

Print Mail Logistics Limited
ABN 14 103 116 856

Annual Financial Report
for the Year Ended
30 June 2012

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The financial statements were authorised for issue by the Board of directors on 31 August 2012. 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: Print Mail Logistics Limited

Ground Floor
30 Davey Street
Hobart, Tasmania, 7000

at: 4:00pm
on: Tuesday 23rd October 2012

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

Crofts CA
Level 10, 50 Berry Street
North Sydney NSW 2060

Solicitors

Allens Linklaters
Deutsche Bank Place
126 Phillip Street
Sydney NSW 2000

Bankers

Australia and New Zealand Banking Group Limited
40 Elizabeth 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 the consolidated entity consisting of Print Mail Logistics Limited (referred to hereafter as "the Company") and the entities it controlled (referred to hereafter as "the Group") for the financial year ended 30 June 2012.

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

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 22 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 7 years experience in that role together with 4 years experience in a public Chartered Accounting firm.

Meetings of Directors

During the financial year, 13 meetings of Directors (including 3 meetings of Committees of Directors) were held. Attendances by each Director during the year were as follows;

	Directors' meetings		Committee meetings					
	Board meeting		Audit and Risk Management		Remuneration		Nominations	
	Number of meetings	Number attended	Number of meetings	Number attended	Number of meetings	Number attended	Number of meetings	Number attended
John W Woods	11	9	2	1	-	-	-	-
Nigel B Elias	11	9	2	2	-	-	-	-
Robert C Cameron	11	9	2	2	-	-	-	-

Corporate Structure

The Company is limited by shares, incorporated and domiciled in Australia. The Company has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which are listed in note 26 of the financial statements.

Principal Activities

The Company's principal activities during the financial year were the rendering of printing, mailing and distribution services.

Key Business Strategies

The Company's business strategy is to leverage its industry experience and credibility to provide transactional printing and related communication solutions in Australia.

Directors' Report (continued)

Review of Operations

The Group recorded a loss of \$740,512 for the year ended 30 June 2012 (2011: loss of \$335,087).

During the period, the Company contracted with a total of 12 Councils located in New South Wales, Queensland and Victoria for approximately 1,100,000 mail items to be produced per annum commencing from 1 July 2012.

The Directors consider the results of the Group to be satisfactory.

Financial Position

At 30 June 2012, the Group had net assets of \$1,131,591 (2011: \$1,498,350).

At 30 June 2012, the Group had a net working capital deficiency (net current liabilities) of \$2,148,950 (2011: \$1,556,188) and was in technical breach of the loan covenants relevant to a finance facility referred to in Note 16 of the financial report.

As a consequence of the technical breach, the group has disclosed the portion of the interest bearing financial liability that would ordinarily be disclosed as a non-current liability (\$709,640) as a current liability in accordance with Australian Accounting Standards including AASB 101: *Presentation of financial statements*.

Notwithstanding the net current liabilities position, the Directors consider that the going concern assumption adopted in the preparation of the financial report is appropriate and that the Group has the resources available for the repayment of its financial liabilities as and when they fall due. The going concern assumption is outlined in Note 1(a) of the financial report.

Significant Changes in the State of Affairs

The Company raised \$ 373,753 by way of allotting 2,491,687 new shares to existing shareholders at \$ 0.15 per share as part of the Rights Issue that closed on 22 June 2012.

Future Prospects

With the objective of maximising the Company's net worth, the Company proposes to increase revenue by way of continuing to concentrate on markets both within and outside of the state of Tasmania.

The Directors are cognisant of the requirement to continuously disclose material matters to the market. At this time, other than matters addressed in this financial report, there are no matters sufficiently advanced or at a level of certainty that would require disclosure.

After Balance Date Events

On 18 July 2012, the Company negotiated the continuation of the hire purchase facility by way of entering into a new hire purchase agreement with the lender.

On 30 July 2012, the Group contracted to purchase real estate in Cambridge, Tasmania. The contracted completion date is 14 January 2013. It is anticipated that the real estate shall be utilised by the Group to rationalise its operations.

On 31 July 2012, the Company raised \$ 322,155 by way of allotting 2,147,700 new shares to existing shareholders at \$0.15 per share as part of the Rights Issue that closed on 22 June 2012.

On 24 August 2012, the Company raised \$ 15,525 by way of allotting 103,500 new shares to existing shareholders at \$0.15 per share as part of the Rights Issue that closed on 22 June 2012.

Otherwise, 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 Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

Directors' Report (continued)

Environmental issues

The Board confirms that the Group has adequate systems and processes in place to manage and comply with environmental regulations as they apply to the Group. There have been no significant known breaches of any environmental regulations to which the Group is subject.

Dividends

No dividends were paid or declared during the financial year (2011: 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 currently \$14,241 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.

Prior to his retirement as a Chartered Accountant in public practice, Mr Woods was a registered Company Liquidator, an Official Liquidator, a registered Tax Agent and a Company Auditor. He 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.

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

At balance date, Mr Woods held a beneficial interest in 75,000 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 Group's activities.

At balance date, Mr Elias held a beneficial interest in 3,155,720 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 in England and Wales and a former Director of Asia Pacific Infrastructure Limited ACN 010 966 793.

At balance date, Mr Cameron held a beneficial interest in 756,000 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 14 of this Annual 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.

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 17 of this report.

Rounding of Amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and Financial Report. Certain amounts in the Directors' Report and Financial Statements have been rounded off in accordance with that Class Order to the nearest thousand dollars.

Directors' Report (continued)

Remuneration Report (audited)

Remuneration Policy

The Board's policy for determining remuneration of the key management personnel and executives (collectively referred to as "Executives") for the Group, 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-calibre personnel;
- Executives, comprising of the Directors, Company Secretaries and the Chief Financial Officer, have authority and responsibility for planning, directing and controlling the activities of the Group;
- 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 Company'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 current financial year, Executives of the Group.

Executive	Position held ²	Term of contract	Period of notice required for termination and related amounts payable	Proportion of elements of remuneration related to performance ²				Proportion of elements of remuneration not related to performance		
				Non-salary cash based incentives	Shares /Units	Options /Rights	Other	Fixed Salary ¹	Other	Total %
Nigel B Elias	Managing Director	3 years and 1 month commencing on 1 January 2012 and terminating on 31 January 2015	2 months. In the event the employment contract is terminated, Mr Elias is entitled to a payment equivalent to 4 months salary.	-	-	-	-	100%	-	100%
Adrian J Pereira	Chief Financial Officer / Company Secretary	3 years and 1 month commencing on 1 January 2012 and terminating on 31 January 2015	2 months. In the event the employment contract is terminated, Mr Pereira is entitled to a payment equivalent to 6 months salary.	-	-	-	25.5%	74.5%	-	100%
Ian B Hopkins	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%

¹Fixed 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 Group.

²There have been no changes to the persons or positions occupied from that listed above subsequent to year-end.

Directors' Report (continued)

Remuneration Report (continued)

Executives

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

Executive	Position held ²	Term of contract	Period of notice required for termination and related amounts payable	Proportion of elements of remuneration related to performance ²				Proportion of elements of remuneration not related to performance		
				Non-salary cash based incentives	Shares /Units	Options /Rights	Other	Fixed Salary ¹	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.	-	-	-	-	100%	-	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.	-	-	-	-	90.8%	9.2%	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.	-	-	-	-	93.3%	6.7%	100%
Ian B Hopkins	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%

¹Fixed 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 Group.

²There have been no changes to the persons or positions occupied from that listed above subsequent to year-end.

Directors' Report (continued)

Remuneration details

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

	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	Sign-on bonus	Non-monetary	Other ¹	Pension and superannuation	Other	Incentive plans	Other	Shares /units	Options /rights			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Directors													
Nigel B Elias	222,048	100,000	-	-	23,384	-	-	-	-	-	-	-	345,432
John W Woods	30,000	-	-	-	2,700	-	-	-	-	-	-	-	32,700
Robert C Cameron	30,000	-	-	-	2,700	-	-	-	-	-	-	-	32,700
Executives													
Adrian J Pereira	88,499	30,000	-	345	9,884	-	-	-	-	-	-	-	128,728
Ian B Hopkins	-	-	-	7,768	-	-	-	-	-	-	-	-	7,768
Total	370,547	130,000	-	8,113	38,668	-	-	-	-	-	-	-	547,328

¹During the financial year, other short-term benefits were paid on account of motor vehicle allowances paid to Mr Pereira (\$345).

Directors' Report (continued)

Remuneration Report (continued)

Remuneration details

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

	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	Non-monetary	Other ²	Pension and superannuation	Other	Incentive plans	Other	Shares /units	Options /rights			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Directors													
Nigel B Elias	162,000	-	-	-	14,580	-	-	5,000	-	-	-	-	181,580
John W Woods	25,000	-	-	-	2,250	-	-	-	-	-	-	-	27,250
Robert C Cameron	25,000	-	-	-	2,250	-	-	-	-	-	-	-	27,250
Executives													
Peter A MacLeod	90,000	5,000	-	4,461	8,550	-	-	1,500	-	-	-	-	109,511
Adrian J Pereira	73,500	5,000	-	243	6,847	-	-	-	-	-	-	-	85,590
Ian B Hopkins	-	-	-	14,964	-	-	-	-	-	-	-	-	14,964
Total	375,500	10,000	-	19,668	34,477	-	-	6,500	-	-	-	-	446,145

¹The following Executives were paid an ex gratia bonus:

- Mr MacLeod \$5,450 (including superannuation of \$450)
- Mr Pereira \$5,450 (including superannuation of \$450).

²During the financial year, other short-term benefits were paid on account of motor vehicle allowances paid to Mr MacLeod (\$4,461) and Mr Pereira (\$243).

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 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 Group. 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.

A handwritten signature in black ink, appearing to read 'John W Woods', with a stylized flourish extending from the end.

John W Woods
Chairman

31 August 2012
Hobart, Tasmania

Print Mail Logistics Limited Controlled Entities
Auditor's independence declaration under Section 307C of the Corporations Act 2001

I declare to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2012 there has been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and
- no contraventions of any applicable code of professional conduct in relation to the audit.

Crofts Chartered Accountants



Matthew Duggan
Partner

Signed at Sydney 31 August 2012

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 Group;
- 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 Group.

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 Group 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 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 Group'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 Group during the year, changes in the state of affairs of the Group, 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 Group 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 Group'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 Group 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 Group, 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 Group, and of the Group'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 Group;
- 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 Group 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 Group. 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 Group'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.

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2012	Notes	2012 \$	2011 \$
Revenue from continuing operations	2	6,497,586	7,497,880
Changes in inventories of finished goods and work in progress		(12,914)	(77,622)
Raw materials and consumables used		(3,214,165)	(3,097,940)
Employee benefits expense		(2,443,858)	(2,322,115)
Finance costs		(199,670)	(285,402)
Depreciation and amortisation expense		(568,917)	(769,935)
Occupancy expenses		(334,143)	(308,320)
Office and administration expenses		(672,493)	(529,794)
Ordinary expenses		(132,674)	(134,793)
Loss on non-recoverable non-trade receivable		-	(35,281)
Share of net profits/(loss) of associates		33,693	16,087
(Loss)/Profit before income tax	3	(1,047,555)	(47,235)
Income tax benefit/(expense)	4	307,043	62,966
Profit/(loss) for the year from continuing operations		(740,512)	15,731
(Loss)/profit for the year from discontinued operations	5	-	(350,818)
(Loss)/profit for the year attributable to members		(740,512)	(335,087)
Other comprehensive income			
Other comprehensive income for the year net of income tax		-	-
Total comprehensive (loss)/income for the year attributable to members		(740,512)	(335,087)
Earnings per share and Diluted earnings per share			
From continuing operations:			
Basic and Diluted earnings per share (cents)	8	(2.70)	0.06
From discontinued operations:			
Basic and Diluted earnings per share (cents)	8	-	(1.29)
From profit/(loss) for the year:			
Basic and Diluted earnings per share (cents)	8	(2.70)	(1.23)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

AS AT 30 JUNE 2012	Notes	2012 \$	2011 \$
Current Assets			
Cash and cash equivalents	9	63,806	580
Trade and other receivables	10	442,347	421,908
Inventories	11	86,860	99,774
Other current assets	12	40,589	41,075
Total Current Assets		633,602	563,337
Non-Current Assets			
Investment in associate accounted for using the equity method	13	855,940	822,247
Deferred tax assets	4	801,729	467,533
Property, plant and equipment	14	1,802,385	2,331,021
Total Non-Current Assets		3,460,054	3,620,801
Total Assets		4,093,656	4,184,138
Current Liabilities			
Trade and other payables	15	1,067,284	408,484
Interest bearing financial liabilities	16	1,202,929	1,383,847
Interest bearing hire purchase liabilities	17	395,140	238,621
Non-interest bearing liabilities	18	13,454	-
Provisions	19	103,745	88,573
Total Current Liabilities		2,782,552	2,119,525
Non-Current Liabilities			
Provisions	19	146,261	118,670
Interest bearing financial liabilities	16	-	185,913
Interest bearing hire purchase liabilities	17	-	255,580
Deferred tax liability	4	33,252	6,100
Total Non-Current Liabilities		179,513	566,263
Total Liabilities		2,962,065	2,685,788
Net Assets		1,131,591	1,498,350
Equity			
Issued capital		8,309,647	7,935,894
Accumulated losses		(7,178,056)	(6,437,544)
Total Equity		1,131,591	1,498,350

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2012

		Equity Component of		Total Issued	Accumulated	
	Notes	Ordinary Shares	Convertible Notes	Capital	Losses	Total
		\$	\$	\$	\$	\$
Balance at 1 July 2011		7,521,829	414,065	7,935,894	(6,437,544)	1,498,350
Comprehensive income for the year						
Profit/(Loss) for the year		-	-	-	(740,512)	(740,512)
Total comprehensive loss for the year		-	-	-	(740,512)	(740,512)
Transactions with owners recorded directly in equity						
Contributions by owners						
- Shares issued		373,753	-	373,753	-	373,753
Total contributions by owners		373,753	-	373,753	-	373,753
Balance at 30 June 2012	20	<u>7,895,582</u>	<u>414,065</u>	<u>8,309,647</u>	<u>(7,178,056)</u>	<u>1,131,591</u>
Balance at 1 July 2010		7,470,329	414,065	7,884,394	(6,102,457)	1,781,937
		7,470,329	414,065	7,884,394	(6,102,457)	1,781,937
Comprehensive income for the year						
Profit/(Loss) for the year		-	-	-	(335,087)	(335,087)
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		-	-	-	(335,087)	(335,087)
Transactions with owners recorded directly in equity						
Contributions by owners						
- Shares issued		51,500	-	51,500	-	51,500
- Transaction costs		-	-	-	-	-
Total contributions by owners		51,500	-	51,500	-	51,500
Balance at 30 June 2011	20	<u>7,521,829</u>	<u>414,065</u>	<u>7,935,894</u>	<u>(6,437,544)</u>	<u>1,498,350</u>

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows
FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012	2011
		\$	\$
Cash Flows From Operating Activities			
Receipts from customers		7,036,875	8,109,352
Payments to suppliers and employees		(6,703,611)	(7,647,632)
Finance costs		(182,893)	(228,441)
Interest received		-	713
Net Cash Flows From/(Used in) Operating Activities	21(a)	150,371	233,992
Cash Flows from Investing Activities			
Proceeds from disposal of property, plant and equipment		-	5,565
Purchase of property, plant and equipment		(40,290)	(218,410)
Net Cash Flows Used In Investing Activities		(40,290)	(212,845)
Cash Flows from Financing Activities			
Proceeds from rights issue		373,753	-
Proceeds from share issue		-	51,500
Payments for convertible notes paid out		-	(750,000)
Proceeds from borrowings		-	1,241,203
Repayment of borrowings		(277,964)	(592,542)
Net Cash Flows (Used In)/From Financing Activities		95,789	(49,839)
Net Decrease in Cash and Cash Equivalents held		205,870	(28,692)
Cash and Cash Equivalents at Beginning of Year		(142,064)	(113,372)
Cash and Cash Equivalents at End of Year	21(b)	63,806	(142,064)

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

30 JUNE 2012

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were authorised for issue by the Board of Directors on 31 August 2012. The Board has the power to amend or re-issue 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 consisting of Print Mail Logistics Limited (referred to hereafter as “the Company”) and the entities it controlled (hereafter referred to as “the Group”) for the financial year ended 30 June 2012.

The Company is a listed public company, incorporated and domiciled in Australia.

The financial report of the Group complies with all International Financial Reporting Standards (IFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the Group 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.

Notes to the Financial Statements (continued)

30 June 2012

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Going concern – Material Uncertainty

At 30 June 2012, the Group had a net working capital deficiency (net current liabilities) of \$2,148,949 (2011: \$1,556,188) and was in technical breach of the loan covenants relevant to a finance facility referred to in Note 16 of the financial report.

As a consequence of the technical breach, the group has disclosed the portion of the interest bearing financial liability that would ordinarily be disclosed as a non-current liability (\$709,640) as a current liability in accordance with Australian Accounting Standards including AASB 101: *Presentation of financial statements*.

Notwithstanding the net current liabilities position, the Directors consider that the going concern assumption adopted in the preparation of the financial report is appropriate and that the Group has the resources available for the repayment of its financial liabilities as and when they fall due. The going concern assumption is outlined in Note 1(b) of the financial report.

The above matters create a material uncertainty that may cause significant doubt as to the ability of the Group and Company to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors have prepared the financial report of the Group on the going concern basis which assumes that the Company will be able to realise its assets and discharge its liabilities in the ordinary course of business on the following basis:

- At 30 June 2012, the Company had cash and cash equivalents available totaling \$63,806 (2011: \$580) as disclosed in Note 9 of the financial report;
- At 30 June 2012, the Company had an undrawn overdraft facility available totaling \$280,000 (2011: \$7,356) as disclosed in Note 21 of the financial report;
- On 18 July 2012, the Company re-negotiated the terms of the hire-purchase facility disclosed in Note 17 of the financial report;
- On 31 July 2012 and 24 August 2012, the Company raised a combined total of \$337,680 by way of allotting 2,251,200 new shares to existing shareholders at \$0.15 per share as part of the Rights Issue that closed on 22 June 2012;
- The Company has revisited the overall business model, service offering and value proposition to clients and in consequence, has achieved relative success in being awarded new contracts for services to be provided from 1 July 2012;
- The roles of key executives continue to be redirected from daily management activities to those of identifying and effecting sales related opportunities;
- The Company has prepared a detailed business plan including cash flow forecasts and assumptions for the 12 month period ending after the date of signature of the Independent Auditor's Report and believe that there is a reasonable basis to support the preparation of the financial report on a going concern basis. The Directors will continue to monitor the Company's progress against the business plan on a regular basis.

Notes to the Financial Statements (continued)

30 June 2012

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Principles of Consolidation

A controlled entity is any entity controlled by the Company. Control is considered to exist where the Company 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 the Company to achieve the objectives of the Company. The controlled entities have June financial year ends.

Where a controlled entity has entered or left the 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 Group, including any unrealised profits or losses, have been eliminated on consolidation.

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2012 and the results of all subsidiaries for the year then ended. The Company and its subsidiaries together are referred to in this financial report as the Group.

Subsidiaries are all entities (including special purpose entities) over which the Group governs the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 1(c)).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the Financial Statements (continued)

30 JUNE 2012

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Business Combinations

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 form 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 Group 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 Group'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: *Financial Instruments: Recognition and Measurement* either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

Notes to the Financial Statements (continued)

30 JUNE 2012

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 reporting 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 to 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 Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

The Company 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 Company. The current tax liability of each tax consolidated group entity is then subsequently assumed by the Company.

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 Position.

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 2012

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 less 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 Group 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 Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Major depreciation periods are:

Plant and equipment

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting 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 2012

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 Group 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 Group 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: *Financial Instruments: Recognition and Measurement*. 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 2012

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 Group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Statement of Comprehensive Income.

(i) 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 Position.

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.

(j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the Statement of Comprehensive Income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Statement of Comprehensive Income.

(k) Impairment of assets

At each reporting date, the Group 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 Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Notes to the Financial Statements (continued)

30 JUNE 2012

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held-for-sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held-for-sale continue to be recognised.

Non-current assets classified as held-for-sale and the assets of a disposal group classified as held-for-sale are presented separately from the other assets in the Statement of Financial Position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the Statement of Financial Position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held-for-sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the Statement of Comprehensive Income.

(m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(n) Segment reporting

Operating segments are reported in a manner consistent with 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.

Notes to the Financial Statements (continued)

30 JUNE 2012

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) 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 is recognised upon delivery to the customer or on account of the customer. Revenue from mailing services is recognised by reference to the stage of completion method.

Dividend revenue is recognised when the Company or Group establishes the right to receive payment.

Interest revenue is recognised using the effective interest method as set out in AASB 139: *Recognition and Measurement of Financial Instruments*.

All revenue is stated net of the amount of GST.

(p) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the entities in the 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 Company'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.

(q) 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.

Notes to the Financial Statements (continued)

30 JUNE 2012

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Provisions

Provisions are recognised when the Group 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.

(s) Borrowing costs

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

(t) Comparative figures

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

(u) 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 Group will again be required to pay any part of the debt or meet any guarantees or indemnities associated with the debt.

(v) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(w) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Notes to the Financial Statements (continued)

30 JUNE 2012

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Critical accounting estimates and assumptions

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.

Key estimates

Impairment - The Group assesses impairment at each reporting date by evaluating conditions specific to the Group 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.

Income taxes - The Group is subject to income taxes in Australia. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Group's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

In addition, the Group has recognised deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same subsidiary against which the unused tax losses can be utilised.

(y) New accounting standards and interpretations

During the year, the Group adopted any new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory. The adoption of these standards has not impacted the recognition, measurement and disclosure of any transaction.

(z) Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and Financial Report. Certain amounts in the Directors' Report and Financial Report have been rounded off in accordance with that Class Order to the nearest thousand dollars.

Notes to the Financial Statements (continued)

30 JUNE 2012

2. REVENUE FROM CONTINUING OPERATIONS

	2012 \$	2011 \$
Revenues from operating activities		
Revenue from rendering of services	<u>6,316,347</u>	<u>7,151,646</u>
Revenues from non-operating activities		
Interest received	-	713
Gain on disposal of property, plant and equipment	-	5,565
Gain on revaluation of financial asset	-	54,377
Gain on forgiveness of loan	49,900	191,115
Gain on foreign currency translation	-	14,087
Other income	<u>131,339</u>	<u>80,377</u>
Total revenues from non-operating activities	<u>181,239</u>	<u>346,234</u>
Total revenues from continuing operations	<u>6,497,586</u>	<u>7,497,880</u>

Notes to the Financial Statements (continued)

30 JUNE 2012

3. (LOSS)/PROFIT BEFORE INCOME TAX

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

	2012 \$	2011 \$
<u>Finance costs</u>		
Interest expense – external parties	188,301	266,485
Interest expense – related entities	-	-
Other borrowing costs	11,369	18,917
Total finance costs	<u>199,670</u>	<u>285,402</u>
<u>Depreciation</u>		
Computer software & equipment	43,319	76,596
Motor vehicles	-	-
Digital printing equipment	147,873	313,060
Mail insertion equipment	93,642	105,600
Finishing and bindery equipment	187,781	185,110
Furniture and fittings	13,559	12,169
Offset printing equipment	82,745	77,400
Total depreciation of property, plant and equipment	<u>568,917</u>	<u>769,935</u>
<u>Operating leases</u>		
Minimum lease payments - premises	(i) <u>247,176</u>	<u>228,097</u>
Total operating lease rentals	<u>247,176</u>	<u>228,097</u>
<u>Bad and doubtful debts</u>		
Trade receivables impaired	-	-
Total bad and doubtful debts	<u>-</u>	<u>-</u>
Superannuation expense	(ii) <u>171,045</u>	<u>181,127</u>

(i) This amount is grouped with occupancy expenses in the Statement of Comprehensive Income.

(ii) This amount is grouped with employee benefits expense in the Statement of Comprehensive Income.

Notes to the Financial Statements (continued)

30 JUNE 2012

4. INCOME TAX

	Notes	2012 \$	2011 \$
Current			
The major components of income tax expense are:			
Deferred tax expense/(benefit)		(307,044)	(73,645)
		<u>(307,044)</u>	<u>(73,645)</u>
Reconciliation of deferred tax expense/(benefit)			
- Continuing operations		(307,044)	(62,966)
- Discontinued operations	5	-	(10,679)
Deferred tax expense benefit		<u>(307,044)</u>	<u>(73,645)</u>

Reconciliation of income tax expense to prima facie tax payable

Accounting (loss)/profit from continuing operations before income tax	(1,047,555)	(47,235)
Accounting (loss)/profit from discontinued operations before income tax	-	(361,497)
Accounting (loss)/profit before income tax	<u>(1,047,555)</u>	<u>(408,732)</u>
Prima facie tax at statutory income tax rate of 30%	(314,266)	(122,619)
Non deductible expenditure	9,014	8,490
Non assessable income	(14,970)	-
Derecognition of deferred tax assets	13,179	40,484
Income tax (benefit)/expense	<u>(307,044)</u>	<u>(73,645)</u>

	Opening Balance \$	Brought to Account \$	Charged to Statement of Comprehensive Income \$	Charged to Equity \$	Closing Balance \$
Non-Current					
Deferred tax liability					
Property, plant and equipment	-	-	18,429	-	18,429
Other items	6,100	-	8,723	-	14,823
	<u>6,100</u>	<u>-</u>	<u>27,152</u>	<u>-</u>	<u>33,252</u>
Deferred tax asset					
Employee provisions	62,173	-	18,381	-	80,554
Creditors and accruals	13,258	-	46,581	-	59,839
Property, plant and equipment	26,165	-	(26,165)	-	-
Transaction costs	111,742	-	(22,329)	-	89,414
Tax losses	254,195	-	317,727	-	571,922
	<u>467,533</u>	<u>-</u>	<u>334,195</u>	<u>-</u>	<u>801,729</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 2012

5. DISCONTINUED OPERATIONS

	Notes	2012 \$	2011 \$
On 1 June 2011, the Company sold its 100% ownership interest in 999999999 Pty Ltd to an unrelated third party.			
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 (loss)/profit from discontinued operations per the statement of comprehensive income is as follows:			
Revenue		-	8,593
Depreciation expense		-	(81,951)
Other expenses		-	(97,024)
(Loss)/profit before income tax		-	(170,382)
Income tax benefit/(expense)			10,679
(Loss)/profit after income tax of discontinued operation		-	(159,703)
Loss on sale of discontinued operation before income tax		-	(191,115)
Income tax (expense)/benefit		-	-
Loss on sale of discontinued operation after income tax		-	(191,115)
Total (loss)/profit from discontinued operation		-	(350,818)
Earnings per share			
From discontinued operations:			
Basic and Diluted earnings per share (cents)	8	-	(1.29)

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

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

Net cash (outflow)/inflow from operating activities	-	(900,868)
Net cash inflow/(outflow) from investing activities	-	1,100,768
Net cash outflow from financing activities	-	(200,000)
Net cash (decrease)/increase in cash generated by the discontinued	-	(100)

Notes to the Financial Statements (continued)

30 JUNE 2012

6. COMPENSATION OF KEY MANAGEMENT PERSONNEL (KMP)

The total remuneration paid to KMP of the Group during the year was as follows:

	2012	2011
	\$	\$
Short term employee benefits	500,893	390,204
Post employment benefits	38,668	34,477
(i)	<u>539,561</u>	<u>424,681</u>

No other payments were made in respect of other long term benefits, share based payments or termination

(i) Disclosure of compensation in respect of key management personnel has also been detailed in the directors' report.

Key Management Personnel include:

Nigel B Elias (*Managing Director*)

John W Woods (*Non-executive Director*)

Robert C Cameron (*Non-executive Director*)

Adrian J Pereira (*Chief Financial Officer*).

7. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

There were no dividends paid or provided for as at the reporting date (2011: nil).

The Company's franking account balance is \$114,785 (2011: \$114,785).

Notes to the Financial Statements (continued)

30 JUNE 2012

8. EARNINGS PER SHARE (EPS)

	2012 \$	2011 \$
Reconciliation of total earnings to profit or loss		
(Loss)/Profit after income tax	(740,512)	(335,087)
Earnings used to calculate basic EPS	(740,512)	(335,087)
Earnings used in the calculation of dilutive EPS	<u>(740,512)</u>	<u>(335,087)</u>
Reconciliation of earnings to profit or loss from continuing operations		
Profit/(Loss) from continuing operations	(740,512)	15,731
Earnings used to calculate basic EPS from continuing operations	(740,512)	15,731
Earnings used in the calculation of dilutive EPS from continuing operations	<u>(740,512)</u>	<u>15,731</u>
Reconciliation of earnings to profit or loss from discontinuing operations		
(Loss)/Profit from discontinuing operations	-	(350,818)
Earnings used to calculate basic EPS from discontinuing operations	-	(350,818)
Earnings used in the calculation of dilutive EPS from discontinuing operations	<u>-</u>	<u>(350,818)</u>
Weighted average number of ordinary shares outstanding during the year used in calculating basic and dilutive EPS	<u>27,409,133</u>	<u>27,253,119</u>
Earnings per share and Diluted earnings per share		
From continuing operations:		
Basic and Diluted earnings per share (cents)	(2.70)	0.06
From discontinued operations:		
Basic and Diluted earnings per share (cents)	-	(1.29)
From profit/(loss) for the year:		
Basic and Diluted earnings per share (cents)	<u>(2.70)</u>	<u>(1.23)</u>

Notes to the Financial Statements (continued)

30 JUNE 2012

9. CASH AND CASH EQUIVALENTS

	Notes	2012 \$	2011 \$
Cash at bank and in hand	(i)	63,806	580

Reconciliation of Cash

Cash and cash equivalents 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	63,806	580
Bank overdraft facility	-	(142,644)
	63,806	(142,064)

(i) The carrying amount is a reasonable approximation of the fair value of the cash and cash equivalents.

10. TRADE AND OTHER RECEIVABLES

	Notes	2012 \$	2011 \$
Trade debtors	(i) (ii)	442,347	421,908
Allowance for impairment of receivables		-	-
		442,347	421,908
Total trade and other receivables		442,347	421,908

The carrying amount is a reasonable approximation of the fair value of trade and non-trade receivables.

Terms and conditions relating to the above financial instruments:

(i) Trade debtors are non-interest bearing and generally on trade terms of less than 30 days.

(ii) The Group does not hold any formal collateral in relation to trade debtors.

(a) Past due but not impaired	Notes	2012 \$	2011 \$
Trade and other receivables <30 days		413,513	382,649
Trade and other receivables >30 days (past due)		28,834	39,259
		442,347	421,908
Past due		28,834	39,259
Impaired (included in allowance for impairment of receivables)		-	-
Past due but not impaired		28,834	39,259

The creation and release of allowance for impairment of receivables has been included in office and administration expenses in the Statements of Comprehensive Income. Amounts charged to the allowance are generally written off when there is no expectation of recovering additional the receivable in part or in whole.

(b) Other receivables

These receivables generally arise from transactions outside the normal operating activities of the Group. Collateral is generally not obtained.

Notes to the Financial Statements (continued)

30 JUNE 2012

11. INVENTORIES

	2012	2011
	\$	\$
Current		
Work in progress - at cost	7,985	14,304
Finished goods - at cost	78,875	85,470
	<u>86,860</u>	<u>99,774</u>

There are no amounts pledged as security for liabilities.

12. OTHER CURRENT ASSETS

	2012	2011
	\$	\$
Prepayments	38,929	39,415
Deposits with suppliers	1,660	1,660
	<u>40,589</u>	<u>41,075</u>

13. INVESTMENT IN ASSOCIATE ACCOUNTED FOR USING THE EQUITY METHOD

	Notes	2012	2011
		\$	\$
Associated companies			
Cost of investment		816,000	816,000
Accumulated share of profits/(losses)		43,011	7,742
Elimination of intercompany sales		(3,071)	(1,496)
		<u>855,940</u>	<u>822,247</u>

The financial information of the Associate is as follows:

	2012	2011
	\$	\$
Total Assets	1,068,169	1,125,928
Total Liabilities	(108,231)	(283,551)
Total Equity	959,938	842,377
Revenues	499,870	482,059
Profit/(Loss) for the year	117,561	53,623

Notes to the Financial Statements (continued)

30 JUNE 2012

14. PROPERTY, PLANT AND EQUIPMENT

	Computer software and equipment	Motor vehicles	Digital printing equipment \$'000 (i)	Mail insertion equipment \$'000	Finishing and bindery equipment \$'000	Furniture and fittings \$'000	Offset printing equipment \$'000	Total \$'000
At 30 June 2012								
Cost	467	-	1,121	941	999	78	1,997	5,603
Accumulated depreciation	(443)	-	(278)	(920)	(512)	(42)	(1,605)	(3,801)
Net book amount	24	-	843	22	487	36	392	1,802
Year ended 30 June 2012								
Opening net book amount	61	-	991	115	674	38	451	2,331
Additions	6	-	-	-	-	11	24	39
Depreciation charge	(43)	-	(148)	(94)	(188)	(14)	(83)	(569)
Closing net book amount	24	-	843	22	487	36	392	1,802
At 30 June 2011								
Cost	461	-	1,121	941	999	67	1,974	5,563
Accumulated depreciation	(400)	-	(130)	(825)	(325)	(29)	(1,523)	(3,231)
Net book amount	61	-	991	116	674	38	451	2,331
Year ended 30 June 2011								
Opening net book amount	113	-	1,386	221	721	28	496	2,965
Additions	26	-	-	-	139	22	31	218
Depreciation charge	(78)	-	(395)	(106)	(185)	(12)	(77)	(852)
Closing net book amount	61	-	991	115	675	38	450	2,331

(i) Allocation to depreciation from continuing and discontinued operations

(a) Leased assets

Digital printing equipment includes the following amounts where the Consolidated Entity is a lessee under a hire purchase agreement:

	2012 \$'000	2011 \$'000
Leasehold equipment		
Cost	875	875
Accumulated depreciation	(327)	(292)
Net book amount	548	583

Notes to the Financial Statements (continued)

30 JUNE 2012

15. TRADE AND OTHER PAYABLES

	Notes	2012 \$	2011 \$
Current			
Trade creditors	(i)	490,390	256,355
Accrued expenses		166,777	-
Customer prepayment		199,998	-
Australia Post - (debit)/credit facility	(ii)	16,396	(15,633)
Goods and services tax		60,704	64,385
PAYG withholding tax		54,517	31,190
Fringe benefits tax		3,048	3,325
Superannuation		46,414	40,866
Insurance		29,040	27,996
		<u>1,067,284</u>	<u>408,484</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 (debit)/credit facility is non-interest bearing.

Notes to the Financial Statements (continued)

30 JUNE 2012

16. INTEREST BEARING FINANCIAL LIABILITIES

	Notes	2012 \$	2011 \$
Current			
Secured liabilities			
Business loan	(i)	995,540	1,241,203
Bank overdraft facility	(ii)	-	142,644
		<u>995,540</u>	<u>1,383,847</u>
Unsecured liabilities			
Bank credit card facility		16,860	-
Loans - other party	(iii)	190,529	-
		<u>207,389</u>	<u>-</u>
Total Current		<u>1,202,929</u>	<u>1,383,847</u>
Non-current			
Unsecured liabilities			
Loans - other party	(iii)	-	185,913
		<u>-</u>	<u>185,913</u>
Total Non-current		<u>-</u>	<u>185,913</u>

The carrying values of these financial liabilities are a reasonable approximation of the fair values.

Terms and conditions relating to the above financial instruments:

(i) The secured business loan represents a finance facility in the favour of Print Mail Logistics Limited. The loan is secured by a registered fixed and floating charge over the assets and undertaking of the borrower. The loan is for a maximum period of 5 years and is repayable in variable, monthly instalments of \$29,824 inclusive of interest over the term of the loan.

(ii) The bank overdraft facility bears interest at a variable rate calculated on the daily debit balance. The overdraft limit is \$280,000 at balance date.

(iii) The loan represents a loan denominated in British Pounds Sterling. The principle debt of £124,000 bears interest at the rate of 9% per annum with the maturity date being 31 March 2013.

At reporting date, the Company was in technical breach of two loan covenants applicable to (i) the business loan and (ii) the bank overdraft facility. As a consequence, the entirety of the business loan is disclosed as a current interest bearing liability in accordance with Australian Accounting Standards including AASB 101: *Presentation of Financial Statements*.

Notes to the Financial Statements (continued)

30 JUNE 2012

17. INTEREST BEARING HIRE PURCHASE LIABILITIES

	Notes	2012 \$	2011 \$
Current			
Unsecured hire purchase agreements	(i)	395,140	238,621
		<u>395,140</u>	<u>238,621</u>
Total Current		<u>395,140</u>	<u>238,621</u>
Non-current			
Unsecured hire purchase agreements	(i)	-	255,580
		<u>-</u>	<u>255,580</u>
Total Non-current		<u>-</u>	<u>255,580</u>
Total interest bearing finance lease liabilities		<u>395,140</u>	<u>494,201</u>

Terms and conditions relating to the above financial instruments:

(i) The hire purchase agreement contains a fixed rate of interest over the life of the loan and is repayable in monthly instalments of \$23,260 inclusive of interest with a residual amount of \$ 36,824 payable on due on 31 May 2013. An agreement was entered into to re-finance the amounts due under the facility on 18 July 2012.

18. NON-INTEREST BEARING LIABILITIES

	Notes	2012 \$	2011 \$
Current			
Unsecured			
Loans - related party	(i)	13,454	-
		<u>13,454</u>	<u>-</u>

(i) The loan is unsecured, non-interest bearing and repayable at call. The loan was repaid in full on 5 July 2012.

Notes to the Financial Statements (continued)

30 JUNE 2012

19. ACCRUED EMPLOYEE BENEFITS

	2012	2011
	\$	\$
Analysis of accruals		
Current		
Annual leave accrual	103,745	88,573
	<u>103,745</u>	<u>88,573</u>
Non-current		
Long service leave provision	146,261	118,670
	<u>146,261</u>	<u>118,670</u>
	<u>250,006</u>	<u>207,243</u>
Opening balance at 1 July	207,243	325,219
Additional provisions	209,269	218,772
Amounts used	<u>(166,506)</u>	<u>(336,748)</u>
Balance at 30 June	<u>250,006</u>	<u>207,243</u>

Notes to the Financial Statements (continued)

30 JUNE 2012

20. ISSUED CAPITAL

	2012		2011	
	Number of shares	\$	Number of shares	\$
(a) Movements in issued capital of Print Mail Logistics Limited				
Beginning of the financial year	27,375,000	7,982,619	27,203,334	7,931,119
Issued during the year	2,491,687	373,753	171,666	51,500
End of the financial year	29,866,687	8,356,372	27,375,000	7,982,619

The number of fully paid shares authorised for issue at the end of the financial year is 29,866,687 (2011: 27,375,000).

(b) 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.

	2012		2011	
	Number of Notes	\$	Number of Notes	\$
(c) Movements in equity component of convertible notes - issued in 2008				
Beginning of the financial year	-	414,065	3	414,065
Issued during the year	-	-	-	-
Equity component of convertible notes redeemed during the year	-	-	(3)	-
Converted during the year	-	-	-	-
End of the financial year	-	414,065	-	414,065

(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.

The Convertible Notes on hand at 1 July 2010 each had a face value of \$250,000 and bore interest at 1% per annum payable six monthly in arrears. The Notes were repaid in full on 22 September 2010.

	2012	2011
	\$	\$
(e) Movements in transaction costs		
Beginning of the financial year	(460,790)	(460,790)
Incurred during the year	-	-
End of the financial year	(460,790)	(460,790)

(f) 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*.

	2012	2011
(g) Total issued capital		
Issued Capital	8,356,372	7,982,619
Equity component of convertible notes	414,065	414,065
Transaction costs	(460,790)	(460,790)
	8,309,647	7,935,894

(h) Shares held by Associate

	2012		2011	
	Number of shares	\$	Number of shares	\$
Fully paid shares held by Associate	2,720,000	816,000	2,720,000	816,000

Notes to the Financial Statements (continued)

30 JUNE 2012

21. STATEMENT OF CASH FLOWS

	Notes	2012 \$	2011 \$
(a) Reconciliation of the net (loss)/profit after tax to the net cash flows from operations			
Net (loss)/profit		(740,512)	(335,087)
Non-cash items			
Depreciation of non-current assets		568,926	851,885
Loss/(Gain) on foreign currency translation		4,616	(14,087)
Profit on forgiveness of loan		(49,900)	(191,115)
Share of net (profit)/loss of associates		(33,694)	(14,592)
Accrued interest		16,774	-
Impairment loss on the measurement to fair value less costs to sell		-	191,115
Net profit on disposal of property, plant and equipment		-	(5,565)
Notional interest - Convertible Notes		-	61,303
Movement in allowance for impairment of receivables		-	(3,720)
Changes in assets and liabilities			
Changes in trade and other receivables		8,649	101,131
Changes in other assets		486	79,288
Changes in inventories		12,915	77,622
Changes in deferred tax		(307,043)	(73,645)
Changes in trade creditors		234,036	(322,244)
Changes in sundry creditors		386,807	(50,320)
Changes in employee entitlements		48,311	(117,976)
Net cash flow from/(used in) operating activities		<u>150,371</u>	<u>233,992</u>
(b) Cash balance comprises:			
- Cash and cash equivalents	9	63,806	580
- Bank overdraft facility	17	-	(142,644)
Closing cash and cash equivalents	9	<u>63,806</u>	<u>(142,064)</u>

(c) Financing facilities available

At reporting date, the Group has the following financing facilities negotiated and available :

(i) Bank overdraft facility - \$280,000

(i) Business loan - \$ 995,540

(ii) Credit card facility - \$ 25,000.

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

(ii) Finance provided by Australia and New Zealand Banking Group Limited ("ANZ"). This facility is unsecured.

Notes to the Financial Statements (continued)

30 JUNE 2012

22. CAPITAL AND LEASING COMMITMENTS

(a) Capital expenditure commitments

At balance date, the Group had not contracted to purchase any items of a capital nature (2011: Nil).

	2012	2011
	\$	\$
(b) Lease expenditure commitments		
<i>Operating leases (non-cancellable) - premises</i>		
Minimum lease commitments		
- not later than one year	246,217	244,668
- later than one year and not later than five years	-	233,937
Aggregate lease expenditure contracted for at reporting date	<u>246,217</u>	<u>478,605</u>

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	Optional Lease Extension Term	Contingent Rent Payable	Significant Restrictions Imposed
Property A	\$108,570	01/07/2011 - 30/06/2013	Nil	Nil	Nil
Property B	\$65,776	19/07/2008 - 18/07/2011	19/07/2011 - 18/07/2013	Fixed rent of \$63,860 for the period 19/07/2011 to 18/07/2012 and fixed rent of \$65,776 for the period 19/07/2012 to 18/07/2013	Nil
Property C	\$7,000	1/07/2012 - 30/06/2013	Nil	Nil	Nil
Property D	\$70,768	02/06/2008 - 01/06/2013	Nil	Market review referenced to the consumer price index assessed annually	Nil

Notes to the Financial Statements (continued)

30 JUNE 2012

22. CAPITAL AND LEASING COMMITMENTS (continued)

(b) Lease expenditure commitments (continued)

	2012	2011
	\$	\$
Hire purchase commitments		
Commitments are payable as follows:		
Payments within 1 year	426,447	279,120
Payments 1-5 years	-	269,745
Less: Future finance charges	(31,307)	(54,664)
	<u>395,140</u>	<u>494,201</u>
Present value of minimum payments:		
Payments within 1 year	395,140	238,621
Payments 1-5 years	-	255,580
	<u>395,140</u>	<u>494,201</u>
Recognised as an interest bearing liability represented as follows:		
Current	395,140	238,621
Non-current	-	255,580
	<u>395,140</u>	<u>494,201</u>

Material leasing arrangements

The hire purchase agreement does not include a provision for contingent rent, terms of renewal, purchase options, escalation clauses or restrictive impositions such as those concerning dividends, additional debt or further leasing.

The Group does not consider there to be any unguaranteed residual value accruing to the lessor's benefit.

Notes to the Financial Statements (continued)

30 JUNE 2012

23. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

	2012	2011
	\$	\$
The aggregate employee benefit liability is comprised of:		
Provisions (current)	103,745	88,573
Provisions (non-current)	146,261	118,670
	<u>250,006</u>	<u>207,243</u>

	2012	2011
	\$	\$
Key Management Personnel Commitments		
Commitments are payable as follows:		
Payments within 1 year	206,010	179,850
Payments 1-5 years	463,250	-
	<u>669,260</u>	<u>179,850</u>

Nigel B Elias

Commencement date:	1-Jan-12			
Term:	3 Years, 2 Months			
Year ended:	30/06/2012	30/06/2013	30/06/2014	30/06/2015
Salary:	216,000	84,000	150,000	87,500
Sign-on bonus	100,000	-	-	-
Superannuation	28,440	7,560	13,500	7,875
Total	<u>344,440</u>	<u>91,560</u>	<u>163,500</u>	<u>95,375</u>

Adrian J Pereira

Commencement date:	1-Jan-12			
Term:	3 Years, 2 Months			
Year ended:	30/06/2012	30/06/2013	30/06/2014	30/06/2015
Salary:	90,000	90,000	90,000	52,500
Sign-on bonus	30,000	15,000	15,000	30,000
Superannuation	10,800	9,450	9,450	7,425
Total	<u>130,800</u>	<u>114,450</u>	<u>114,450</u>	<u>89,925</u>
Total	<u>475,240</u>	<u>206,010</u>	<u>277,950</u>	<u>185,300</u>

Notes to the Financial Statements (continued)

30 JUNE 2012

24. AUDITOR'S REMUNERATION

	2012	2011
	\$	\$
Amounts received by Crowe Horwath Brisbane		
- audit or review of the financial report (inc disbursements)	30,569	45,000
- income tax services	8,000	11,000
	<u>38,569</u>	<u>56,000</u>
Amounts received or due and receivable by Crofts Chartered Accountants		
- audit or review of the financial report (inc disbursements)	27,139	-
	<u>27,139</u>	<u>-</u>
	<u>65,707</u>	<u>56,000</u>

Notes to the Financial Statements (continued)

30 JUNE 2012

25. RELATED PARTY DISCLOSURES

(a) Parent entity

The parent entity within the Group is Print Mail Logistics Limited.

The individual financial statements for the parent entity show the following aggregate amounts:

	2012	2011
Current assets	633,598	563,296
Total assets	4,058,168	4,288,868
Current liabilities	2,872,348	2,233,583
Total liabilities	2,976,610	2,799,846
Equity		
Issued capital	8,309,647	7,935,894
Accumulated losses	(7,225,091)	(6,446,872)
	<u>1,084,556</u>	<u>1,489,022</u>
Net (loss)/profit after tax for the year	(778,218)	(38,674)
Total comprehensive (loss)/income for the year	(778,218)	(38,674)

(b) Subsidiaries

Interests in subsidiaries are set out in Note 26.

There were no purchases made by the parent entity from the subsidiaries during the year (2011: nil)

At balance date, the parent entity had borrowed/(loaned) the following amounts from/(to) subsidiaries:

		2012	2011
666666 Pty Ltd	(i)	53,175	146,446
Print Mail Logistics (International) Pty Ltd	(ii)	20,134	20,474
		<u>73,309</u>	<u>166,920</u>

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

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

(c) Associates

Print Mail Logistics Limited holds a 30% share in Armstrong Registry Services Limited. The value of the investment is set out in Note 13.

Sales were made to the Associate as follows:

	2012	2011
Armstrong Registry Services Limited	1,575	4,121
	<u>1,575</u>	<u>4,121</u>

Notes to the Financial Statements (continued)

30 JUNE 2012

25. RELATED PARTY DISCLOSURES (continued)

(d) Key management personnel

Disclosures relating to key management personnel are set out in Note 6 for compensation and Note 25 for future commitments.

(i) Settlement of liabilities on behalf of the entity

During the current period, accrued liabilities totaling \$ 22,500.00 due by the Company to a creditor were settled by way of the creditor ceding their entitlement to full repayment of the balance to Mr Elias at face value.

During the prior period, accrued liabilities totaling \$ 236,118.72 due by the Company to a creditor were settled by way of the creditor ceding their entitlement to full repayment of the balance to Mr Elias at face value. During the prior period, the Company repaid Mr Elias in full such that at 30 June 2011, there was no outstanding liability due to or from Mr Elias.

	2011 %	2011 No.	2012 Additions No.	2012 Disposals No.	2012 No.	2012 %
(ii) Equity instruments of directors						
<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	10.7%	2,917,720	-	-	2,917,720	9.8%
Armstrong Registry Services Limited	9.9%	2,720,000	-	-	2,720,000	9.1%
Robert C Cameron	1.8%	504,000	252,000	-	756,000	2.5%
Nigel B Elias and Benjamin N Elias <Elias Superannuation Fund>	0.7%	192,000	46,000	-	238,000	0.8%
Rebecca E Elias	0.3%	80,000	-	-	80,000	0.3%
John W Woods	0.2%	57,000	18,000	-	75,000	0.3%
Robert A Cameron	0.0%	7,000	-	-	7,000	0.0%
Total issued shares (refer note 21)		27,375,000			29,866,687	

(iii) Equity instruments of key management personnel

Key management personnel or their related entities (who are not Directors of the company) do not hold any equity instruments (2011: Nil).

26. SUBSIDIARIES

Name of Controlled Entities	2012 % Owned	2011 % Owned	Place of Incorporation
Controlled by Print Mail Logistics Limited			
666666 Pty Ltd	100%	100%	Incorporated and domiciled in Australia
Print Mail Logistics (International) Pty Ltd	100%	100%	Incorporated and domiciled in Australia

Acquisition of Controlled Entities

Nil

Disposal of Controlled Entities

Nil.

Notes to the Financial Statements (continued)

30 JUNE 2012

27. SEGMENT INFORMATION

Identification of reportable segments

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

The Group is managed primarily on the basis of product category and service offerings since the diversification of the Group'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 and 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 customers 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 2012

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 Group 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 Group. 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.

Notes to the Financial Statements (continued)

30 JUNE 2012

27. SEGMENT INFORMATION (continued)

(i) Segment performance

Year Ended 30 June 2012

Revenue

External sales

Interest revenue

Total segment revenue

Reconciliation of segment revenue to group revenue

Gain on forgiveness of loan

Other unallocated income

Total group revenue

Segment net profit/(loss) before tax

Reconciliation of segment result to group net profit/(loss) before tax

Amounts not included in segment result but reviewed by the Board:

Other un-allocated income

Gain on forgiveness of loan

Unallocated items:

Share of net profits/(loss) of associates

Corporate charges

Finance costs

Net profit/(loss) before tax from continuing operations

Printing \$	Mailing & Distribution \$	Total \$
3,660,241	2,656,106	6,316,347
-	-	-
3,660,241	2,656,106	6,316,347
		49,900
		131,339
		6,497,586
(534,342)	168,246	(366,096)
		131,339
		49,900
		33,693
		(696,722)
		(199,669)
		(1,047,554)

Notes to the Financial Statements (continued)

30 JUNE 2012

27. SEGMENT INFORMATION (continued)

(i) Segment performance (continued)

	Printing \$	Mailing & Distribution \$	Total \$
Year Ended 30 June 2011			
Revenue			
External sales	4,345,911	2,805,735	7,151,646
Interest revenue	434	279	713
Total segment revenue	4,346,345	2,806,014	7,152,359
<i>Reconciliation of segment revenue to group revenue</i>			
Gain on foreign currency translation			14,087
Gain on revaluation of financial asset			54,377
Other unallocated income			80,377
Gain on disposal of asset			5,565
Gain on forgiveness of loan			191,115
Total group revenue			7,497,880
Segment net profit/(loss) before tax	229,747	202,587	432,334
<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 on foreign currency translation			14,087
Gain on revaluation of financial asset			54,377
Other un-allocated income			80,377
Gain on forgiveness of loan			191,115
Gain on disposal of asset			5,565
(Loss) on non-recoverable non-trade receivable			(35,281)
Unallocated items:			
Share of net profits/(loss) of associates			16,087
Corporate charges			(520,494)
Finance costs			(285,402)
Net profit/(loss) before tax from continuing operations			(47,235)

Notes to the Financial Statements (continued)

30 JUNE 2012

27. SEGMENT INFORMATION (continued)

(ii) Segment assets

	Printing \$	Mailing & Distribution \$	Total \$
As At 30 June 2012			
Segment assets	1,808,130	21,729	1,829,859
	1,808,130	21,729	1,829,859
<i>Reconciliation of segment assets to group assets</i>			
Unallocated assets			606,128
Deferred tax assets			801,729
Investment in associates			855,940
Total group assets from continuing operations			4,093,656

	Printing \$	Mailing & Distribution \$	Total \$
As At 30 June 2011			
Segment assets	2,214,790	115,371	2,330,161
	2,214,790	115,371	2,330,161
<i>Reconciliation of segment assets to group assets</i>			
Unallocated assets			564,197
Deferred tax assets			467,533
Investment in associates			822,247
Investment in subsidiaries			-
Total group assets from continuing operations			4,184,138

Notes to the Financial Statements (continued)

30 JUNE 2012

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:

	Year Ended 30 June 2012	Year Ended 30 June 2011
	\$	\$
Australia	6,316,347	7,151,646
Total revenue	6,316,347	7,151,646

(v) Assets by geographical region

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

	Balance as at 30 June 2012	Balance as at 30 June 2011
	\$	\$
Australia	1,829,859	2,330,161
Total assets	1,829,859	2,330,161

(vi) Major customers

The Group has a number of customers to which it renders services. The Group has one external customer which accounts for 11% (2011: 9%) of Printing revenue, 28% (2011: 24%) of Mailing and distribution revenue and 18% (2011: 15%) of total external revenue. The next largest major customer accounts for 4% (2012: 6%) of Printing revenue, 13% (2011: 11%) of Mailing and distribution revenue and 7 % (2011: 8%) of total external revenue.

Notes to the Financial Statements (continued)

30 JUNE 2012

28. SUBSEQUENT EVENTS

2012

On 30 July 2012, the Group contracted to purchase real estate in Cambridge, Tasmania. The contracted completion date is 14 January 2013. It is anticipated that the real estate shall be utilised by the Group to rationalise its operations.

On 18 July 2012, the Company negotiated the continuation of the hire purchase facility referred to at Note 17 by way of entering into a new hire purchase agreement with the lender.

On 31 July 2012, the Company raised \$ 322,155 by way of allotting 2,147,700 new shares to existing shareholders at \$0.15 per share as part of the Rights Issue that closed on 22 June 2012.

On 24 August 2012, the Company raised \$ 15,525 by way of allotting 103,500 new shares to existing shareholders at \$0.15 per share as part of the Rights Issue that closed on 22 June 2012.

29. CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or liabilities to report.

30. ECONOMIC DEPENDENCY

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

31. FINANCIAL INSTRUMENTS

Financial risk management policies

The Group'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 Group does not have any derivative instruments at 30 June 2012 (2011: \$nil).

(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 Group's overall risk management strategy seeks to assist the Group 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 Group's operating financial requirements and (ii) meet its existing debt obligations.

(iii) Financial risk exposures and management

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

(a) Interest rate risk

The Group'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 set out in the following tables:

Notes to the Financial Statements (continued)

30 JUNE 2012

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 Statement of Financial Position.

Financial instruments	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							
	2012 \$(’000)	2011 \$(’000)	2012 \$(’000)	2011 \$(’000)	2012 \$(’000)	2011 \$(’000)	2012 \$(’000)	2011 \$(’000)	2012 \$(’000)	2011 \$(’000)	2012 \$(’000)	2011 \$(’000)	2012 %	2011 %
<i>(i) Financial assets</i>														
Cash and cash equivalents	64	1	-	-	-	-	-	-	-	-	64	1	1	1
Trade debtors	-	-	-	-	-	-	-	-	442	422	442	422	-	-
Total financial assets	64	1	-	-	-	-	-	-	442	422	506	423	-	-

	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							
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	%	%
<i>(ii) Financial liabilities</i>														
Trade payables	-	-	-	-	-	-	-	-	490	256	490	256	-	-
Other payables	-	-	-	-	-	-	-	-	547	152	547	548	-	-
Credit card facility	16	-	-	-	-	-	-	-	-	-	16	-	-	-
Bank overdraft facility	-	142	-	-	-	-	-	-	-	-	-	142	9	9
Business loan	-	-	996	1,241	-	-	-	-	-	-	996	1,241	8	9
Hire purchase liability	-	-	395	238	-	255	-	-	-	-	395	493	11	11
Other loans	-	-	191	-	-	186	-	-	13	-	204	186	9	9
Total financial liabilities	16	142	1,582	1,479	-	441	-	-	1,050	408	2,648	2,866	5	7

Notes to the Financial Statements (continued)

30 JUNE 2012

31. FINANCIAL INSTRUMENTS (continued)

(b) Net fair values

All financial assets and liabilities have been recognised at the reporting date at their net fair values.

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.

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

(c) Credit risk exposures

The Group'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 Group 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	
	2012	2011	2012	2011
Government/Semi-Government	67	56	298	236
Other non-concentrated	33	44	144	186
	100	100	442	422

* 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 generally less than 30 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 2012

31. FINANCIAL INSTRUMENTS (continued)

(d) Liquidity risk

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

At 30 June 2012, the Company was in technical breach of a financial covenant in relation to the business loan and bank overdraft facility disclosed in Note 16. The continuation of the facility is currently being negotiated, and at this stage payment terms have not been accelerated.

2012

<i>Contractual maturity:</i>	Liability	Contracted Cashflow	Due < 1 year	Due 1-5 years	Due > 5 years
Consolidated Entity					
Trade and other payables	1,067,284	1,067,284	1,067,284	-	-
Bank overdraft facility	-	-	-	-	-
Business loan	995,540	995,540	995,540	-	-
Hire purchase liability	395,140	395,140	395,140	-	-
Loans - other	190,529	190,529	190,529	-	-

2011

<i>Contractual maturity:</i>	Liability	Contracted Cashflow	Due < 1 year	Due 1-5 years	Due > 5 years
Consolidated Entity					
Trade and other payables	408,484	408,484	408,484	-	-
Bank overdraft facility	142,644	142,644	142,644	-	-
Business loan	1,241,203	1,241,203	1,241,203	-	-
Hire purchase liability	494,201	494,201	238,621	255,580	-
Loans - other	185,913	185,913	-	185,913	-

Directors' Declaration

In the Directors' opinion:

- (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 Group's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (iii) complying with International Financial Reporting Standards issued by the International Accounting Standards Board 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

31 August 2012
Date
Hobart, Tasmania

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, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's Opinion

In our opinion:

- a. the financial report of Print Mail Logistics Limited is in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1(a) – Going concern – Material uncertainty on page 26 in the financial report, which indicates the company had a net working capital deficiency of (net current liabilities) of \$2,148,949 (2011: \$1,556,188) and was in technical breach of the loan covenants relevant to a finance facility referred to in the financial report. The financial report also indicates at the Statement of Comprehensive Income on page 21 of the financial report that the consolidated entity incurred losses of \$740,512 (2011: \$335,087) during the year ended 30 June 2012. These conditions along with other matters set out in Note 1(a), indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the remuneration report included in pages 8 to 13 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the remuneration report of Print Mail Logistics Limited for the year ended 30 June 2012 complies with s 300A of the Corporations Act 2001.

Crofts Chartered Accountants



Matthew Duggan

Partner

Signed at Sydney 31 August 2012

Shareholder Information

A. Substantial Shareholders as at 28 August 2012

Name	Shareholding	% of Issued Capital
Landav Pty Ltd	6,115,000	19.04%
NSS Trustees Limited	2,931,700	9.13%
Mr Nigel Benjamin Elias	2,917,720	9.08%
Armstrong Registry Services Limited	2,720,000	8.47%
Mr J Capo-Bianco & Mrs S Capo-Bianco & NSS Trustees Ltd	2,505,580	7.80%
Pumbaa Investment Pty Ltd	2,250,000	7.01%

B. Distribution of Fully Paid Ordinary Shares as at 28 August 2012

Number	Holders	Shares
1 - 1,000	-	-
1,001 - 5,000	-	-
5,001 - 10,000	56	421,000
10,001 - 100,000	43	1,225,700
100,001 and over	32	30,471,187
Total	131	32,117,887

C. Twenty Largest Shareholders as at 28 August 2012

Name	Shareholding	% of Issued Capital
Landav Pty Ltd	6,115,000	19.04%
NSS Trustees Limited	2,931,700	9.13%
Mr Nigel Benjamin Elias	2,917,720	9.08%
Armstrong Registry Services Limited	2,720,000	8.47%
Mr J Capo-Bianco & Mrs S Capo-Bianco & NSS Trustees Ltd	2,505,580	7.80%
Pumbaa Investment Pty Ltd	2,250,000	7.01%
Dermos Pty Ltd	1,333,000	4.15%
Mr David Harris Stewart	1,177,000	3.66%
Mr Marc Hoegger	1,041,787	3.24%
Mr Robert Craig Cameron	756,000	2.35%
Landav Pty Ltd	670,000	2.09%
Mrs Jane Anne George	500,000	1.56%
Wellington Capital Limited	500,000	1.56%
Estival Holdings Pty Ltd	400,000	1.25%
Hobart Properties and Securities Pty Ltd	400,000	1.25%
Lewis Securities Ltd	379,998	1.18%
Mrs Maree Ellis	373,500	1.16%
Jarok Pty Ltd	369,000	1.15%
HSBC Custody Nominees (Australia) Limited	363,666	1.13%
Inveham Pty Ltd	330,000	1.03%
Total	28,033,951	87%

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.