	880,482	2,298,232	1,101,407	239,457	688,697	1,101,407
Deferred tax liability	4	27,182	54,859	-	26,787	59,038	-
Total Non-Current Liabilities		1,007,828	2,438,694	1,186,619	366,407	833,338	1,186,619
Total Liabilities		3,155,201	5,113,407	6,017,336	1,936,067	3,765,357	5,783,416
Net Assets/(Liabilities)		1,781,937	(1,591,683)	(2,541,580)	1,476,196	(1,634,589)	(2,718,673)
Equity							
Issued capital	20	7,884,394	4,601,744	3,870,720	7,884,394	4,601,744	3,870,720
Accumulated losses		(6,102,457)	(6,193,427)	(6,412,300)	(6,408,198)	(6,236,333)	(6,589,393)
Total Equity		1,781,937	(1,591,683)	(2,541,580)	1,476,196	(1,634,589)	(2,718,673)

The accompanying notes form part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

	Equity Component of				
	Ordinary Shares	Convertible Notes	Total Issued Capital	Accumulated Losses	Total
Consolidated Entity	\$	\$	\$	\$	\$
Balance at 1 July 2009	4,187,679	414,065	4,601,744	(6,193,427)	(1,591,683)
Prior year correction	-	-	-	(1,236)	(1,236)
	4,187,679	414,065	4,601,744	(6,194,663)	(1,592,919)
Comprehensive income for the year					
Profit/(Loss) for the year	-	-	-	92,206	92,206
Total comprehensive income for the year	-	-	-	92,206	92,206
Transactions with owners recorded directly in equity					
Contributions by owners					
Shares Issued	3,631,000	-	3,631,000	-	3,631,000
Transaction costs	(348,350)	-	(348,350)	-	(348,350)
Total contributions by owners	3,282,650	-	3,282,650	-	3,282,650
Balance at 30 June 2010	7,470,329	414,065	7,884,394	(6,102,457)	1,781,937
Balance at 1 July 2008	3,456,655	414,065	3,870,720	(6,412,300)	(2,541,580)
Prior year correction	-	-	-	-	-
	3,456,655	414,065	3,870,720	(6,412,300)	(2,541,580)
Comprehensive income for the year					
Profit/(Loss) for the year	-	-	-	218,873	218,873
Total comprehensive income for the year	-	-	-	218,873	218,873
Transactions with owners recorded directly in equity					
Contributions by owners					
Shares issued	843,463	-	843,463	-	843,463
Transaction costs	(112,439)	-	(112,439)	-	(112,439)
Total contributions by owners	731,024	-	731,024	-	731,024
Balance at 30 June 2009	4,187,679	414,065	4,601,744	(6,193,427)	(1,591,683)

The accompanying notes form part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY (continued)

FOR THE YEAR ENDED 30 JUNE 2010

	Equity Component of				Total
	Ordinary Shares	Convertible Notes	Total Issued Capital	Accumulated Losses	
Parent Entity	\$	\$	\$	\$	\$
Balance at 1 July 2009	4,187,679	414,065	4,601,744	(6,236,333)	(1,634,589)
Prior year correction	-	-	-	-	-
	<u>4,187,679</u>	<u>414,065</u>	<u>4,601,744</u>	<u>(6,236,333)</u>	<u>(1,634,589)</u>
Comprehensive income for the year					
Profit/(Loss) for the year	-	-	-	(171,865)	(171,865)
Total comprehensive income for the year	-	-	-	(171,865)	(171,865)
Transactions with owners recorded directly in equity					
Contributions by owners					
Shares issued	3,631,000	-	3,631,000	-	3,631,000
Transaction costs	(348,350)	-	(348,350)	-	(348,350)
Total contributions by owners	<u>3,282,650</u>	<u>-</u>	<u>3,282,650</u>	<u>-</u>	<u>3,282,650</u>
Balance at 30 June 2010	<u>7,470,329</u>	<u>414,065</u>	<u>7,884,394</u>	<u>(6,408,198)</u>	<u>1,476,196</u>
Balance at 1 July 2008	3,456,655	414,065	3,870,720	(6,589,393)	(2,718,673)
Prior year correction	-	-	-	-	-
	<u>3,456,655</u>	<u>414,065</u>	<u>3,870,720</u>	<u>(6,589,393)</u>	<u>(2,718,673)</u>
Comprehensive income for the year					
Profit/(Loss) for the period	-	-	-	353,060	353,060
Total comprehensive income for the period	-	-	-	353,060	353,060
Transactions with owners recorded directly in equity					
Contributions by owners					
Shares issued	843,463	-	843,463	-	843,463
Transaction costs	(112,439)	-	(112,439)	-	(112,439)
Total contributions by owners	<u>731,024</u>	<u>-</u>	<u>731,024</u>	<u>-</u>	<u>731,024</u>
Balance at 30 June 2009	<u>4,187,679</u>	<u>414,065</u>	<u>4,601,744</u>	<u>(6,236,333)</u>	<u>(1,634,589)</u>

The accompanying notes form part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2010

Notes	CONSOLIDATED ENTITY		PARENT ENTITY	
	2010	2009	2010	2009
	\$	\$	\$	\$
Cash Flows From Operating Activities				
Receipts from customers	8,131,420	7,743,030	8,215,893	7,095,775
Payments to suppliers and employees	(7,745,721)	(7,829,378)	(8,038,647)	(7,508,378)
Finance costs	(173,161)	(254,534)	(75,747)	(271,678)
Interest received	2,370	162	2,356	162
Net Cash Flow From/(Used in) Operating Activities	21(a) 214,908	(340,720)	103,855	(684,119)
Cash Flows from Investing Activities				
Proceeds from disposal of property, plant and equipment	1,793	6,300	1,793	1,063,711
Purchase of property, plant and equipment	(1,288,654)	(708,076)	(912,931)	(175,160)
Payments for investment in associate	(816,000)	-	-	-
Proceeds from disposal of shares	-	22,506	-	-
Net Cash Flow (Used in)/From Investing Activities	(2,102,861)	(679,270)	(911,138)	888,551
Cash Flows from Financing Activities				
Proceeds from rights issue	-	843,463	-	843,463
Proceeds from share issue	3,631,000	-	3,631,000	-
Transaction costs	(658,271)	-	(658,271)	-
Payments for convertible notes paid out	(500,000)	(750,000)	(500,000)	(750,000)
Proceeds from borrowings	742,910	2,181,164	-	956,982
Repayment of borrowings	(1,337,330)	(1,312,934)	(1,675,259)	(1,312,937)
Net Cash Flow From/(Used in) Financing Activities	1,878,309	961,693	797,470	(262,492)
Net (Decrease)/Increase in Cash and Cash Equivalents	(9,644)	(58,297)	(9,813)	(58,060)
Cash and Cash Equivalents at Beginning of Year	(103,728)	(45,431)	(103,837)	(45,777)
Cash and Cash Equivalents at End of Year	21(b) (113,372)	(103,728)	(113,650)	(103,837)

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were authorised for issue by the Board of directors on 4 August 2010. The Board has the power to amend or reissue the report after it has been issued.

(a) Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report includes the consolidated financial statements and notes of the consolidated entity of Print Mail Logistics Limited and controlled entities, and the separate financial statements of Print Mail Logistics Limited as an individual parent entity. Print Mail Logistics Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of Print Mail Logistics Limited and controlled entities, and Print Mail Logistics Limited as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety. Compliance with the Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The financial report of Print Mail Logistics Limited was authorised for issue by the board of directors on 4 August 2010. The board has the power to amend or re-issue the report after it has been issued.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting applies. Cost is based on the fair values of the consideration given in exchange for assets.

(b) Principles of Consolidation

A controlled entity is any entity controlled by Print Mail Logistics Limited. Control is considered to exist where Print Mail Logistics Limited has the capacity to dominate the decision making in relation to the financial and operating policies of another entity so that the other entity operates with Print Mail Logistics Limited to achieve the objectives of Print Mail Logistics Limited. The controlled entities have a June financial year end.

Where a controlled entity has entered or left the consolidated group during the year its operating results have been included from the date control was obtained or until the date control ceased. Details of the controlled entities are contained in Note 26. As at the reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Business Combinations

Subsequent to 1 January 2009

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the consolidated entity acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

Prior to 1 January 2009

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for in separate steps. Any additional interest in the acquiree acquired did not affect previously recognised goodwill. The goodwill amounts calculated at each step acquisition were accumulated.

When the consolidated entity acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the consolidated entity had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were adjusted against goodwill.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Taxes

Income taxes

The charge for current income tax expense is based on the profit or loss for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the Statement of Comprehensive Income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Print Mail Logistics Limited and its wholly owned Australian subsidiaries formed an income tax consolidated group under the tax consolidation regime on 1 July 2006. Each entity in the tax consolidated group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each tax consolidated group entity is then subsequently assumed by the parent entity.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense; and
- receivables and payables are stated with the amount of GST included.

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

Cash flows are included in the Statement of Cash Flows on a gross basis except for the GST component of the cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, which are disclosed as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Inventories

Inventories are valued at the lower of cost or net realisable value.

Costs incurred in bringing inventory to its present location and condition, are accounted for as purchase costs on a first-in-first-out basis.

(f) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably.

Repairs and maintenance costs are expensed to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Major depreciation periods are:

Plant and equipment

Computers	3 years
Motor vehicles	3 years
Digital printing equipment	5 years
Mail insertion equipment	5 years
Finishing and bindery equipment	5 years
Furniture and fittings	10 years
Offset printing equipment	12 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds received from the disposal to the carrying amount of each respective asset. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities within the consolidated entity are classified as finance leases. Finance leases are capitalised by recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the consolidated entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(h) Financial instruments

Initial recognition and measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by market placed convention.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as at fair value through the profit or loss. Transaction costs related to instruments classified as at fair value through profit and loss are expensed to the Statement of Comprehensive Income immediately. Financial instruments are classified and measured as set out below:

- Derecognition

Financial assets are derecognised where the contractual rights to the receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in the Statement of Comprehensive Income.

- Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the Statement of Comprehensive Income in the period in which they arise. Subsequent to initial recognition, financial assets in this category are measured at cost when they are investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(iii) Financial liabilities

Non-derivative financial liabilities are subsequently measured at amortised cost, comprising original debt less principal payments and amortisation.

(iv) Impairment

At each reporting date, the consolidated entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of comprehensive income.

(i) Impairment of assets

At each reporting date, the consolidated entity reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less cost incurred to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Impairment testing is performed annually.

Where it is not possible to estimate the recoverable amount of an individual asset, the consolidated entity estimates the recoverable amount of the cash generating unit to which the asset belongs.

(j) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the entities in the consolidated group is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into foreign currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. This is inclusive of associated on-costs of 16.5%. Employee benefits payable later than one year have been measured at the present value of the estimated cash flows to be made for those benefits.

Employee benefits expenses and revenues arising in respect of wages and salaries, non-monetary benefits, annual leave and other types of employee benefits are recognised against profits on a net basis in their respective categories.

(l) Provisions

Provisions are recognised when the consolidated entity has a legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(m) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities on the Statement of Financial Performance.

Cash on hand and in banks and short term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks including bank overdrafts.

(n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed are net of returns, trade allowances and rebates.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

Revenue from printing and mailing services rendered is recognised upon delivery to the customer or on account of the customer.

Dividend Revenue is recognised when received.

Interest revenue is recognised as it accrues taking into account the effective yield on the financial asset.

All revenue is stated net of the amount of GST.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Borrowing costs

Borrowing costs are expensed in the income period in which they are incurred.

(p) Comparative figures

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Reclassification

There has been a reclassification in the comparatives of the profit from discontinued operations to correctly reflect the split between continuing and discontinuing operations. This has had no impact on the profit for the year.

Material Prior Period Error

Subsequent to 31 December 2009, a material error in the prior period financial statements relevant to the accounting treatment of a compound financial instrument in accordance with AASB 132 was identified. In accordance with AASB 108 paragraph 42, the material prior period error has been corrected retrospectively in the first financial report authorised for issue after the discovery by restating the comparative amounts for the prior period(s) presented in which the error occurred.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Comparative figures (continued)

The amount of the correction for each financial statement line item affected and basic and diluted earnings per share is outlined below:

Consolidated Entity	30 June 2009		
	Previously Stated	Correction	Restated
	\$	\$	\$
Revenue from continuing operations			
Finance costs	(254,531)	(120,471)	(375,002)
Profit/(Loss) for the year	339,344	(120,471)	218,873
Current Liabilities			
Interest bearing liabilities	1,091,999	26,238	1,118,237
Total Current Liabilities	2,648,475	26,238	2,674,713
Non-current Liabilities			
Interest bearing liabilities	2,129,603	168,629	2,298,232
Total Non-Current Liabilities	2,270,065	168,629	2,438,694
Total Liabilities	4,918,540	194,867	5,113,407
Net Assets	(1,396,816)	(194,867)	(1,591,683)
Issued capital	4,531,139	70,605	4,601,744
Accumulated losses	(5,927,955)	(265,472)	(6,193,427)
Total Equity	(1,396,816)	(194,867)	(1,591,683)
Basic and Dilutive Earnings Per Share	0.03	(0.01)	0.02

	1 July 2008		
	Previously stated	Correction	Restated
	\$	\$	\$
Revenue from continuing operations			
Finance costs	(296,699)	(145,001)	(441,700)
Profit/(Loss) for the year	160,970	(145,001)	15,969
Current Liabilities			
Interest bearing liabilities	1,683,031	1,431	1,684,462
Total Current Liabilities	4,829,286	1,431	4,830,717
Non-current Liabilities			
Interest bearing liabilities	906,557	194,850	1,101,407
Total Non-Current Liabilities	991,769	194,850	1,186,619
Total Liabilities	5,821,055	196,281	6,017,336
Net Assets	(2,345,299)	(196,281)	(2,541,580)
Issued capital	3,922,000	(51,280)	3,870,720
Accumulated losses	(6,267,299)	(145,001)	(6,412,300)
Total Equity	(2,345,299)	(196,281)	(2,541,580)
Basic and Dilutive Earnings Per Share	0.06	(0.06)	0.00

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Comparative figures (continued)

Parent Entity	30 June 2009		
	Previously Stated	Correction	Restated
	\$	\$	\$
Revenue from continuing operations			
Finance costs	(271,678)	(120,471)	(392,149)
Profit/(Loss) for the year	473,531	(120,471)	353,060
Current Liabilities			
Interest bearing liabilities	1,091,998	26,238	1,118,236
Total Current Liabilities	2,905,781	26,238	2,932,019
Non-current Liabilities			
Interest bearing liabilities	520,068	168,629	688,697
Total Non-Current Liabilities	664,709	168,629	833,338
Total Liabilities	3,570,491	194,867	3,765,357
Net Assets	(1,439,722)	(194,867)	(1,634,589)
Issued capital	4,531,139	70,605	4,601,744
Accumulated losses	(5,970,861)	(265,472)	(6,236,333)
Total Equity	(1,439,722)	(194,867)	(1,634,589)
	1 July 2008		
	Previously \$	Correction \$	Restated \$
Revenue from continuing operations			
Finance costs	(292,560)	(145,001)	(437,561)
Profit/(Loss) for the year	(122,368)	(145,001)	(267,369)
Current Liabilities			
Interest bearing liabilities	1,683,031	1,431	1,684,462
Total Current Liabilities	4,595,366	1,431	4,596,797
Non-current Liabilities			
Interest bearing liabilities	906,557	194,850	1,101,407
Total Non-Current Liabilities	991,769	194,850	1,186,619
Total Liabilities	5,587,135	196,281	5,783,416
Net Assets	(2,522,392)	(196,281)	(2,718,673)
Issued capital	3,922,000	(51,280)	3,870,720
Accumulated losses	(6,444,392)	(145,001)	(6,589,393)
Total Equity	(2,522,392)	(196,281)	(2,718,673)

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Debt defeasance

Where assets are given up to extinguish the principal repayments and all future interest payments of a debt, any differences in the carrying value foregone and the liability extinguished is brought to account in profit. Costs incurred in establishing the defeasance are expensed in the period that the defeasance occurs.

In all cases where defeasance occurs, it is highly unlikely that the consolidated entity will again be required to pay any part of the debt or meet any guarantees or indemnities associated with the debt.

(r) Critical accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Going Concern

As at 30 June 2010, the consolidated entity had a deficiency in working capital (net current assets) of \$ 1,397,681 (2009: \$1,795,628).

The directors consider that the going concern assumption adopted in the preparation of the financial report is appropriate and that the consolidated entity has the resources available for the repayment of its financial liabilities as and when they fall due.

The going concern assumption is based on the consolidated entity being able to:

- maintain the ratio of trade debtor settlements to trade creditor settlements which existed at balance date;
- maintain the revenue level which existed at balance date;
- maintain finance facilities on similar terms and conditions to those which existed at balance date;
- extend the maturity date of a \$200,000 debt obligation which falls due on 31 December 2010; and
- maintain a balance of surplus working capital to fund the repayment of the convertible notes as and when they mature, or source alternative funding for this purpose.

The directors will continue to evaluate and, to the extent necessary, adjust its strategies to meet the working capital requirements of the consolidated entity as circumstances develop.

Key estimates – Impairment

The consolidated entity assesses impairment at each reporting date by evaluating conditions specific to the consolidated entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Determination of fair values

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, and willingly. The market value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

(t) New accounting standards and interpretations

The consolidated entity has adopted the following new and amended Australian Accounting Standards and AASB interpretations as of 1 January 2009.

AASB 127 Consolidated and Separate Financial Statements (revised 2008) effective 1 January 2009

AASB 8 Operating Segments effective 1 January 2009

AASB 101 Presentation of Financial Statements (revised 2007) effective 1 January 2009

AASB 123 Borrowing Costs (revised 2007) effective 1 January 2009

AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate effective 1 January 2009

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) New accounting standards and interpretations (continued)

When the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance of the consolidated entity, its impact is described below:

AASB 127 Consolidated and Separate Financial Statements (revised 2008)

AASB 127 (revised 2008) requires that a change in the ownership interest of a subsidiary (without a change in control) is to be accounted for as a transaction with owners in their capacity as owners. Therefore such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss in the statement of comprehensive income. Furthermore the revised Standard changes the accounting for losses incurred by a partially owned subsidiary as well as the loss of control of a subsidiary. The changes in AASB 3 (revised 2008) and AASB 127 (revised 2008) will affect future acquisitions, changes in, and loss of control of, subsidiaries and transactions with non-controlling interests.

The change in accounting policy was applied prospectively and had no material impact on earnings per share.

AASB 8 Operating Segments

AASB 8 replaced AASB 114 *Segment Reporting* upon its effective date. The consolidated entity concluded that the operating segments determined in accordance with AASB 8 are the same as the business segments previously identified under AASB 114. AASB 8 disclosures are shown in Note 28, including the related revised comparative information.

AASB 101 Presentation of Financial Statements (revised 2007)

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The consolidated entity has elected to present one statement. As a result of the adoption of the revised standard, the naming conventions of the primary statements have been renamed.

AASB 123 Borrowing Costs

The revised AASB 123 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The consolidated entity's previous policy was to expense borrowing costs as they were incurred. In accordance with the transitional provisions of the amended AASB 123, the consolidated entity has adopted the Standard on a prospective basis. Therefore, borrowing costs are capitalised on qualifying assets with a commencement date on or after 1 January 2009. The consolidated entity did not capitalise any borrowing costs in the current year.

AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

The amendments delete the reference to the "cost method" making the distinction between pre and post acquisition profits no longer relevant. All dividends received are now recognised in profit or loss rather than having to be split between a reduction in the investment and profit and loss. However the receipt of such dividends requires an entity to consider whether there is an indicator of impairment of the investment in that subsidiary.

The amendments further clarify cases or reorganisations where a new parent is inserted above an existing parent of the consolidated entity. It states that the cost of the subsidiary is the previous carrying amount of its share of equity items in the subsidiary rather than its fair value. The adoption of these amendments did not have any impact on the financial position or the performance of the consolidated entity.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing this financial report.

AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 will become mandatory for the consolidated entity's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The consolidated entity has not yet determined the potential effect of the standard.

AASB 124 *Related Party Disclosures* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for consolidated entity's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.

AASB 2009-5 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the consolidated entity's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.

AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions* resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments AI 8 *Scope of AASB 2* and AI 11 *AASB 2 – Group and Treasury Share Transactions* will be withdrawn from the application date. The amendments, which become mandatory for the consolidated entity's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.

AASB 2009-10 *Amendments to Australian Accounting Standards – Classification of Rights Issue* [AASB 132] (October 2010) 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 or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The amendments, which will become mandatory for the consolidated entity's 30 June 2011 financial statements, are not expected to have any impact on the financial statements.

AASB 2009-14 *Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement – AASB 14* make amendments to Interpretation 14 AASB 119 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements* removing an unintended consequence arising from the treatment of the prepayments of future contributions in some circumstances when there is a minimum funding requirement. The amendments will become mandatory for the consolidated entity's 30 June 2012 financial statements, with retrospective application required. The amendments are not expected to have any impact.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. IFRIC 19 will become mandatory for the consolidated entity's 30 June 2011 financial statements, with retrospective application required. The consolidated entity has not yet determined the potential effect of the interpretation.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

2. REVENUE FROM ORDINARY ACTIVITIES

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2010	2009	2010	2009
	\$	\$	\$	\$
Revenues from operating activities				
Revenue from rendering of services	7,362,465	6,211,313	7,362,465	6,935,300
Revenues from non-operating activities				
Interest received	2,370	162	2,356	162
Dividends received	-	461,833	-	-
Proceeds on disposal of property, plant and equipment	1,793	101,300	1,793	1,158,713
Less: carrying value	-	-	-	(971,397)
Gain on disposal	1,793	101,300	1,793	187,315
Gain on forgiveness of loan	300,000	659,762	-	903,643
Gain on foreign currency translation	59,164	-	59,164	-
Other income	25,465	43,100	25,465	54,398
Total revenues from non-operating activities	388,791	1,266,157	88,777	1,145,518
Total revenues from ordinary activities	7,751,256	7,477,470	7,451,242	8,080,818

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

3. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(Loss) before Income tax includes the following expenses:

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2010	2009	2010	2009
	\$	\$	\$	\$
<u>Finance costs</u>				
Interest expense – external parties	241,376	263,338	145,022	190,514
Interest expense – related entities	3,110	90,401	3,110	180,864
Other borrowing costs	15,965	21,263	14,905	20,771
Total finance costs	<u>260,451</u>	<u>375,002</u>	<u>163,037</u>	<u>392,149</u>
<u>Depreciation and amortisation</u>				
Property, plant and equipment	774,661	557,530	443,276	405,814
Total depreciation of non-current assets	<u>774,661</u>	<u>557,530</u>	<u>443,276</u>	<u>405,814</u>
<u>Operating leases</u>				
Minimum lease payments - plant and equipment	-	29,689	521,942	305,490
Minimum lease payments - premises	237,638	209,425	237,638	209,425
Total operating lease rental	<u>237,638</u>	<u>239,114</u>	<u>759,580</u>	<u>514,915</u>
<u>Bad and doubtful debts</u>				
Trade receivables impaired	3,382	16,768	3,382	(15,708)
Total bad and doubtful debts	<u>3,382</u>	<u>16,768</u>	<u>3,382</u>	<u>(15,708)</u>
<u>Other significant expenses</u>				
Superannuation expense	213,418	198,853	213,418	198,853
Total other significant expenses	<u>213,418</u>	<u>198,853</u>	<u>213,418</u>	<u>198,853</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

4. INCOME TAX

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2010	2009	2010	2009
	\$	\$	\$	\$
Current				
The major components of income tax expense are:				
Current tax expense	-	-	-	44,785
Deferred tax expense / (benefit)	(53,354)	(354,149)	(236,604)	(95,731)
	<u>(53,354)</u>	<u>(354,149)</u>	<u>(236,604)</u>	<u>(50,946)</u>
Reconciliation of income tax expense to prima facie tax payable				
Accounting profit/(loss) from continuing operations before income tax	38,852	(642,067)	(408,469)	302,114
Prima facie tax at statutory income tax rate of 30%	11,656	(192,620)	(122,541)	90,634
Non deductible expenditure	7,436	101,992	9,197	93,175
Other deductible expenditure	(117,681)	(48,958)	(117,681)	(996)
Origination/(reversal) of other temporary differences	-	(61,302)	-	(46,062)
Franking credits received	-	34,436	-	-
Derecognition of deferred tax assets	45,235	-	(5,579)	-
Recoupment of prior year losses not previously brought to account	-	(187,697)	-	(187,697)
Income tax expense/(benefit)	<u>(53,354)</u>	<u>(354,149)</u>	<u>(236,604)</u>	<u>(50,946)</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

4. INCOME TAX (continued)

	Opening Balance	Brought to Account	Charged to Income Statement	Charged to Equity	Closing Balance
	\$	\$	\$	\$	\$
Non-Current Consolidated Entity					
Deferred tax liability					
Property, plant and equipment	54,859	-	(27,677)	-	27,182
	<u>54,859</u>	<u>-</u>	<u>(27,677)</u>	<u>-</u>	<u>27,182</u>
Deferred tax asset					
Provision for doubtful debts	20,506	-	(19,390)	-	1,116
Employee provisions	95,641	-	1,925	-	97,566
Creditors and accruals	55,389	-	(38,421)	-	16,968
Other items	3,740	-	(3,740)	-	-
Transaction costs	-	-	(46,243)	197,481	151,239
Tax losses	16,536	-	131,546	-	148,082
	<u>191,812</u>	<u>-</u>	<u>25,677</u>	<u>197,481</u>	<u>414,971</u>
Non-Current Parent Entity					
Deferred tax liability					
Property, plant and equipment	59,038	-	(32,251)	-	26,787
	<u>59,038</u>	<u>-</u>	<u>(32,251)</u>	<u>-</u>	<u>26,787</u>
Deferred tax asset					
Provision for doubtful debts	-	-	1,116	-	1,116
Employee provisions	95,641	-	1,925	-	97,566
Creditors and accruals	55,389	-	(38,421)	-	16,968
Other items	3,740	-	(3,740)	-	-
Transaction costs	-	-	(46,243)	197,481	151,239
Tax losses*	-	(141,631)	289,714	-	148,083
	<u>154,770</u>	<u>(141,631)</u>	<u>204,351</u>	<u>197,481</u>	<u>414,972</u>

*Deferred tax benefit in respect of tax losses recognised in respect of the tax consolidated group.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

5. DISCONTINUED OPERATIONS

CONSOLIDATED ENTITY	
2010	2009
\$	\$

On 18 June 2009 the parent entity sold its 100% ownership interest in 88888888 Pty Ltd to Mr Elias. Mr Elias is a director of the parent entity and, at the time of the disposal, was the sole director of 88888888 Pty Ltd.

Financial information relating to the discontinued operation to the date of disposal is set out below.

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

Revenue	-	1,212,058
Expenses	-	(488,071)
Profit before income tax	-	723,987
Income tax (expense)/benefit	-	(217,196)
Profit attributable to owners of the parent entity	-	506,791
Profit on sale before income tax	-	-
Income tax (expense)/benefit	-	-
Profit/(loss) on sale after income tax	-	-
Total profit on sale after tax attributable to the discontinued operation	-	-

Earnings per share

From discontinued operations:

Basic and Diluted earnings per share (cents)	0.00	5.10
--	------	------

The discontinued operations do not fall into any specific operating segment and for the purpose of AASB 8 *Operating Segments* is not allocated to an operating segment.

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

Net cash inflow/(outflow) from operating activities:	-	(22,467)
Net cash inflow/(outflow) from investing activities:	-	22,447
Net cash (outflow)/inflow from financing activities:	-	-
Net cash increase/(decrease) in cash generated by the discontinuing division	-	(20)

Gain on disposal of the division included in gain from discontinued operations per the statement of comprehensive income

-	-
---	---

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

6. INTERESTS OF KEY MANAGEMENT PERSONNEL (KMP)

The total remuneration paid to KMP of the parent entity and the consolidated entity during the year was as follows:

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2010	2009	2010	2009
	\$	\$	\$	\$
Short term employee benefits	467,269	513,177	467,269	513,177
Post employment benefits	40,374	43,326	40,374	43,326
Other long term benefits	-	-	-	-
Share based payments	-	-	-	-
Termination benefits	-	-	-	-
	<u>507,643</u>	<u>556,503</u>	<u>507,643</u>	<u>556,503</u>

Key Management Personnel include:

Nigel B Elias (*Managing Director*)

John W Woods (*Non-executive Director - appointed 1/06/2009*)

Robert C Cameron (*Non-executive Director - appointed 1/04/2010*)

Robert K Stewart (*Non-executive Director - appointed 7/06/2007, resigned 11/03/2010*)

William K Downie (*Non-executive Director - appointed 11/03/2010, resigned 1/04/2010*)

Peter A MacLeod (*General Manager*)

Adrian J Pereira (*Chief Financial Officer*)

7. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

There were no dividends paid or provided as at the reporting date (2009: nil).

The parent entity's franking account balance is \$114,785 (2009: \$ 16,563).

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

8. EARNINGS PER SHARE (EPS)

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2010	2009	2010	2009
	\$	\$	\$	\$
Reconciliation of earnings to profit or loss				
Profit/(Loss) after income tax (expense) / benefit	92,206	218,873	(171,865)	353,060
Earnings used to calculate basic EPS	92,206	218,873	(171,865)	353,060
Earnings used in the calculation of dilutive EPS	92,206	218,873	(171,865)	353,060
Reconciliation of earnings to profit or loss from continuing operations				
Profit/(Loss) from continuing operations	92,206	(287,919)	(171,865)	353,060
Earnings used to calculate basic EPS from continuing operations	92,206	(287,919)	(171,865)	353,060
Effect of dilutive shares/options	-	-	-	-
Earnings used in the calculation of dilutive EPS from continuing operations	92,206	(287,919)	(171,865)	353,060
Reconciliation of earnings to profit or loss from discontinuing operations				
Profit/(Loss) from discontinuing operations	-	506,791	-	-
Earnings used to calculate basic EPS from discontinuing operations	-	506,791	-	-
Effect of dilutive shares/options	-	-	-	-
Earnings used in the calculation of dilutive EPS from discontinuing operations	-	506,791	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating basic and dilutive EPS				
	23,157,836	9,935,408	23,157,836	9,935,408

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

9. CASH AND CASH EQUIVALENTS

Notes	CONSOLIDATED ENTITY		PARENT ENTITY	
	2010	2009	2010	2009
	\$	\$	\$	\$
Cash at bank and in hand	(i) (67,388)	30,170	(67,666)	30,060

Reconciliation of Cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows;

Cash and cash equivalents	191,612	30,170	191,334	30,060
Less Unpresented Cheques	(259,000)	-	(259,000)	-
Bank overdraft facility	(45,984)	(133,898)	(45,984)	(133,898)
	(113,372)	(103,728)	(113,650)	(103,838)

(i) The parent entity's actual cash at bank as at 30 June was \$191,333.79 (economic entity: \$191,612.09). The reporting figure has been adjusted to recognise two unpresented cheques: the repayment of a Convertible Note that matured on 30 June 2010 and a payment to a trade creditor.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

10. TRADE AND OTHER RECEIVABLES

	Notes	CONSOLIDATED ENTITY		PARENT ENTITY	
		2010	2009	2010	2009
		\$	\$	\$	\$
Current					
Trade receivables	(i)	518,966	438,912	518,966	438,912
Provision for impairment of receivables		(3,720)	-	(3,720)	-
		<u>515,246</u>	<u>438,912</u>	<u>515,246</u>	<u>438,912</u>
Non-trade debtors		4,073	172,856	4,073	104,500
Provision for impairment of receivables		-	(68,356)	-	-
		<u>4,073</u>	<u>104,500</u>	<u>4,073</u>	<u>104,500</u>
Loan - wholly owned subsidiary - 999999999 Pty Ltd		-	-	634,345	-
Loan - wholly owned subsidiary - 666666 Pty Ltd		-	-	44,718	-
Loan - wholly owned subsidiary - Print Mail Logistics (International) Pty Ltd		-	-	927	-
		<u>-</u>	<u>-</u>	<u>679,990</u>	<u>-</u>
Total current trade and other receivables		<u>519,319</u>	<u>543,412</u>	<u>1,199,309</u>	<u>543,412</u>

Terms and conditions relating to the above financial instruments:

(i) Trade debtors are non-interest bearing and generally on 21 day trade terms.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

11. INVENTORIES

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2010	2009	2010	2009
	\$	\$	\$	\$
Current				
Work in progress - at cost	6,997	12,314	6,997	12,314
Finished goods - at cost	170,399	134,551	170,399	134,551
	<u>177,396</u>	<u>146,865</u>	<u>177,396</u>	<u>146,865</u>

12. OTHER CURRENT ASSETS

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2010	2009	2010	2009
	\$	\$	\$	\$
Prepayments	46,323	23,639	46,322	23,639
Deposits with suppliers	74,041	133,789	74,041	133,789
GST Refund	-	1,210	-	-
	<u>120,364</u>	<u>158,638</u>	<u>120,363</u>	<u>157,428</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

13. INVESTMENTS

Notes	CONSOLIDATED ENTITY		PARENT ENTITY	
	2010	2009	2010	2009
	\$	\$	\$	\$
Investments include:				
Unlisted investments at cost:				
Shares in controlled entities	(i)	-	2	2
		-	2	2

(i) Shares in controlled entities comprise investments in the ordinary issued capital of 999999999 Pty Ltd and 666666 Pty Ltd. These shares are not traded publicly and therefore there is no reliable basis to determine fair value.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Notes	CONSOLIDATED ENTITY		PARENT ENTITY	
	2010	2009	2010	2009
	\$	\$	\$	\$
Associated companies	(i)	807,655	-	-
		807,655	-	-

(i) The investment in the associated company was acquired by 999999999 Pty Ltd on 31 October 2009. The associated company's assets total \$3,024,072, and its liabilities total \$2,692,184. Its revenues for the financial year total \$111,673 and its loss for the financial year after tax totals \$27,816.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

15. PROPERTY, PLANT AND EQUIPMENT

	Notes	CONSOLIDATED ENTITY		PARENT ENTITY	
		2010	2009	2010	2009
		\$	\$	\$	\$
Property, plant and equipment					
At cost	(i)	5,620,709	4,110,309	4,265,624	3,352,693
Less: accumulated depreciation and impairment	(i)	(2,655,889)	(1,659,482)	(2,697,736)	(2,254,460)
Total property, plant and equipment		<u>2,964,820</u>	<u>2,450,827</u>	<u>1,567,888</u>	<u>1,098,233</u>

(i) The 2009 plant and equipment - at cost has been restated by increasing that amount by \$221,744. The 2009 plant and equipment - accumulated depreciation and impairment has been restated by increasing that amount by \$221,744. The restatement is to correct a prior period mis-allocation between cost and accumulated depreciation and impairment. The net effect on the carrying value of property, plant and equipment is nil.

(a) Assets pledged as security

Each of the three remaining Convertible Notes on issue to LSL Holdings Pty Ltd (In Liquidation) ("LSL") include a fixed and floating charge over the parent entity. Australia and New Zealand Banking Group Limited holds a fixed and floating charge over the parent entity that ranks after the charges issued in the favour of LSL.

The hire purchase agreement with National Australia Bank Limited is secured by a fixed and floating charge over 666666 Pty Ltd. The hire purchase agreement with Fuji-Xerox Australia Pty Ltd, whilst unsecured, includes a retention of title over the equipment financed pursuant to the hire purchase agreement.

	CONSOLIDATED ENTITY		PARENT ENTITY	
	Plant & Equipment		Plant & Equipment	
Balance at the beginning of the year	2,450,827	2,352,433	1,098,233	2,352,433
Add Additions	1,288,654	655,924	912,931	123,011
Less Written down value of disposals	-	-	-	(971,397)
Less Depreciation	(774,661)	(557,530)	(443,276)	(405,814)
Carrying amount at the end of the year	<u>2,964,820</u>	<u>2,450,827</u>	<u>1,567,888</u>	<u>1,098,233</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

16. TRADE AND OTHER PAYABLES

	Notes	CONSOLIDATED ENTITY		PARENT ENTITY	
		2010	2009	2010	2009
		\$	\$	\$	\$
Current					
Trade creditors	(i)	446,559	769,635	437,402	385,087
Accrued expenses		16,317	1,651	-	1,651
Australia Post - credit facility	(ii)	48,308	31,070	48,308	31,070
Goods and services tax		136,242	145,582	125,937	121,168
PAYG withholding tax		47,830	159,642	46,830	155,852
Other provisions		-	-	44,785	44,785
Fringe benefits tax		2,973	9,416	2,973	9,416
Superannuation		56,559	66,531	56,559	66,531
Insurance		26,586	31,069	26,586	31,069
		<u>781,375</u>	<u>1,214,596</u>	<u>789,380</u>	<u>846,629</u>

Terms and conditions relating to the above financial instruments;

(i) Trade creditors are non-interest bearing and payable generally on 30 day terms.

(ii) The Australia Post credit facility is non-interest bearing. The maximum daily credit balance is \$55,000.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

17. INTEREST BEARING LIABILITIES

Notes	CONSOLIDATED ENTITY		PARENT ENTITY	
	2010	2009	2010	2009
	\$	\$	\$	\$
Current				
Unsecured liabilities				
Loans - other parties	-	571,629	-	571,629
Hire purchase agreements	(i) 275,847	-	-	-
	<u>275,847</u>	<u>571,629</u>	<u>-</u>	<u>571,629</u>
Secured liabilities				
Loans - other parties	(ii) 200,000	-	-	-
Convertible Notes	(iii) 449,240	412,710	449,240	412,710
Hire purchase agreements	(i) 109,871	-	-	-
Bank overdraft facility	(iv) 45,984	133,898	45,984	133,898
	<u>805,095</u>	<u>546,608</u>	<u>495,224</u>	<u>546,608</u>
Total Current	<u>1,080,942</u>	<u>1,118,237</u>	<u>495,224</u>	<u>1,118,236</u>
Non-current				
Unsecured liabilities				
Hire purchase agreements	(i) 467,062	-	-	-
	<u>467,062</u>	<u>-</u>	<u>-</u>	<u>-</u>
Secured liabilities				
Loans - other parties	-	1,609,535	-	-
Convertible Notes	(iii) 239,457	688,697	239,457	688,697
Hire purchase agreements	(i) 173,962	-	-	-
	<u>413,419</u>	<u>2,298,232</u>	<u>239,457</u>	<u>688,697</u>
Total Non-current	<u>880,482</u>	<u>2,298,232</u>	<u>239,457</u>	<u>688,697</u>

Terms and conditions relating to the above financial instruments;

(i) The hire purchase agreements represent one secured and one unsecured to 666666 Pty Ltd. Both agreements are for a 36 month period and contain a fixed rate of interest over the life of the loan, repayable in monthly instalments of \$33,773.08 inclusive of interest.

(ii) The secured - other party loan represents \$200,000 to 999999999 Pty Ltd. The loan bears interest at the rate of 9% per annum with the maturity date being 31 December 2010. The loan is secured by a registered fixed and floating charge over the assets and undertaking of the borrower.

(iii) The three remaining Convertible Notes each have a face value of \$250,000 and bear interest at 1% per annum payable six monthly in arrears. The Notes mature in December 2010, June 2011 and December 2011. The Notes may, at the option of the Note holder be converted into shares of the parent entity at \$2 per share. One of the parent entity's directors, Mr Elias, has been granted an option by the Note holder to acquire any or all of the Notes at any time prior to their maturity. The Notes have been discounted to present value in accordance with AASB 132 - Financial Instruments: Presentation.

(iv) The bank overdraft facility bears interest at a variable rate calculated on the daily debit balance. The overdraft limit is \$150,000.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

18. NON-INTEREST BEARING LIABILITIES

Notes	CONSOLIDATED ENTITY		PARENT ENTITY	
	2010	2009	2010	2009
	\$	\$	\$	\$
Current				
Unsecured:				
Loans - other	(i) 60,000	-	60,000	-
Loans - related parties	(ii) -	-	-	625,274
	<u>60,000</u>	<u>-</u>	<u>60,000</u>	<u>625,274</u>

(i) The loan - other is non-interest bearing, repayable at call and unsecured.

(ii) The related party loan was settled in full during the financial year.

19. SHORT TERM PROVISIONS

	CONSOLIDATED ENTITY		PARENT ENTITY	
	Employee benefits	Total	Employee benefits	Total
Opening balance at 1 July 2009	427,483	427,483	427,483	427,483
Additional provisions	284,136	284,136	284,136	284,136
Amounts used	386,399	386,399	386,399	386,399
Balance at 30 June 2010	<u>325,219</u>	<u>325,219</u>	<u>325,219</u>	<u>325,219</u>
Analysis of provisions	2010	2009	2010	2009
	\$	\$	\$	\$
Current	225,056	341,880	225,056	341,880
Non-current	100,163	85,603	100,163	85,603
	<u>325,219</u>	<u>427,483</u>	<u>325,219</u>	<u>427,483</u>
	2010	2009	2010	2009
	\$	\$	\$	\$
Closing balances consist of the following employee benefits:				
Annual Leave	141,549	124,268	141,549	124,268
Long Service Leave	100,163	85,603	100,163	85,603
Provision for Performance Bonus	83,507	217,612	83,507	217,612
	<u>325,219</u>	<u>427,483</u>	<u>325,219</u>	<u>427,483</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

20. ISSUED CAPITAL

	2010		2009	
	Number of shares	\$	Number of shares	\$
(a) Movements in issued capital of Print Mail Logistics Limited				
Beginning of the financial year	15,100,000	4,187,679	2,692,500	3,456,655
Issued during the year	12,103,334	3,631,000	12,407,500	843,463
Transaction costs net of income tax	-	(348,350)	-	(112,439)
End of the financial year	27,203,334	7,470,329	15,100,000	4,187,679

The number of shares authorised for issue at the end of financial year is 27,203,334 (2009: 15,100,000).

Effective 1 July 1998, the *Company Law Review Act 1998* abolished the concept of par value shares and the concept of authorised capital. Accordingly, the parent entity does not have authorised capital or par value in respect of its issued shares.

	2010		2009	
	Number of Notes	\$	Number of Notes	\$
(b) Movements in equity component of convertible Notes				
Beginning of the financial year	5	414,065	8	414,065
Issued during the year	-	-	-	-
Equity component of convertible notes redeemed during the year	(2)	-	(3)	-
Converted during the year	-	-	-	-
End of the financial year	3	414,065	5	414,065

(c) Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. There are no externally imposed capital requirements.

(d) Terms and conditions of convertible notes

The Convertible Notes were issued on the following basis:

Issuer: Print Mail Logistics Limited.

Note holder: LSL Holdings Pty Ltd (In Liquidation).

Security: Three separate fixed and floating charges.

Notes outstanding: \$750,000 face value (with the consequential right of conversion into 375,000 ordinary shares in the parent entity). There are three separate Notes each with a face value of \$250,000.

Maturity Dates: 31 December 2010

30 June 2011

31 December 2011

Interest: 1 % per annum, payable semi annually in arrears.

Conversion: The Note holder may, at its option, elect to convert all or part of a Note into ordinary shares of the parent entity at a conversion rate of \$2 per share. One of the parent entity's directors, Mr Elias, has been granted an option by the Note holder to acquire any or all of the Notes at any time prior to their maturity.

The equity and liability components of the Notes have been calculated in accordance with AASB 132 - *Financial Instruments: Presentation*.

(e) Transaction costs

Transaction costs relate to various costs in issuing equity instruments including legal and professional advisory fees, printing and distribution costs. Transaction costs are accounted for as a deduction from equity in accordance with AASB 132 - *Financial Instruments: Presentation*.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

21. STATEMENT OF CASH FLOWS

Notes	CONSOLIDATED ENTITY		PARENT ENTITY	
	2010	2009	2010	2009
	\$	\$	\$	\$
(a) Reconciliation of the net profit/(loss) after tax to the net cash flows from operations				
Net profit/(loss)	92,206	218,873	(171,865)	353,060
Non-cash items				
Depreciation of non-current assets	774,661	557,530	443,276	405,814
Dividend	-	(461,833)	-	-
Profit on forgiveness of loan	(300,000)	(659,762)	-	(903,643)
Net (profit)/loss on disposal of property, plant and equipment	(1,793)	(101,300)	(1,793)	(187,315)
Loss on sale of shares	-	413,915	-	-
Notional interest - Convertible Notes	87,290	120,471	87,290	120,471
Share of net loss of associates	8,345	-	-	-
Changes in assets and liabilities				
Changes in trade and other receivables	22,855	(67,919)	24,089	79,458
Changes in other assets	38,274	(126,383)	37,065	8,616
Changes in inventories	(30,530)	(25,766)	(30,530)	(25,766)
Changes in deferred tax	(53,355)	(136,953)	(236,604)	(95,731)
Changes in trade creditors	(210,636)	(453,118)	164,754	(834,560)
Changes in sundry creditors	(110,145)	172,003	(109,564)	185,955
Changes in employee entitlements	(102,264)	209,522	(102,263)	209,522
Net cash flow from/(used in) operating activities	214,908	(340,721)	103,855	(684,119)
(b) Cash balance comprises:				
- Cash assets	(67,388)	30,170	(67,666)	30,060
- Bank overdraft facility	(45,984)	(133,898)	(45,984)	(133,898)
Closing cash balance	9	(113,372)	(103,728)	(113,650)
(c) Financing facilities available				
At reporting date, the consolidated entity has financing facilities negotiated and available with the following lenders:				
		Facility used		
		\$		
Bank overdraft facility - \$150,000	(i)	(45,984)		
		(45,984)		

(i) Finance provided by Australia and New Zealand Banking Group Limited ("ANZ"). ANZ holds a registered fixed and floating charge over the parent entity.

(d) Non cash investing and financing activities

Plant and equipment to the value of \$375,724 was acquired by way of entering into a hire purchase agreement.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

22. CAPITAL AND LEASING COMMITMENTS

(a) Capital expenditure commitments 2010

In May 2010, the parent entity contracted to purchase plant and equipment totalling \$152,680. The plant and equipment is due to be installed in August 2010 at which time the balance of \$77,832 falls due.

2009

In June 2009, the parent entity contracted to purchase three separate items of plant and equipment from three separate vendors totalling \$848,100. The items of plant and equipment were installed in December 2009.

	Notes	CONSOLIDATED ENTITY		PARENT ENTITY	
		2010	2009	2010	2009
		\$	\$	\$	\$
(b) Lease expenditure commitments					
<i>(i) Operating leases (non-cancellable)</i>					
Minimum lease commitments					
- not later than one year	(i)	229,666	218,798	649,666	530,748
- later than one year and not later than five years	(ii)	135,376	283,416	135,376	283,416
Aggregate lease expenditure contracted for at reporting date		365,042	502,214	785,042	814,164

(i) Operating leases consists of (i) premises rental of \$229,666 and (ii) machine rental of \$420,000. The parent entity leases printing equipment from 999999999 Pty Ltd and 666666 Pty Ltd. The operating leases terminate on 30 June 2011.

(ii) Operating leases consist of premises rental of \$135,376.

In respect of the premises leases the table below provides a general description of the significant leasing arrangements in place at balance date:

Property	Annual Rent	Term	Option Term	Contingent Rent Payable	Significant Restrictions Imposed
Property A	\$93,780	01/03/2009 - 30/06/2011	01/07/2011 - 30/06/2013	Market review by an independent valuer at 01/07/2011	Nil
Property B	\$62,000	19/07/2008 - 18/07/2011	19/07/2011 - 18/07/2012	Fixed rent for the term of the agreement	Nil
Property C	\$23,988	01/10/2009 - 30/09/2010	01/10/2010 - 30/09/2011	Rent review of 5% at 01/10/2010	Nil
Property D	\$67,289	02/06/2003 - 01/06/2008	02/06/2008 - 01/06/2013	Market review referenced to the consumer price index assessed annually	Nil

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

22. CAPITAL AND LEASING COMMITMENTS (continued)

(b) Lease expenditure commitments (continued)

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2010	2009	2010	2009
	\$	\$	\$	\$
Hire purchase commitments				
Commitments are payable as follows:				
Payments within 1 year	451,797	-	-	-
Payments 1-5 years	748,614	-	-	-
Less: Future finance charges	(173,668)	-	-	-
	<u>1,026,743</u>	<u>-</u>	<u>-</u>	<u>-</u>
Present value of minimum payments:				
Payments within 1 year	385,718	-	-	-
Payments 1-5 years	641,025	-	-	-
	<u>1,026,743</u>	<u>-</u>	<u>-</u>	<u>-</u>
Recognised as a liability represented as follows:				
Liability - current	385,718	-	-	-
Liability - non-current	641,025	-	-	-
	<u>1,026,743</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

23. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2010	2009	2010	2009
	\$	\$	\$	\$
The aggregate employee benefit liability is comprised of:				
Provisions (current)	225,056	341,880	225,056	341,880
Provisions (non-current)	100,163	85,603	100,163	85,603
	<u>325,219</u>	<u>427,483</u>	<u>325,219</u>	<u>427,483</u>

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2010	2009	2010	2009
	\$	\$	\$	\$
Key Management Personnel Commitments				
Commitments are payable as follows:				
Payments within 1 year	359,700	-	359,700	-
Payments 1-5 years	179,850	-	179,850	-
	<u>539,550</u>	<u>-</u>	<u>539,550</u>	<u>-</u>

Name	Commencement date	Term	Salary	2010	2011	2012
Nigel Elias	1 July 2009	2 years and 6 months	\$150,000 per annum plus 9% superannuation	\$163,500	\$163,500	\$81,750
Adrian Pereira	1 July 2009	2 years and 6 months	\$90,000 per annum plus 9% superannuation	\$98,100	\$98,100	\$49,050
Peter MacLeod	1 July 2009	2 years and 6 months	\$90,000 per annum plus 9% superannuation	\$98,100	\$98,100	\$49,050

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

24. AUDITOR'S REMUNERATION

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2010	2009	2010	2009
	\$	\$	\$	\$
Amounts received or due and receivable by WHK Horwath				
- audit or review of the financial report	40,000	-	40,000	-
- income tax services	10,750	-	10,750	-
Amounts received or due and receivable by Ruddicks				
- audit of the financial report	-	26,000	-	26,000
- income tax services	-	8,000	-	8,000
	<u>50,750</u>	<u>34,000</u>	<u>50,750</u>	<u>34,000</u>

25. RELATED PARTY DISCLOSURES

Notes	CONSOLIDATED ENTITY		PARENT ENTITY	
	2010	2009	2010	2009
	\$	\$	\$	\$
(a) Transactions with director related entities				
<i>Sales</i>				
Sales were made to the following subsidiaries and associated entities:				
88888888 Pty Ltd	-	-	-	11,298
99999999 Pty Ltd (i)	-	-	-	446,447
666666 Pty Ltd (ii)	-	-	-	610,965
Armstrong Registry Services Limited	4,121	-	4,121	-
	<u>4,121</u>	<u>-</u>	<u>4,121</u>	<u>1,068,710</u>
<i>Purchases</i>				
Purchases were made from the following subsidiaries:				
99999999 Pty Ltd (i)	-	-	146,800	128,513
666666 Pty Ltd (ii)	-	-	375,142	147,288
	<u>-</u>	<u>-</u>	<u>521,942</u>	<u>275,801</u>

(i) 99999999 Pty Ltd leased an item of plant and equipment to the parent entity during the financial year for use in the parent entity's operations. The operating lease expenditure during the financial year was \$146,800. These transactions were entered into on normal commercial terms.

(ii) 666666 Pty Ltd leased items of plant and equipment to the parent entity during the financial year for use in the parent entity's operations. The operating lease expenditure during the financial year was \$375,142. These transactions were entered into on normal commercial terms.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

25. RELATED PARTY DISCLOSURES (continued)

Notes	CONSOLIDATED ENTITY		PARENT ENTITY	
	2010	2009	2010	2009
	\$	\$	\$	\$
(b) Loans from/(to) director related entities				
At balance date, the parent entity had borrowed/(loaned) the following amounts from/(to) director related entities:				
999999999 Pty Ltd	(i)	-	(634,345)	164,406
666666 Pty Ltd	(ii)	-	(44,718)	460,868
Print Mail Logistics (International) Pty Ltd	(iii)	-	(927)	-
		-	(679,990)	625,274

(i) The loan to 999999999 Pty Ltd from the parent entity is non-interest bearing, unsecured and repayable at call.

(ii) The loan to 666666 Pty Ltd from the parent entity is non-interest bearing, unsecured and repayable at call.

(iii) The loan to Print Mail Logistics (International) Pty Ltd from the parent entity is non-interest bearing, unsecured and repayable at call.

(c) Equity instruments of directors	2009	2009	2010	2010	2010	2010
	%	No.	Additions No.	Disposals No.	No.	%
<i>(i) The percentage and number of the ordinary share capital beneficially owned by the directors or their related entities is as follows:</i>						
Nigel B Elias	7.1%	1,076,300	2,214,420	387,000	2,903,720	10.7%
Armstrong Registry Services Limited	0.0%	-	2,720,000	-	2,720,000	10.0%
Robert C Cameron	3.3%	504,000	-	-	504,000	1.9%
Jarok Pty Ltd	0.9%	134,000	235,000	-	369,000	1.4%
Nigel B Elias and Benjamin N Elias <Elias Superannuation Fund>	0.0%	-	120,000	-	120,000	0.4%
Rebecca E Elias	0.5%	80,000	-	-	80,000	0.3%
John W Woods	0.0%	-	57,000	7,000	50,000	0.2%
William K Downie (i)	0.0%	-	12,000	-	12,000	0.0%
Robert A Cameron	0.0%	-	7,000	-	7,000	0.0%

(i) At balance date, Mr Downie was the registered but non-beneficial owner of 12,000 ordinary shares in the Company.

(d) Equity instruments of key management personnel

(i) The percentage and number of the ordinary share capital beneficially owned by the key management personnel or their related entities (who are not directors of the company) is as follows:

	2009	2009	2010	2010	2010	2010
	%	No.	Additions No.	Disposals No.	No.	%
Adrian J Pereira	0.0%	-	14,000	-	14,000	0.1%
Peter A MacLeod	0.0%	-	10,000	-	10,000	0.0%

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

26. CONTROLLED ENTITIES

Name of Controlled Entity	2010 % Owned	2009 % Owned	Place of Incorporation
Controlled by Print Mail Logistics Limited			
999999999 Pty Ltd	100%	100%	Incorporated and domiciled in Australia
666666 Pty Ltd	100%	100%	Incorporated and domiciled in Australia
88888888 Pty Ltd	0%	100%	Incorporated and domiciled in Australia
Controlled by 999999999 Pty Ltd			
Print Mail Logistics (International) Pty Ltd	100%	0%	Incorporated and domiciled in Australia

Acquisition of Controlled Entities

On 19 February 2010, Print Mail Logistics (International) Pty Ltd was registered as a company under the *Corporations Act 2001*. Upon registration, 999999999 Pty Ltd held 100% of the paid up capital of Print Mail Logistics (International) Pty Ltd being \$25,000 and the net assets of Print Mail Logistics (International) Pty Ltd were \$25,000.

Disposal of Controlled Entities

On 23 June 2009, the parent entity sold 100% of its interest in 88888888 Pty Ltd. No remaining interest in the entity was held by any member of the consolidated entity in the financial year ended 30 June 2010.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

27. SEGMENT INFORMATION

Identification of reportable segments

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

The consolidated entity is managed primarily on the basis of product category and service offerings since the diversification of the consolidated entity's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the products sold and/or services provided by the segment;
- the manufacturing process;
- the type or class of customer for the products or service;
- the distribution method; and
- external regulatory requirements.

Types of products and services by segment

(i) *Printing*

The printing segment prepares, prints, finishes and delivers printed material for public and private entities. All products and services are aggregated as one reportable segment as the products and services are similar in nature, they are manufactured and distributed to similar types of customers and they are subject to a similar regulatory environment.

Significant plant and equipment, including computer software, printing and finishing equipment, form the basis of the operating assets in this segment.

The mailing and distribution segment receives products from this segment. Transfer pricing is not applicable between segments given that clients are invoiced on a mutually exclusive basis for goods and services supplied by each segment.

(ii) *Mailing and distribution*

The mailing and distribution segment inserts printed material into envelopes and distributes envelopes and printed material both domestically and internationally. Distribution is primarily achieved through the engagement of third party suppliers.

Significant plant and equipment, primarily mail insertion machines, form the basis of the operating assets in this segment.

The mailing and distribution segment receives products from the printing segment. Transfer pricing is not applicable between segments given that clients are invoiced on a mutually exclusive basis for goods and services supplied by each segment.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

27. SEGMENT INFORMATION (continued)

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of directors as the chief decision makers with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the consolidated entity as detailed in Note 1.

Inter-segment transactions

Transfer pricing is not applicable between segments given that clients are invoiced on a mutually exclusive basis for goods and services supplied by each segment.

Overhead expenditure is allocated to reporting segments based on the segments' overall proportion of revenue generation within the consolidated entity. The Board of directors believe this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

There are no inter-segment loans receivable or payable.

Segment assets

Where any asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.

Comparative information

This is the first reporting period in which *AASB 8: Operating Segments* has been adopted. Comparative information has been re-stated to conform to the requirements of the revised Standard.

30 JUNE 2010

(i) Segment performance

(i) Segment performance	CONSOLIDATED ENTITY			PARENT ENTITY		
	Printing \$	Mailing & Distribution \$	Total \$	Printing \$	Mailing & Distribution \$	Total \$
Year Ended 30 June 2010						
Revenue						
External sales	4,267,285	3,095,180	7,362,465	4,267,285	3,095,180	7,362,465
Interest revenue	1,374	997	2,370	1,366	990	2,356
Total segment revenue	4,268,659	3,096,177	7,364,835	4,268,650	3,096,171	7,364,821
Reconciliation of segment revenue to group revenue						
Gain on foreign currency translation			59,164			59,164
Gain on forgiveness of debt			300,000			-
Dividends received			-			-
Gain/(loss) from sale of plant and equipment			1,793			1,793
Other un-allocated income			25,465			25,465
Total group revenue			7,751,256			7,451,242
Segment net profit/(loss) before tax	37,970	451,936	489,906	(114,838)	414,173	299,335
Reconciliation of segment result to group net profit/(loss) before tax						
Amounts not included in segment result but reviewed by the Board:						
Gain on foreign currency translation			59,164			59,164
Other un-allocated income			25,465			25,465
Gain on forgiveness of loan			300,000			-
Gain on disposal of asset			1,793			1,793
Unallocated items:						
Share of net profits/(loss) of associates			(8,345)			-
Corporate charges			(568,679)			(631,188)
Finance costs			(260,451)			(163,037)
Net profit/(loss) before tax from continuing operations			38,852			(408,469)

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

27. SEGMENT INFORMATION (continued)

(i) Segment performance (continued)

Year Ended 30 June 2009	CONSOLIDATED ENTITY			PARENT ENTITY		
	Printing \$	Mailing & Distribution \$	Total \$	Printing \$	Mailing & Distribution \$	Total \$
Revenue						
External sales	3,717,471	2,493,842	6,211,313	4,150,777	2,784,523	6,935,300
Interest revenue	97	65	162	97	65	162
Total segment revenue	3,717,568	2,493,907	6,211,475	4,150,874	2,784,588	6,935,462
<i>Reconciliation of segment revenue to group revenue</i>						
Gain on forgiveness of debt			659,762			903,643
Dividends received			461,833			-
Gain/(loss) from sale of plant and equipment			101,300			187,315
Other un-allocated income			43,100			54,398
Total group revenue			7,477,470			8,080,818
Segment net profit before tax	(159,596)	(239,741)	(399,336)	172,749	27,820	200,569
<i>Reconciliation of segment result to group net profit/(loss) before tax</i>						
Amounts not included in segment result but reviewed by the Board:						
Gain/(loss) on foreign currency translation			(13,681)			(13,681)
Other un-allocated income			43,100			54,398
Gain on forgiveness of loan			659,762			903,643
Gain on disposal of asset			101,300			187,315
Dividends received			461,833			-
Gain/(loss) on disposal of shares			(413,915)			-
Unallocated items:						
Corporate charges			(706,128)			(637,980)
Finance costs			(375,002)			(392,149)
Net profit/(loss) before tax from continuing operations			(642,067)			302,114

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

27. SEGMENT INFORMATION (continued)

(ii) Segment assets

	CONSOLIDATED ENTITY			PARENT ENTITY		
	Printing	Mailing & Distribution	Total	Printing	Mailing & Distribution	Total
	\$	\$	\$	\$	\$	\$
As At 30 June 2010	2,798,336	220,971	3,019,307	1,420,834	201,544	1,622,378
Segment assets	<u>2,798,336</u>	<u>220,971</u>	<u>3,019,307</u>	<u>1,420,834</u>	<u>201,544</u>	<u>1,622,378</u>
Additions to Segment Assets						
Reconciliation of segment assets to group assets						
Unallocated assets			695,204			1,374,913
Deferred tax assets			414,971			414,972
Investment in associates			807,655			-
Investment in subsidiaries			-			2
Total group assets from continuing operations			<u>4,937,138</u>			<u>3,412,263</u>

	CONSOLIDATED ENTITY			PARENT ENTITY		
	Printing	Mailing & Distribution	Total	Printing	Mailing & Distribution	Total
	\$	\$	\$	\$	\$	\$
As At 30 June 2009	2,057,375	418,052	2,475,427	735,374	387,458	1,122,832
Segment assets	<u>2,057,375</u>	<u>418,052</u>	<u>2,475,427</u>	<u>735,374</u>	<u>387,458</u>	<u>1,122,832</u>
Reconciliation of segment assets to group assets						
Unallocated assets			854,485			853,165
Deferred tax assets			191,812			154,769
Investment in associates			-			-
Investment in subsidiaries			-			2
Total group assets from continuing operations			<u>3,521,724</u>			<u>2,130,769</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

27. SEGMENT INFORMATION (continued)

(iii) Segment liabilities

The consolidated entity's liabilities are not allocated to operating segments for the purpose of internal reporting. Accordingly segment liabilities are not separately disclosed in accordance with AASB 8 *Operating Segments*.

(iv) Revenue by geographical region

Revenue attributable to external customers is disclosed below, based on the geographical location of the external customer:

	CONSOLIDATED ENTITY		PARENT ENTITY	
	Year Ended 30 June 2010	Year Ended 30 June 2009	Year Ended 30 June 2010	Year Ended 30 June 2009
Australia	\$ -	\$ -	\$ -	\$ -
Norfolk Island	7,362,465	6,186,465	7,362,465	6,935,300
Total revenue	7,362,465	6,211,313	7,362,465	6,960,148

(v) Assets by geographical region

The location of segment assets is disclosed below, based on the geographical location of the assets:

	CONSOLIDATED ENTITY		PARENT ENTITY	
	Balance as at 30 June 2010	Balance as at 30 June 2009	Balance as at 30 June 2010	Balance as at 30 June 2009
Australia	\$ 3,019,307	\$ 2,475,427	\$ 1,622,378	\$ 1,122,832
Total assets	3,019,307	2,475,427	1,622,378	1,122,832

(vi) Major customers

The consolidated entity has a number of customers to which it renders services. The consolidated entity has one external customer which accounts for 9% (2009: 7%) of Printing revenue, 21% (2009: 21%) of Mailing and distribution revenue and 14% (2009: 13%) of total external revenue. The next largest major customer accounts for 6% (2009: 8%) of Printing revenue, 11% (2009: 10%) of Mailing and distribution revenue and 8% (2009: 9%) of total external revenue.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

28. SUBSEQUENT EVENTS

There are no subsequent events to report.

29. CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or liabilities to report.

30. ECONOMIC DEPENDENCY

The consolidated entity is not economically dependent on any entity or group of entities.

31. FINANCIAL INSTRUMENTS

Financial risk management policies

The consolidated entity's financial instruments consist mainly of deposits with banks, trade receivables, investment in a private company, trade payables, loans to and from related and other parties and a bank overdraft facility.

The consolidated entity does not have any derivative instruments at 30 June 2010.

(i) Treasury risk management

The Board of directors meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The consolidated entity's overall risk management strategy seeks to assist the consolidated entity in meeting its financial targets, whilst minimising potential effects on financial performance.

(ii) Capital management

The Board's policy is to use any surplus cash to (i) meet the consolidated entity's operating financial requirements and (ii) meet its existing debt obligations.

There were no changes in the consolidated entity's approach to capital management during the year in so far as the Initial Public Offering ("IPO") is concerned. The proceeds from the IPO were utilised to meet existing debt obligations and complete the settlement of amounts due arising from investment in plant and equipment.

(iii) Financial risk exposures and management

The main risks the consolidated entity is exposed to through its financial instruments are interest rate risk, credit risk and liquidity risk.

(a) Interest rate risk

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the reporting date, are as follows:

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

31. FINANCIAL INSTRUMENTS (continued)

Financial instrument composition and maturity analysis

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

Consolidated Entity	Floating interest rate		Fixed Interest Rate						Non-interest bearing		Total		Weighted average effective interest rate	
			Within 1 year		Over 1 to 5 years		More than 5 years							
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Financial instruments	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	%
(i) Financial assets														
Cash	(68)	30	-	-	-	-	-	-	-	-	(68)	30	-	1
Trade debtors	-	-	-	-	-	-	-	-	515	439	515	439	-	-
Non-trade debtors	-	-	-	-	-	-	-	-	4	105	4	105	-	-
Total financial assets	(68)	30	-	-	-	-	-	-	519	544	452	574	-	-

	Floating interest rate		Fixed Interest Rate						Non-interest bearing		Total		Weighted average effective interest rate	
			Within 1 year		Over 1 to 5 years		More than 5 years							
	2010 \$('000)	2009 \$('000)	2010 \$('000)	2009 \$('000)	2010 \$('000)	2009 \$('000)	2010 \$('000)	2009 \$('000)	2010 \$('000)	2009 \$('000)	2010 \$('000)	2009 \$('000)	2010 %	2009 %
(ii) Financial liabilities														
Trade creditors	-	-	-	-	-	-	-	-	447	770	447	770	-	-
Other creditors	-	-	-	-	-	-	-	-	335	445	335	445	-	-
Convertible Notes	-	-	449	413	239	689	-	-	-	-	689	1,101	1	1
Bank overdraft facility	46	134	-	-	-	-	-	-	-	-	46	134	11	8
Hire purchase agreements	-	-	386	-	641	-	-	-	-	-	1,027	-	13	-
Other loans	-	-	200	572	-	1,610	-	-	60	-	260	2,182	7	9
Total financial liabilities	46	134	1,035	985	880	2,299	-	-	841	1,215	2,803	4,632	6	6

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

31. FINANCIAL INSTRUMENTS (continued)

Parent Entity Financial instruments	Floating interest rate		Fixed Interest Rate						Non-interest bearing		Total		Weighted average effective interest rate	
	2010 \$('000)	2009 \$('000)	Within 1 year		Over 1 to 5 years		More than 5 years		2010 \$('000)	2009 \$('000)	2010 \$('000)	2009 \$('000)	2010 %	2009 %
			2010 \$('000)	2009 \$('000)	2010 \$('000)	2009 \$('000)	2010 \$('000)	2009 \$('000)						
(i) <i>Financial assets</i>														
Cash	(68)	30	-	-	-	-	-	-	-	-	(68)	30	1	1
Trade debtors	-	-	-	-	-	-	-	-	515	439	515	439	-	-
Non-trade debtors	-	-	-	-	-	-	-	-	684	105	684	105	-	-
Total financial assets	(68)	30	-	-	-	-	-	-	1,199	544	1,132	574	-	-

(ii) <i>Financial liabilities</i>	Floating interest rate		Fixed Interest Rate						Non-interest bearing		Total		Weighted average effective interest rate	
	2010 \$('000)	2009 \$('000)	Within 1 year		Over 1 to 5 years		More than 5 years		2010 \$('000)	2009 \$('000)	2010 \$('000)	2009 \$('000)	2010 %	2009 %
			2010 \$('000)	2009 \$('000)	2010 \$('000)	2009 \$('000)	2010 \$('000)	2009 \$('000)						
Trade creditors	-	-	-	-	-	-	-	-	437	385	437	385	-	-
Other creditors	-	-	-	-	-	-	-	-	352	462	352	462	-	-
Convertible Notes	-	-	449	413	239	689	-	-	-	-	689	1,101	1	1
Bank overdraft facility	46	134	-	-	-	-	-	-	-	-	46	134	11	8
Hire purchase agreements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other loans	-	-	-	572	-	-	-	-	60	625	60	1,197	-	9
Total financial liabilities	46	134	449	985	239	689	-	-	849	1,472	1,584	3,279	9	6

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

31. FINANCIAL INSTRUMENTS (continued)

(b) Net fair values

All financial assets and liabilities have been recognised at the balance date at their net fair value.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the Statement of Financial Position and in the Notes to the financial statements.

(i) The following methods and assumptions are used to determine the net fair values of financial assets and liabilities.

Cash and cash equivalents: The carrying amount approximates fair value because of the short-term to maturity.

Trade receivables, trade creditors: The carrying value approximates fair value.

Long term loans and borrowings: The carrying value approximates fair value.

Convertible Notes: Convertible Notes are measured at net present value utilising an interest rate of 9.85% per annum.

Based on the above valuation methodologies, management considers that fair values are materially in line with carrying values.

(c) Credit risk exposures

The consolidated entity's maximum exposures to credit risk at reporting date in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the Statement of Financial Position.

The consolidated entity minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers.

Concentrations of credit risk on trade receivables arise as follows:

	Maximum credit risk exposure* for each concentration			
	Percentage of total trade debtors		\$'000	
	2010	2009	2010	2009
Government/Semi-Government	54	44	280	192
Other non-concentrated	46	56	236	247
	100	100	515	439

* The maximum credit risk exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question.

Credit risk in trade receivables is managed as follows:

- payment terms are 21 days;
- credit applications are completed for all new customers; and
- large balances are monitored on a daily basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2010

31. FINANCIAL INSTRUMENTS (continued)

(d) Liquidity risk

The consolidated entity manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

At 30 June 2010, the parent entity was in breach of a financial covenant being an interest cover ratio, in relation to the bank overdraft of \$45,984 disclosed in Note 17. Terms of the facility are currently being negotiated, but at this stage payment terms have not been accelerated.

<i>Contractual maturity:</i>	<i>Liability</i>	<i>Contracted Cashflow</i>	<i>Due < 1 year</i>	<i>Due 1-5 years</i>	<i>Due > 5 years</i>
Consolidated entity					
Payables	781,375	781,375	781,375		
Hire purchase agreements	1,026,743	1,200,410	451,797	748,613	
Convertible Notes	688,697	757,500	506,250	251,250	
Bank overdraft facility	45,984	45,984	45,984		
Loans - other	200,000	209,000	209,000		
Non-interest bearing loans	60,000	60,000	60,000		
Parent Entity					
Trade and other payables	789,380	789,380	789,380		
Convertible Notes	688,697	757,500	506,250	251,250	
Bank overdraft facility	45,984	45,984	45,984		
Non-interest bearing loans	60,000	60,000	60,000		

(e) Interest rate sensitivity analysis

The consolidated entity has performed a sensitivity analysis relating to its exposure to Interest rate risk at balance date and does not consider that a change in variable interest rates will have a material affect on the consolidated entity's current year results or equity.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Print Mail Logistics Limited, I state that, in the opinion of the directors:

- (a) the financial statements and the notes of the company are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date;
 - (ii) complying with Accounting Standards and Corporations Regulations 2001;
 - (iii) complying with International Financial Reporting Standards as disclosed in Note 1(a); and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (c) the Managing Director and Chief Financial Officer have each provided the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Board of directors.



John W Woods
Chairman

4th August 2010
Date
Hobart, Tasmania

INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

To the members of Print Mail Logistics Limited

Report on the Financial Report

We have audited the accompanying financial report of Print Mail Logistics Limited (the Company), which comprises the Statements of Financial Position as at 30 June 2010, and the Statements of Comprehensive Income, Statements of Changes in Equity and Statements 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 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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.



WHK Pty Ltd trading as WHK Horwath Brisbane is a member of Crowe Horwath International Association, a Swiss entity. Each member firm of Crowe Horwath is a separate and independent legal entity.

Member Crowe Horwath International
WHK Horwath Brisbane
Level 16, WHK Horwath Centre 120 Edward Street
Brisbane Queensland 4000 Australia
GPO Box 736 Brisbane Queensland 4001 Australia
Telephone +61 7 3233 3855 Facsimile +61 7 3210 6183
Email info.bris@whkhorwath.com.au www.whkhorwath.com.au
A WHK Group firm

INDEPENDENT AUDITOR'S 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.

Auditor's Opinion

In our opinion the financial report of Print Mail Logistics Limited is in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 8 - 12 of the directors' 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 conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Print Mail Logistics Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.



WHK HORWATH



VANESSA DE WAAL
Principal

Brisbane, 4 August 2010.

Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees.

SHAREHOLDER INFORMATION

A. Substantial Shareholders

Name	Number of Shares	Percentage of issued shares
Landav Pty Ltd	6,785,000	24.94%
Mr J Capo-Bianco & Mrs S Capo-Bianco & NSS Trustees Ltd <The Capo Bianco Retirement Trust>	5,437,280	19.99%
Nigel B Elias	2,903,720	10.67%
Armstrong Registry Services Limited	2,720,000	10.00%
Pumbaa Investment Pty Ltd	1,500,000	5.51%
Dermos Pty Ltd	1,433,000	5.27%

B. Distribution of Fully Paid Ordinary Shares

(i) Distribution schedule of holdings	
1 – 10,000	75
10,001 – 50,000	23
50,001 – 100,000	7
100,001 and over	21
Total number of holders	126

(ii) Percentage held by the 20 largest Shareholders 93.74%

C. Twenty Largest Shareholders as at 30 June 2010

Name	Number of Shares	Percentage of issued shares
Landav Pty Ltd	6,785,000	24.94%
Mr J Capo-Bianco & Mrs S Capo-Bianco & NSS Trustees Ltd<The Capo Bianco Retirement Trust>	5,437,280	19.99%
Nigel B Elias	2,903,720	10.67%
Armstrong Registry Services Limited	2,720,000	10.00%
Pumbaa Investment Pty Ltd	1,500,000	5.51%
Dermos Pty Ltd	1,433,000	5.27%
Jane George	554,000	2.04%
Robert C Cameron	504,000	1.85%
Wellington Capital Limited	500,000	1.84%
Estival Holdings Pty Ltd	400,000	1.47%
Hobart Properties and Securities Pty Ltd	400,000	1.47%
Lewis Securities Ltd (In Liquidation)	379,998	1.40%
Marc Hoegger	375,000	1.38%
Jarok Pty Ltd	369,000	1.36%
Inveham Pty Ltd	330,000	1.21%
Maree Ellis	249,000	0.92%
Esther Jackson	200,000	0.74%
Lance Bear Pty Ltd	200,000	0.74%
Crossborder Investments Pty Ltd	140,334	0.52%
Nigel B Elias and Benjamin N Elias <Elias Superannuation Fund>	120,000	0.44%
Top 20 Holders of Issued Capital as at 30 June 2010	25,500,332	93.74%

D. Voting Rights – Ordinary Shares

On a show of hands, every member, present in person or by proxy, shall have one vote and upon a poll every member, present in person or by proxy, shall have one vote for each share.