

Print Mail Logistics Limited and  
Controlled Entities  
ABN 14 103 116 856

Annual Financial Report  
For the Year Ended 30 June 2017

**Print Mail Logistics Limited**  
**ABN 14 103 116856**

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## Corporate Directory

|  |   |
|--|---|
| Directors  | <p>Luis Garcia<br/>Chairman (Non-Executive)</p> <p>Nigel B Elias<br/>Managing Director (Executive)</p> <p>Stuart Percy<br/>Director (Non-Executive)</p>   |
| Secretary  | Andrew Whitten  |
| Registered Office and<br>Principal Place of Business | Tasmanian Technopark<br>33 Innovation Drive<br>DOWSING POINT TAS 7010   |
| State of incorporation                               | New South Wales   |
| Share register                                       | Advanced Share Registry Limited<br>110 Stirling Highway<br>Nedlands WA 6009   |
| Auditor  | Trood Pratt Audit and Assurance Services<br>Level 21, 68 Pitt Street<br>Sydney NSW 2000   |
| Solicitor  | Stuart Percy & Associates<br>PO Box 544<br>Varsity Lakes QLD 4227   |
| Bankers  | <p>Commonwealth Bank of Australia Limited<br/>109 Collins Street<br/>Hobart TAS 7000</p> <p>Australia and New Zealand Banking Group Limited<br/>61-63 Liverpool Street<br/>Hobart TAS 7000</p> <p>Westpac Banking Corporation<br/>Shop 15, Wellington Centre, 60 Liverpool Street<br/>Hobart TAS 7000</p> <p>Maitland Mutual Building Society Limited<br/>417 High Street<br/>Maitland NSW 2320</p> |
| Stock exchange listings                              | Print Mail Logistics Limited shares are listed on the National Stock Exchange of Australia (NSX code: PNT)  |
| Nominated Advisor                                    | Whittens & McKeough<br>Level 29, 201 Elizabeth Street<br>Sydney NSW 2000  |
| Website Address                                      | <a href="http://www.pml.com.au">www.pml.com.au</a>  |

**Print Mail Logistics Limited**  
**ABN 14 103 116 856**

#### **Directors' Report**

Your Directors present their report on the consolidated entity consisting of Print Mail Logistics Limited (referred to hereafter as "the Company") and its controlled entities (referred to hereafter as "the Group") for the financial year ended 30 June 2017.

#### **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 14 of the financial statements.

#### **Principal Activities and Significant Changes in Nature of Activities**

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

There were no other significant changes in the nature of the Group's principal activities during the financial year.

#### **Operating Results and review of Operations for the Year**

The Group's consolidated loss for the year amounted to \$385,143 after providing for income tax and eliminating non-controlling interests (2016: \$152,418)

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

#### **Financial Position**

The deficiency in net assets of the Group increased by \$428,987 to (\$492,022) at 30 June 2017 (2016: Deficiency in net assets of \$63,035).

#### **Significant Changes in the State of Affairs**

There were no significant changes that occurred in the Group's state of affairs during the financial year.

#### **Dividend Paid or Recommended**

No dividends were paid or declared during the financial year (2016: nil).

#### **Events after the Reporting Period**

Fuji Xerox Australia Pty Limited has asserted that it is owed monies in respect of goods and or services provided. The Group denies, inter alia, that it has received the goods and or services that Fuji Xerox Australia Pty Limited maintains it has supplied. The matter has been referred to independent lawyers.

#### **Future Developments, Prospects and 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.

With the objective of maximising the Group's net worth, the Group proposes to continue to endeavour to increase revenue by way of continuing to concentrate on key geographical markets within Australia.

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

#### **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.



**Directors' Report (continued)**

**Information on Directors**

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

- Luis Garcia
- Nigel Elias
- Stuart Percy
- John Woods (resigned 1 December 2016)

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

**Directors Particulars**

Luis Garcia - Chairman (Non-Executive)

Mr Garcia is a senior executive with qualifications and experience in banking and finance, investment, real estate, government and management consulting. Mr Garcia has held senior executive positions and non-executive directorships nationally and internationally.

Mr. Garcia brings 30 years' experience as a senior executive and director having served on boards in finance, funds management, investment, IT, agribusiness, retail and non-profit sectors. Mr. Garcia has also served on Receivers' Committees of Inspection, Compliance Committees, Investment Committees and Credit Committees.

Mr Garcia is a Certified Practising Accountant, a licenced real estate agent and a responsible officer under AFSL licenses. Mr Garcia holds a Master of Business Administration (Macquarie University), a diploma in Financial Advising and is a member of the Australian Institute of Company Directors.

Mr. Garcia is a non-executive director having been appointed on 3 March 2014. On 1 December 2016, Mr. Garcia was appointed Chairman.

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

At balance date, Mr Garcia held a beneficial interest in 156,000 ordinary shares in the Company.

Nigel Elias – Managing 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:

**Print Mail Logistics Limited**  
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**Directors' Report (continued)**

- 3,875,420 ordinary shares in the Company
- 15,000 ordinary shares in Print Mail Logistics (International) Pty Ltd

**Directors Particulars (Continued)**

Stuart Percy – Director (Non- Executive)

Mr Percy is a senior solicitor admitted in both New South Wales and Queensland with experience in various areas of law including commercial, commercial litigation and legal structures.

He has practised on his own account for over 30 years in both New South Wales and Queensland and has experience in both rural and city practices.

He has a keen interest in business and the development of start-ups and financing for businesses developing new technology and practices in a changing business environment.

Mr Percy is a non-executive director having been appointed on 27 May 2016.

At balance date, Mr Percy held a beneficial interest of 7,000 ordinary shares in the company.

**Company Secretary**

The name 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:

Andrew Whitten – Mr Whitten was appointed Company Secretary on 1 April 2016. Mr Whitten holds a Bachelor of Arts (Economics, UNSW); Master of Laws and Legal Practice (Corporate Finance and Securities Law, UTS); Graduate Diploma in Applied Corporate Governance from the Governance Institute and is an elected Associate of that Institute. Mr Whitten is also a Public Notary. Mr Whitten is an admitted solicitor with a specialty in Corporate Finance and Securities Law and is a Solicitor Director of Whittens & McKeough Pty Ltd. Mr. Whitten is currently the company secretary of a number of publicly listed companies. He has been involved in a number of corporate and investment transactions including IPOs on the ASX and NSX, corporate reconstructions, reverse mergers and takeovers.

Leonie Hosking – B. Bus (Accountancy) (Queensland University of Technology), CA. Mrs Hosking was appointed Company Secretary on 8 August 2016. She was the Chief Finance Officer of the Company from that date and has over 19 years of experience in professional accounting and operational finance leadership across a number of Australian businesses. (Resigned 30 September 2016).

**Meetings of Directors**

During the year, 12 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 eligible to attend | Number attended | Number of meetings eligible to attend | Number attended | Number of meetings eligible to attend | Number attended | Number of meetings eligible to attend |
| John Woods   | 3                                     | 3               | 1                                     | 1               | 1                                     | 1               | 0                                     |
| Luis Garcia  | 9                                     | 9               | 2                                     | 2               | 1                                     | 1               | 0                                     |
| Nigel Elias  | 9                                     | 9               | 2                                     | 2               | 1                                     | 1               | 0                                     |
| Stuart Percy | 9                                     | 9               | 2                                     | 2               | 1                                     | 1               | 0                                     |

## **Directors Report (Continued)**

### **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 \$5,450.

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.

### **Options**

No option 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.

### **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.

### **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 non-audit services, if any, did not compromise the external auditor's independence for the following reasons:

#### **Non-Audit Services**

- any 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, if any, 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.

### **Auditors' Independence Declaration**

The lead auditor's independence declaration for the year ended 30 June 2017 has been received and is set out on page 11 of this Annual report.

## **Directors Report (Continued)**

### **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 dollar.

### **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 pages 12-17 of this report.

## **Remuneration Report**

### **Remuneration Policy**

The Board’s policy for determining remuneration of the key management personnel and executives (collectively referred to as “Executives”) for the 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 Group’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.

### **Employment Details of Members of key Management Personnel (KMP)**

The following table provides employment details as at 30 June 2017 of persons who were, during the current financial year, KMP of the Group. The tables also identifies the proportion of remuneration that was performance and non-performance based. There was no remuneration received in the form of options.

**Remuneration Report (Continued)**

**Employment Details of Members of key Management Personnel (KMP) (continued)**

| Executive      | Position Held                   | Term of contract  | Period of notice required for termination and related amounts payable   | Proportion of elements of remuneration not related to performance |       |         |
|----------------|---------------------------------|---|---|---|-------|---------|
|                |                                 |   |   | Fixed salary  | other | Total % |
| Nigel Elias    | Managing Director               | 3 years and 7 months commencing on 1 January 2016 and terminating on 30 June 2019 | 2 months. In the event the employment contract is terminated, he is entitled to a payment of 6 month's salary | 100%  | -     | 100%    |
| Andrew Whitten | Company Secretary               | Appointed 1 April 2016  | -   | -   | 100%  | 100%    |
| Luis Garcia    | Chairman Non-executive Director | Appointed 3 March 2014  | -   | 100%  | -     | 100%    |
| John Woods     | Non-Executive Director          | Resigned on 1 December 2016   | -   | 100%  | -     | 100%    |
| Stuart Percy   | Non-Executive Director          | Appointed 27 May 2016   | -   | 100%  | -     | 100%    |

Fixed salary consists of a 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.

**Changes in Directors and Executives Subsequent to Year-End**

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

The following table of benefits and payments details, in respect to the 2017 and 2016 financial years, the components of remuneration for each member of the KMP of the Group:

Remuneration Report (Continued)

|                       | Short-term benefits    |       | Post-employment benefits   |       | Termination benefits | Total   |
|-----------------------|------------------------|-------|----------------------------|-------|----------------------|---------|
|                       | Salary, fees and leave | Other | Pension and superannuation | Other |                      |         |
|                       | \$                     | \$    | \$                         | \$    | \$                   | \$      |
| <b>Directors</b>      |                        |       |                            |       |                      |         |
| Nigel Elias-2017      | 87,500                 | -     | 35,000                     |       |                      | 122,500 |
| 2016                  | 150,000                |       | 35,000                     | -     | -                    | 185,000 |
| Luis Garcia-2017      | -                      | -     | -                          | -     | -                    | -       |
| 2016                  | -                      | -     | -                          | -     | -                    | -       |
| <b>Executives</b>     |                        |       |                            |       |                      |         |
| Adrian J Pereira 2017 | -                      | -     | -                          | -     | -                    | -       |
| 2016                  | 143,048                | 1,165 | 11,214                     | -     | 66,266               | 221,693 |
| Total – 2017          | 87,500                 | -     | 35,000                     | -     | -                    | 122,500 |
| Total - 2016          | 293,048                | 1,165 | 46,214                     | -     | 66,266               | 406,693 |

From 1 February 2017 Mr Nigel Elias was not paid any remuneration other than superannuation. His annual and long service leave is accrued on the basis that he is paid a salary of \$150,000.

**Securities Received that Are Not Performance-Related**

No members of KMP are entitled to receive securities that are not performance based as part of their remuneration package.

**Cash Bonuses, Performance –Related Bonuses and Share- Based payments**

No members of KMP received performance-related bonuses and/or share-based payments as part of their remuneration package during the year.

**Loans to Members of KMP**

At balance date, there are no loans from the Company to members of KMP.

**Shares and Options Granted to KMP**

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

**KMP Shareholdings**

The number of ordinary shares in the Company held beneficially by each KMP of the Group during the financial year is as follows:

Print Mail Logistics Limited  
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Remuneration Report (Continued)

| KMP          | Year | Balance at<br>Beginning of Year | Other Changes<br>during the Year | Balance at End<br>of Year |
|--------------|------|---------------------------------|----------------------------------|---------------------------|
| Nigel Elias  | 2017 | 3,875,420                       | -                                | 3,875,420                 |
|              | 2016 | 3,588,253                       | 287,167                          | 3,875,420                 |
| Luis Garcia  | 2017 | 156,000                         | -                                | 156,000                   |
|              | 2016 | 156,000                         | -                                | 156,000                   |
| John Woods   | 2017 | 321,000                         | -                                | 321,000                   |
|              | 2016 | 321,000                         | -                                | 321,000                   |
| Stuart Percy | 2017 | 7,000                           | -                                | 7,000                     |
|              | 2016 | 7,000                           | -                                | 7,000                     |
| Total        | 2017 | 4,359,420                       | -                                | 4,359,420                 |
|              | 2016 | 4,072,253                       | 287,167                          | 4,359,420                 |

Signed in accordance with a resolution of the Board of Directors



LUIS GARCIA  
Chairman

Dated at Hobart this 21<sup>st</sup> day of September 2017



**TROOD PRATT AUDIT &  
ASSURANCE SERVICES**  
Chartered Accountants

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PARTNERS: D A TROOD • I R PRATT • P LOCKYER

W J HILL • S SALAMEH • E KOVALUNS

**Print Mail Logistics Limited ABN 14 103 116856 and Controlled Entities  
Auditor's Independence Declaration under Section 307C of this Corporations Act  
2001 to the Directors of Print Mail Logistics Limited**

I declare that to the best to my knowledge and belief, during the year ended 30 June 2017 there have been no contraventions of:

- i. the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- ii. any applicable code of professional conduct in relation to the audit.

**TROOD PRATT AUDIT & ASSURANCE SERVICES**

**D A TROOD**

**Partner**

Signed at Sydney this 20<sup>th</sup> September 2017



**Print Mail Logistics Limited**  
**ABN 14 103 116 856**

### **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 Luis Garcia, Nigel Elias and Stuart Percy.

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 as follows:

- 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 to 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 Director's fees are separately determined by the Board on advice from the Remuneration Committee.

A copy of the Remuneration report is set out in the Director's 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 Australian Securities and Investments Commission (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 Investment 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 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

**Corporate Governance Statement (continued)**

**Continuous Disclosure and Communication with Shareholders (Continued)**

- the state of affairs of the Group, and details of future developments in addition to the other disclosures required by the Corporations Act 2001;
- 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 auditor's will be requested to attend the AGM and will 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 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 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 has 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 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 the 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 an arm's length terms basis 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 the 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.

**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.

**Corporate Governance Statement (continued)**

**Conflict of Interest (Continued)**

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:
  - o where appropriate quarantining relevant 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';
  - o 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 strongly encouraged to disclose all conflicts of interest 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 Elias, Mr Garcia and Mr Percy. 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 the Group's business continuity plan, and assessment of the adequacy of internal controls; and
- review of related party transactions.

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

**Audit and Risk Management Committee (continued)**

- 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 risks 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, financing 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 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.

**Print Mail Logistics Limited**  
**ABN 14 103 116 856**  
**Consolidated Statement of Comprehensive Income**  
**For the year ended 30 June 2017**

|  | Note | 2017<br>\$       | 2016<br>\$       |
|--|------|------------------|------------------|
| Continuing operations  |      |                  |                  |
| Revenue  | 3    | 6,317,071        | 6,780,044        |
| Changes in inventories   |      | (7,413)          | 32,092           |
| Raw materials and consumables used                                   |      | (2,447,717)      | (2,697,587)      |
| Employee benefits expense  |      | (1,908,634)      | (2,216,470)      |
| Finance costs  |      | (295,655)        | (255,701)        |
| Depreciation and amortisation expense                                |      | (457,512)        | (428,905)        |
| Impairment of property, plant and equipment                          |      | (245,518)        | -                |
| Other expenses   |      | (1,376,667)      | (1,329,732)      |
| (Loss) before tax from continuing operations                         |      | <b>(422,046)</b> | <b>(116,259)</b> |
| Income tax benefit/(expense)   | 5    | (90,776)         | (41,339)         |
| <b>(Loss) for the year from continuing operations</b>                |      | <b>(512,822)</b> | <b>(157,598)</b> |
| <b>(Loss) for the year</b>   |      | <b>(512,822)</b> | <b>(157,597)</b> |
| Attributable to:   |      |                  |                  |
| Equity holders of the Parent   |      | (385,143)        | (152,418)        |
| Non-controlling interests  |      | (127,679)        | (5,180)          |
|  |      | <b>(512,822)</b> | <b>(157,598)</b> |
| <b>Other comprehensive loss for the year</b>                         |      |                  |                  |
| <b>Total comprehensive loss for the year attributable to members</b> |      | <b>(385,143)</b> | <b>(152,418)</b> |
| Earnings per share and Diluted earnings per share                    |      |                  |                  |
| From continuing operations:  |      |                  |                  |
| Basic and Diluted earnings per share (cents)                         | 9    | (1.03)           | (0.41)           |
| From discontinued operations:  |      |                  |                  |
| Basic and Diluted earnings per share (cents)                         | 9    | -                | -                |
| From profit/(loss) for the year:                                     |      |                  |                  |
| Basic and Diluted earnings per share (cents)                         | 9    | (1.03)           | (0.41)           |

The accompanying notes form part of these financial statements.

**Print Mail Logistics Limited**  
**ABN 14 103 116 856**  
**Consolidated Statement of Financial Position**  
**AS AT 30 June 2017**

|  | Note | 2017<br>\$       | 2016<br>\$       |
|--|------|------------------|------------------|
| <b>Current Assets</b>                                      |      |                  |                  |
| Cash and cash equivalents                                  | 10   | 26,908           | 6,241            |
| Trade and other receivables                                | 11   | 388,855          | 549,865          |
| Inventories  | 12   | 164,345          | 171,754          |
| Other current assets                                       | 13   | 141,244          | 172,868          |
| <b>Total Current Assets</b>                                |      | <b>721,351</b>   | <b>900,727</b>   |
| <b>Non-Current Assets</b>                                  |      |                  |                  |
| Deferred tax assets  | 19   | 1,337,402        | 1,315,694        |
| Property, plant and equipment                              | 15   | 1,736,512        | 2,281,866        |
| Intangible assets  | 16   | 404,953          | 349,493          |
| <b>Total Non-Current Assets</b>                            |      | <b>3,478,867</b> | <b>3,947,052</b> |
| <b>Total Assets</b>  |      | <b>4,200,218</b> | <b>4,847,779</b> |
| <b>Current Liabilities</b>                                 |      |                  |                  |
| Trade and other payables                                   | 17   | 1,481,592        | 1,681,919        |
| Borrowings   | 18   | 1,453,605        | 826,691          |
| Provisions   | 20   | 255,320          | 266,945          |
| <b>Total Current Liabilities</b>                           |      | <b>3,190,517</b> | <b>2,775,555</b> |
| <b>Non-Current Liabilities</b>                             |      |                  |                  |
| Provisions   | 20   | 33,641           | 40,161           |
| Borrowings   | 18   | 1,350,549        | 2,090,049        |
| Deferred tax liability                                     | 19   | 117,533          | 5,049            |
| <b>Total Non-Current Liabilities</b>                       |      | <b>1,501,723</b> | <b>2,135,259</b> |
| <b>Total Liabilities</b>                                   |      | <b>4,692,240</b> | <b>4,910,814</b> |
| <b>Net Assets</b>  |      | <b>(492,022)</b> | <b>(63,035)</b>  |
| <b>Equity</b>  |      |                  |                  |
| Issued capital   | 21   | 8,638,946        | 8,619,121        |
| Accumulated losses   |      | (9,038,465)      | (8,717,333)      |
| <b>Equity attributable to equity holders of the Parent</b> |      | <b>(399,519)</b> | <b>(98,212)</b>  |
| Non-controlling interests                                  |      | (92,502)         | 35,177           |
| <b>Total Equity</b>  |      | <b>(492,022)</b> | <b>(63,035)</b>  |

The accompanying notes form part of these financial statements.



Print Mail Logistics Limited  
ABN 14 103 116 856  
Consolidated Statement of Changes in Equity  
For the year ended 30 June 2017

|   | Note | Attributable to equity holders of the Parent |                   |                      |                    |                         |
|---|------|--|-------------------|----------------------|--------------------|-------------------------|
|   |      | Equity Component of                          |                   |                      |                    |                         |
|   |      | Ordinary Shares                              | Convertible Notes | Total Issued Capital | Accumulated Losses | Total                   |
|   |      | \$   | \$                | \$                   | \$                 | \$                      |
| <b>Balance at 1 July 2015</b>                               |      | 8,205,056                                    | 414,065           | 8,619,121            | (8,334,740)        | <b>284,381</b>          |
| <b>Comprehensive income for the year</b>                    |      |  |                   |                      |                    |                         |
| (Loss) for the year   |      | -  | -                 | -                    | (152,418)          | <b>(152,418)</b>        |
| <b>Total comprehensive loss for the year</b>                |      | -  | -                 | -                    | (152,418)          | <b>(152,418)</b>        |
| <b>Transactions with owners recorded directly in equity</b> |      |  |                   |                      |                    |                         |
| Contributions by owners                                     |      |  |                   |                      |                    |                         |
| - Shares issued   |      | -  | -                 | -                    | -                  | -                       |
| - Shares bought back  |      | -  | -                 | -                    | -                  | -                       |
| - Transaction costs   |      | -  | -                 | -                    | -                  | -                       |
| - De-recognition of outside equity interest                 |      | -  | -                 | -                    | (230,175)          | <b>(230,175)</b>        |
| <b>Total contributions by owners</b>                        |      | -  | -                 | -                    | (230,175)          | <b>(230,175)</b>        |
| <b>Balance at 30 June 2016</b>                              | 21   | <u>8,205,056</u>                             | <u>414,065</u>    | <u>8,619,121</u>     | <u>(8,717,334)</u> | <u><b>(98,212)</b></u>  |
| <b>Balance at 1 July 2016</b>                               |      | 8,205,056                                    | 414,065           | 8,619,121            | (8,717,334)        | <b>(98,212)</b>         |
| <b>Comprehensive income for the year</b>                    |      |  |                   |                      |                    |                         |
| (Loss) for the year   |      | -  | -                 | -                    | (385,143)          | <b>(385,143)</b>        |
| <b>Total comprehensive income for the year</b>              |      | -  | -                 | -                    | (385,143)          | <b>(385,143)</b>        |
| <b>Transactions with owners recorded directly in equity</b> |      |  |                   |                      |                    |                         |
| Contributions by owners                                     |      |  |                   |                      |                    |                         |
| - Shares issued   |      | -  | -                 | -                    | -                  | -                       |
| - Shares bought back  |      | -  | -                 | -                    | -                  | -                       |
| - Transaction costs   |      | -  | -                 | 19,825               | -                  | <b>19,825</b>           |
| - Adjustment to prior years accumulated loss                |      | -  | -                 | -                    | 64,011             | <b>64,011</b>           |
| <b>Total contributions by owners</b>                        |      | -  | -                 | 19,825               | 64,011             | <b>83,836</b>           |
| <b>Balance at 30 June 2017</b>                              | 21   | <u>8,205,056</u>                             | <u>414,065</u>    | <u>8,638,946</u>     | <u>(9,038,466)</u> | <u><b>(399,519)</b></u> |

The accompanying notes form part of these financial statements.

**Print Mail Logistics Limited**  
**ABN 14 103 116 856**  
**Consolidated Statement of Cash Flows**  
**For the year ended 30 June 2017**

|  | Note | 2017<br>\$       | 2016<br>\$       |
|--|------|------------------|------------------|
| <b>Cash Flows From Operating Activities</b>                      |      |                  |                  |
| Receipts from customers  |      | 7,047,525        | 6,462,410        |
| Payments to suppliers and employees                              |      | (6,846,064)      | (5,900,129)      |
| Finance costs  |      | (295,655)        | (255,701)        |
| Interest received  |      | 3,177            | 1,587            |
| <b>Net Cash Flows (used in)/provided by Operating Activities</b> | 25   | <b>(91,017)</b>  | <b>308,167</b>   |
| <b>Cash Flows from Investing Activities</b>                      |      |                  |                  |
| Purchase of property, plant and equipment                        |      | 194,643          | (39,210)         |
| Development costs - intangible assets                            |      | (55,460)         | (133,305)        |
| Proceeds from disposal of property, plant and equipment          |      | 35,000           | -                |
| Purchase of shares in controlled entity                          |      | -                | (236,000)        |
| <b>Net Cash Flows provided by/(used in) Investing Activities</b> |      | <b>174,183</b>   | <b>(408,515)</b> |
| <b>Cash Flows from Financing Activities</b>                      |      |                  |                  |
| Proceeds from share issue  |      | 11,847           | -                |
| Loans from related parties:                                      |      |                  |                  |
| - proceeds from loans  |      | 66,177           | 1,284,054        |
| - loan repayments  |      | -                | (841,857)        |
| Loans from other parties:  |      |                  |                  |
| - proceeds from loans  |      | 458,239          | 485,001          |
| - loan repayments  |      | (637,000)        | (857,252)        |
| <b>Net Cash Flows (used In)/provided by Financing Activities</b> |      | <b>(100,738)</b> | <b>69,947</b>    |
| <b>Net Increase in Cash and Cash Equivalents held</b>            |      | <b>(17,573)</b>  | <b>(30,401)</b>  |
| Cash and Cash Equivalents at Beginning of Year                   |      | (88,628)         | (58,227)         |
| <b>Cash and Cash Equivalents at End of Year</b>                  | 10   | <b>(106,200)</b> | <b>(88,628)</b>  |

The accompanying notes form part of these financial statements.

**Print Mail Logistics Limited**  
**ABN 14 103 116 856**  
**Notes to the Financial Statement**  
**For the year ended 30 June 2017**

The consolidated financial statements and notes represent those of Print Mail Logistics Limited and Controlled entities ("consolidated group" or "group").

The separate financial statements of the parent entity, Print Mail Logistics Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

The financial statements were authorised for issue on 27 September 2017 by the directors of the company.

**Note 1: Summary of Significant Accounting Policies**

**Basis of Preparation**

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for the cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

**a. Principles of Consolidation**

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Print Mail Logistics Limited) and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 14.

The assets, liabilities and results of subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly, to the Group are presented as "non-controlling interest". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the Statement of Financial Position and Statement of Comprehensive Income.

**Business Combinations**

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for

**Note 1: Summary of Significant Accounting Policies (continued)**

**Business Combinations (continued)**

from the date that control is obtained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any assets or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not measured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transactions costs incurred in relation to business combinations, other than those associated with the issue of the financial instrument, are recognised as expenses in profit or loss when incurred.

**b. Income Tax**

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit and loss is the tax payable on taxable income for the current period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax expense reflects movements in deferred tax assets and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss or arising from a business combination.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability 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 the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recoverable entirely through sale. When an investment property that is depreciable is held by the entity in a business model whose objective is to consume substantially all of the economic benefits embodied in the property through the use over time (rather than through sale), the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of such property will be recovered entirely through use.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and

**Note 1: Summary of Significant Accounting Policies (continued)**

**b. Income Tax (continued)**

it is not probable that the reverse will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (i) a legally enforceable right to set-off exists; and (ii) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

**c. Inventories**

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

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

**d. Property, plant and equipment**

Each class of property, plant and equipment is carried at cost less any accumulated depreciation and impairment losses.

**Property**

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

Increases in the carrying amounts arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity; all other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

**Plant and equipment**

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.

Repairs and maintenance costs are expensed to the Statement of Comprehensive Income during the financial period in which they are incurred.

Subsequent costs are included in the asset's carrying amounts 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.

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

**Note 1: Summary of Significant Accounting Policies (continued)**

**d. Property, plant and equipment (continued)**

**Plant and equipment (continued)**

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 surplus relating to those assets are transferred to retained earnings.

**Depreciation**

The depreciable amount of all fixed assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the Group commencing from the time the asset is first 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.

| <b>Class of fixed asset</b>     | <b>Depreciation rate</b> |
|---------------------------------|--------------------------|
| Buildings                       | 2%                       |
| Motor vehicles                  | 33%                      |
| Computer software and equipment | 33%                      |
| Furniture and fittings          | 20%                      |
| Digital printing equipment      | 20%                      |
| Mail insertion equipment        | 20%                      |
| Finishing and bindery equipment | 20%                      |
| Offset printing equipment       | 8%                       |

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.

**e. 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.

**Note 1: Summary of Significant Accounting Policies (continued)**

**f. 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 place convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through the Statement of Comprehensive Income. Transactions costs related to instruments classified as at fair value through 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**

**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.

**Financial assets at fair value through profit or loss**

A financial asset is classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where the group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes included in Statement of Comprehensive Income.

**Financial liabilities**

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in the Statement of Comprehensive Income through the amortisation process and when the financial liability is derecognised.

**Impairment**

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

**g. Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term

**Note 1: Summary of Significant Accounting Policies (continued)**

**g. Cash and cash equivalents (continued)**

highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowing in current liabilities on the Statement of Financial Position.

For the purposes of the Statement of Cash Flow, cash includes cash at bank and bank overdrafts.

**h. Trade receivables**

Trade and other receivables include amounts due from customers for goods and services performed in the ordinary course of the business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(i) for further discussion on the determination of impairment losses.

**i. Impairment of assets**

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information, including dividends received from subsidiaries or joint ventures deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less cost of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116: Property, Plant and Equipment). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with the Standard.

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.

Impairment testing is performed annually.

**j. 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.

**k. Borrowing costs**

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

All borrowing costs are recognised in Statement of Comprehensive Income in the period in which they are incurred.

**l. Comparative figures**

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



**Note 1: Summary of Significant Accounting Policies (continued)**

**l. Comparative figures**

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statement is presented.

**m. 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 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 disposal 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.

**n. Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 60 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.

**o. 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.

**p. 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.

**Note 1: Summary of Significant Accounting Policies (continued)**

**p. Revenue recognition (continued)**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group 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.

All revenue is stated net of the amount of goods and services tax.

**q. 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 a 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.

**r. Employee benefits**

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits will 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.

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**Note 1: Summary of Significant Accounting Policies (continued)**

**s. 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.

**t. Earnings per share**

**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.

**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.

**u. Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

**v. 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 with the Group.

**Key estimates**

Impairments- 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

**Note 1: Summary of Significant Accounting Policies (continued)**

**v. Critical accounting estimates and assumptions (continued)**

**Key estimates (continued)**

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.

**w. New accounting standards for application in future periods**

Accounting Standards issued by the AASB that are not mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

- AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provision on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the Group elect to change its hedge policies in line with the new hedge accounting requirements of the standard, the application of such accounting would be largely prospective.

The directors do not anticipate that the adoption of AASB 9 will have an impact on the Group's financial instruments.

- AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: Amendments to Australian Accounting Standards – Effective date of AASB 15).

When effective, this standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective,

**Note 1: Summary of Significant Accounting Policies (continued)**

**w. New accounting standards for application in future periods (continued)**

AASB 15 provides the following five-step process:

- identify the contract(s) with the customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of the standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and Related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirements for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:

- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months to tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 2014-10: Amendments to Australian Accounting Standards – Sale or contribution of assets between an investor and its associate or joint venture (applicable to annual reporting periods during on or after 1 January 2018, as deferred by AASB 2015-10: Amendments to

**Note 1: Summary of Significant Accounting Policies (continued)**

**w. New accounting standards for application in future periods (continued)**

Australian Accounting Standards – effective date of amendments to AASB 10 and AASB 128).

This standard amends AASB 10: Consolidated Financial Statements with regards to parent losing control over a subsidiary that is not a “business” as defined in AASB 3: Business Combinations to an associate or joint venture, and requires that:

- a gain or loss (including any amounts in other comprehensive income (OCI)) be recognised only to the extent of the unrelated investor’s interest in that associate or joint venture;
- the remaining gain or loss be eliminated against the carrying amount of the investment in that associate or joint venture; and
- any gain from remeasuring the remaining investment in the former subsidiary at fair value also be recognised only to the extent of the unrelated investor’s interest in the associate or joint venture. The remaining gain or loss should be eliminated against the carrying amount of the remaining investment.

The application of AASB 2014-10 will result in a change in accounting policies for transactions of loss of control over subsidiaries (involving an associate or joint venture) that are businesses per AASB 3 for which gains or losses were previously recognised only to the extent of the unrelated investor’s interest.

The transitional provisions require the standard should be applied prospectively to sales or contributions of subsidiaries to associates or joint ventures occurring on or after 1 January 2018. Although the directors anticipate that the adoption of AASB 2014-10 may have an impact on the Group’s financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

**x. Going Concern**

Notwithstanding the deficiency in net assets and working capital of \$492,022 and \$2,469,170 respectively, the financial report has been prepared on a going basis as written confirmation has been obtained from lenders representing approximately 75% of current borrowings that they will continue to support the operations of the company. The trade and other payables of \$1,481,592, which exceed current assets by \$760,245 are not covered by this written confirmation, however historically the company has collected its trade debtors in less than 30 days and has paid its suppliers on an average of 60 days.

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**Note 2: Parent Information**

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards:

| <b>Statement of Financial Position</b> | <b>2017</b>      | <b>2016</b>      |
|--|------------------|------------------|
|  | <b>\$</b>        | <b>\$</b>        |
| <b>ASSETS</b>                          |                  |                  |
| Current assets                         | 587,658          | 212,210          |
| Non-current assets                     | 2,334,937        | 2,333,219        |
| <b>TOTAL Assets</b>                    | <b>2,922,595</b> | <b>2,545,428</b> |
| <b>LIABILITIES</b>                     |                  |                  |
| Current Liabilities                    | 2,146,532        | 1,765,155        |
| Non-current Liabilities                | 677,204          | 543,868          |
| <b>TOTAL LIABILITIES</b>               | <b>2,823,736</b> | <b>2,309,023</b> |
| <b>EQUITY</b>                          |                  |                  |
| Issued capital                         | 8,638,945        | 8,641,120        |
| Retained earnings                      | (8,657,617)      | (8,409,765)      |
| <b>TOTAL EQUITY</b>                    | <b>(18,672)</b>  | <b>231,355</b>   |

**Statement of Profit or Loss and Other Comprehensive Loss**

|                          |           |           |
|--------------------------|-----------|-----------|
| Total (loss)             | (247,843) | (466,927) |
| Total comprehensive loss | (247,843) | (466,927) |

**Guarantees**

At balance date, Print Mail Logistics Limited is subject to guarantees in relation to the following borrowings and obligations of its subsidiaries:

**Print Mail Logistics (International) Pty Ltd:**

|                 |         |         |
|-----------------|---------|---------|
| Borrowings      |         |         |
| - Mortgage loan | 419,134 | 428,436 |

**Print Mail Logistics (Equipment) Pty Ltd:**

|                              |         |           |
|------------------------------|---------|-----------|
| Operating lease commitments: |         |           |
| - Equipment                  | 175,500 | 409,500   |
| Finance lease commitments:   |         |           |
| - Equipment                  | 850,820 | 1,152,560 |

**Contingent liabilities**

Subject to board ratification, Mr Nigel Elias is to receive an amount of \$100,000 by way of a signing bonus from the company. It is anticipated that payment will be made in the next 12 months.

**Contractual commitments**

Refer to Note 22 for further details.

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**Note 3: Revenue and Other Income**

|  | <b>2017</b>      | <b>2016</b>      |
|--|------------------|------------------|
|  | <b>\$</b>        | <b>\$</b>        |
| <b>Revenue from continuing operations</b>  |                  |                  |
| Sales revenue:   |                  |                  |
| - sale of goods and provision of services  | 6,160,167        | 6,240,484        |
|  | <u>6,160,167</u> | <u>6,240,484</u> |
| Other revenue:   |                  |                  |
| - interest received  |                  |                  |
| - other parties  | 3,177            | 1,587            |
|  | <u>3,177</u>     | <u>1,587</u>     |
| <b>Total revenue</b>   | <u>6,163,344</u> | <u>6,242,071</u> |
| Other income:  |                  |                  |
| - gain/(loss) on disposal of property, plant and equipment                                   | 35,000           | -                |
| - gain on sale of trademark  | -                | 86,364           |
| - gain on extinguishment of cancelled contract   | 4,198            | 321,000          |
| - other income   | 114,529          | 130,608          |
|  | <u>153,727</u>   | <u>537,972</u>   |
| <b>Total revenue and other income from continuing operations</b>                             |                  |                  |
| - attributable to members of the parent entity   | 6,275,648        | 6,756,418        |
| - attributable to non-controlling interests  | 41,424           | 23,626           |
|  | <u>6,317,071</u> | <u>6,780,044</u> |
| <b>Revenue and other income from discontinued operations</b>                                 |                  |                  |
| - attributable to members of the parent entity   | -                | -                |
| - attributable to non-controlling interests  | -                | -                |
|  | <u>-</u>         | <u>-</u>         |
| <b>Total revenue and other income from continuing operations and discontinued operations</b> |                  |                  |
| - attributable to members of the parent entity   | 6,275,648        | 6,756,418        |
| - attributable to non-controlling interests  | 41,424           | 23,626           |
|  | <u>6,317,071</u> | <u>6,780,044</u> |



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**Note 4: Profit for the Year**

| Note | 2017<br>\$ | 2016<br>\$ |
|------|------------|------------|
|------|------------|------------|

The following significant revenue and expense items are relevant in explaining the financial performance:

**a. Significant revenue items**

|  |        |         |
|--|--------|---------|
| Consideration on sale of property, plant and equipment   | 35,000 | -       |
| Net gain/(loss) on sale of property, plant and equipment | 35,000 | -       |
| Consideration on sale of trademark                       | -      | 86,364  |
| Net gain/(loss) on sale of trademark                     | -      | 86,364  |
| Carrying amount of liability extinguished                | -      | 321,000 |
| Net gain/(loss) on extinguishment of cancelled contract  | -      | 321,000 |

**b. Significant expenses items**

|   |             |             |
|---|-------------|-------------|
| Cost of sales                             | (2,455,130) | (2,665,495) |
| Finance costs                             |             |             |
| - interest expense – other persons        | (151,927)   | (235,671)   |
| - other borrowing costs                   | (143,729)   | (20,030)    |
|   | (295,655)   | (255,701)   |
| Employee benefits expense                 |             |             |
| - superannuation expense                  | c 212,718   | (199,123)   |
| Impairment of property, plant & equipment | 245,518     | -           |
| Rental expense on operating leases        |             |             |
| - minimum lease payments - premises       | (215,000)   | (215,000)   |
| - minimum lease payments - machine rental | (305,228)   | (234,000)   |
|   | d (520,228) | (449,000)   |

c. This amount is grouped with employee benefits expense in the Statement of Comprehensive Income.

d. This amount is grouped with other expenses in the Statement of Comprehensive Income.

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**Note 5. Tax Expense**

|  | <b>2017</b>      | <b>2016</b>      |
|--|------------------|------------------|
|  | <b>\$</b>        | <b>\$</b>        |
| <b>Current</b>   |                  |                  |
| The major components of income tax expense are:                        |                  |                  |
| Deferred tax expense/(benefit)   | 90,776           | 41,339           |
|  | <u>90,776</u>    | <u>41,339</u>    |
| Reconciliation of deferred tax expense/(benefit)                       |                  |                  |
| - Continuing operations  | 90,776           | 41,339           |
| Deferred tax expense   | <u>90,776</u>    | <u>41,339</u>    |
| <b>Reconciliation of income tax expense to prima facie tax payable</b> |                  |                  |
| Accounting (loss) from continuing operations before income tax         | (422,046)        | (116,259)        |
| Accounting (loss) from discontinued operations before income tax       | -                | -                |
| Accounting (loss) before income tax                                    | <u>(422,046)</u> | <u>(116,259)</u> |
| Prima facie tax at statutory income tax rate of 27.5% (2016:30%)       | (116,063)        | (34,878)         |
| Non deductible expenditure   | 97,619           | 76,217           |
| Adjustment to changes in tax rates                                     | 109,220          | -                |
|  | <u>90,776</u>    | <u>41,339</u>    |

**Note 6. Key Management Personnel Compensation (KMP)**

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's KMP for the year ended 30 June 2017.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

|                              | <b>2017</b>    | <b>2016</b>    |
|------------------------------|----------------|----------------|
|                              | <b>\$</b>      | <b>\$</b>      |
| Short-term employee benefits | 122,500        | 294,213        |
| Post-employment benefits     | -              | 46,214         |
| Other long term benefits     | -              | -              |
| Share based payments         | -              | -              |
| Termination benefits         | -              | 66,266         |
| Total KMP compensation       | <u>122,500</u> | <u>406,693</u> |

**KMP Commitments**

Commitments are payable as follows:

|                        |               |                |
|------------------------|---------------|----------------|
| Payments within 1 year | 25,000        | 185,000        |
| Payments 1-5 years     | -             | 350,000        |
|                        | <u>25,000</u> | <u>535,000</u> |

**KMP Options and Rights Holdings**

There were no options over ordinary shares held by KMP of the Group during the financial year.

**Note 7. Auditors' Remuneration**

Amounts received or due and receivable by Remuneration for the auditor for:

|   |               |               |
|---|---------------|---------------|
| - audit or review of the financial report (including disbursements) | 51,000        | 49,755        |
| - taxation and other services                                       | 15,399        | 9,000         |
|   | <u>66,399</u> | <u>49,755</u> |

**Note 8: Dividends**

There were no dividends paid, declared, determined or publicly recommended on or prior to the reporting date.

The Company's franking account balance is \$114,785 (2016: \$114,785).

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**Note 9: Earnings per Share**

|  | 2017<br>\$        | 2016<br>\$        |
|--|-------------------|-------------------|
| <b>Reconciliation of total earnings to profit or loss</b>  |                   |                   |
| (Loss) after income tax  | (512,822)         | (157,598)         |
| (Loss) attributable to non-controlling equity interest   | (127,679)         | (5,180)           |
| Earnings used to calculate basic EPS   | (385,143)         | (152,418)         |
| Earnings used in the calculation of dilutive EPS   | (385,143)         | (152,418)         |
| <b>Reconciliation of earnings to profit or loss from continuing operations</b>   |                   |                   |
| (Loss) from continuing operations  | (512,822)         | (157,598)         |
| (Loss) attributable to non-controlling equity interest in respect of continuing operations                               | (127,679)         | (5,180)           |
| Earnings used to calculate basic EPS from continuing operations  | (385,143)         | (152,418)         |
| Earnings used in the calculation of dilutive EPS from continuing operations  | (385,143)         | (152,418)         |
| <b>Reconciliation of earnings to profit or loss from discontinued operations</b>   |                   |                   |
| Profit/(Loss) from discontinued operations   | -                 | -                 |
| Profit attributable to non-controlling equity interest in respect of discontinued operations                             | -                 | -                 |
| Earnings used to calculate basic EPS from discontinuing operations   | -                 | -                 |
| Earnings used in the calculation of dilutive EPS from discontinued operations  | -                 | -                 |
| <b>Weighted average number of ordinary shares outstanding during the year used in calculating basic and dilutive EPS</b> | <u>37,452,490</u> | <u>37,452,490</u> |
| <b>Earnings per share and Diluted earnings per share</b>   |                   |                   |
| From continuing operations:  |                   |                   |
| Basic and Diluted earnings per share (cents)   | (1.03)            | (0.41)            |
| From discontinued operations:  |                   |                   |
| Basic and Diluted earnings per share (cents)   | -                 | -                 |
| From (loss) for the year:  |                   |                   |
| Basic and Diluted earnings per share (cents)   | <u>(1.03)</u>     | <u>(0.41)</u>     |

**Note 10. Cash and Cash Equivalents**

|   |                  |                 |
|---|------------------|-----------------|
| Cash at bank and on hand  | 26,908           | 6,241           |
|   | <u>26,908</u>    | <u>6,241</u>    |
| <b>Reconciliation of Cash</b>   |                  |                 |
| Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to items in the Statement of Financial Position as follows: |                  |                 |
| Cash and cash equivalents   | 26,908           | 6,241           |
| Bank overdraft  | (133,108)        | (94,869)        |
|   | <u>(106,200)</u> | <u>(88,628)</u> |

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**Note 11. Trade and Other Receivables**

|   | Note    | 2017<br>\$     | 2016<br>\$     |
|---|---------|----------------|----------------|
| <b>CURRENT</b>                            |         |                |                |
| Trade debtors                             | a, b, c | 388,855        | 549,865        |
| Provision for impairment of receivables   | c       | -              | -              |
| Total current trade and other receivables |         | <u>388,855</u> | <u>549,865</u> |

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:

- a. Trade debtors are non-interest bearing and generally on trade terms of less than 30 days.
- b. The Group does not hold any formal collateral in relation to trade debtors.
- c. Provision for Impairment of Receivables

|   | Year ended | Opening<br>Balance | Charge<br>for the<br>Year | Amounts<br>Written Off | Closing Balance |
|---|------------|--------------------|---------------------------|------------------------|-----------------|
| Provision for impairment - Current<br>trade receivables | 2017       | -                  | -                         | -                      | -               |
|   |            | -                  | -                         | -                      | -               |
| Provision for impairment - Current<br>trade receivables | 2016       | -                  | -                         | -                      | -               |
|   |            | -                  | -                         | -                      | -               |

**Credit risk**

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties. The class of assets described as "trade and other receivables" is considered to be the primary source of credit risk to the Group.

On a geographical basis, the Group's has a credit risk exposure in Australia given its substantial operations in Australia. The group's exposure to credit risk for receivables at the end of the reporting period is summarised by geographical region as follows:

| REGION                   | 2017<br>\$     | 2016<br>\$     |
|--------------------------|----------------|----------------|
| Australia                | 388,855        | 549,865        |
| Other geographical areas | -              | -              |
|                          | <u>388,855</u> | <u>549,865</u> |

The following table details the Group's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled within the terms and conditions agreed between the Group and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group. The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

|                             | Past Due and impaired |   | Past Due but Not Impaired (Days Overdue) |            |           | Within Initial Trade Terms |
|-----------------------------|-----------------------|---|--|------------|-----------|----------------------------|
|                             |                       |   | < 30 days                                | 31-90 days | > 90 days |                            |
| <b>2017</b>                 |                       |   |  |            |           |                            |
| Trade and other receivables | 388,855               | - | -  | 45,356     | -         | 343,499                    |
|                             | 388,855               | - | -  | 45,356     | -         | 343,499                    |
| <b>2016</b>                 |                       |   |  |            |           |                            |
| Trade and other receivables | 549,865               | - | -  | 49,171     | 2,177     | 498,517                    |
|                             | 549,865               | - | -  | 49,171     | 2,177     | 498,517                    |

**Collateral Pledged**

A floating charge over trade receivables has been provided for certain debt. Refer to Note 19 for further details.

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**Note 12. Inventories**

|                            | 2017           | 2016           |
|----------------------------|----------------|----------------|
|                            | \$             | \$             |
| <b>CURRENT</b>             |                |                |
| Work in progress - at cost | 36,211         | 26,167         |
| Finished goods - at cost   | 128,134        | 145,587        |
|                            | <u>164,345</u> | <u>171,754</u> |

**Note 13. Other Assets**

|                         |                |                |
|-------------------------|----------------|----------------|
| <b>CURRENT</b>          |                |                |
| Prepayments             | 91,244         | 122,487        |
| Deposits with suppliers | 50,000         | 381            |
| Security deposits       | -              | 50,000         |
|                         | <u>141,244</u> | <u>172,868</u> |

**Note 14. Controlled Entities**

**a. Controlled Entities Consolidated**

|  | Notes | Shares              | Percentage owned (%) |      | Country of Incorporation                |
|--|-------|---------------------|----------------------|------|---|
|  |       |                     | 2017                 | 2016 |   |
| <b>Subsidiaries of Print Mail Logistics Limited:</b> |       |                     | %                    | %    |   |
| Print Mail Logistics (Equipment) Pty Ltd             |       | Fully Paid Ordinary | 100                  | 100  | Incorporated and domiciled in Australia |
| Print Mail Logistics (International) Pty Ltd         | b     | Fully Paid Ordinary | 42                   | 42   | Incorporated and domiciled in Australia |

**b. Acquisition and Disposal of Controlled Entities**

On 7 November 2014, the Partly Paid Shares in Print Mail Logistics (International) Pty Ltd were consolidated through the conversion of every four Partly Paid Shares held by a Shareholder into one fully paid Ordinary Share.

**Note 15. Property, Plant and Equipment**

**Property**

|                        |                |                |
|------------------------|----------------|----------------|
| Freehold land at:      |                |                |
| - cost                 | -              | 925,518        |
| - directors' valuation | 680,000        | -              |
| Total property         | <u>680,000</u> | <u>925,518</u> |

**Plant and Equipment**

|                                |                |               |
|--------------------------------|----------------|---------------|
| Plant and Equipment:           |                |               |
| - at cost                      | 2,780,083      | 2,516,234     |
| Less: accumulated depreciation | (2,570,258)    | (2,470,580)   |
|                                | <u>209,825</u> | <u>45,654</u> |

**Leased plant and equipment**

|                                |                |                  |
|--------------------------------|----------------|------------------|
| Capitalised leased assets      |                |                  |
| - at cost                      | 1,909,550      | 2,122,524        |
| Less: accumulated depreciation | (1,062,863)    | (811,830)        |
|                                | <u>846,687</u> | <u>1,310,694</u> |

|                           |                  |                  |
|---------------------------|------------------|------------------|
| Total plant and equipment | <u>1,056,512</u> | <u>1,356,348</u> |
|---------------------------|------------------|------------------|

|                                     |                  |                  |
|-------------------------------------|------------------|------------------|
| Total property, plant and equipment | <u>1,736,512</u> | <u>2,281,866</u> |
|-------------------------------------|------------------|------------------|

**Note 15. Property, Plant and Equipment (continued)**

**a. Movements in Carrying Amounts**

|   | Freehold<br>Land<br>\$'000 | Computer<br>software<br>and<br>equipment<br>\$'000 | Digital<br>printing<br>equipment<br>\$'000 | Mail<br>insertion<br>equipment<br>\$'000 | Finishing<br>and bindery<br>equipment<br>\$'000 | Furniture<br>and fittings<br>\$'000 | Offset<br>printing<br>equipment<br>\$'000 | Total<br>\$'000 |
|---|----------------------------|--|--|--|---|-------------------------------------|---|-----------------|
| <b>At 1 July 2016</b>                                 | 923                        | 44   | 795  | 510                                      | 3   | 73                                  | 330                                       | 2,673           |
| Additions   | 3                          | 21   | -  | -  | 6   | 10                                  | -   | 39              |
| Disposals   | -                          | -  | -  | -  | -   | -                                   | -   | -               |
| Depreciation expense                                  | -                          | (16)   | (125)                                      | (164)                                    | (3)   | (21)                                | (102)                                     | (431)           |
| Adjustment to reconcile prior period opening balances | -                          | (2)  | 8  | 9  | -   | -                                   | (18)                                      | (4)             |
| <b>Balance at 30 June 2016</b>                        | 926                        | 46   | 679  | 354                                      | 5   | 62                                  | 211                                       | 2,282           |
| <b>At 1 July 2016</b>                                 | 926                        | 46   | 679  | 354                                      | 5   | 62                                  | 211                                       | 2,282           |
| Additions   | -                          | 10   | 35   | -  | -   | 7                                   | -   | 52              |
| Disposals   | -                          | -  | -  | -  | -   | -                                   | -   | -               |
| Depreciation charge                                   | -                          | (3)  | (80)                                       | (40)                                     | (1)   | (8)                                 | (24)                                      | (155)           |
| Write off assets due to impairment loss               | (246)                      | -  | -  | -  | -   | -                                   | -   | (246)           |
| Adjustment to reconcile prior period opening balances | -                          | (13)   | (97)                                       | (48)                                     | -   | (10)                                | (28)                                      | (197)           |
| <b>Balance at 30 June 2017</b>                        | 926                        | 40   | 536  | 266                                      | 4   | 51                                  | 159                                       | 1,736           |

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**Note 16. Intangible Assets**

|  | <b>Note</b> | <b>2017</b> | <b>2016</b> |
|--|-------------|-------------|-------------|
|  |             | <b>\$</b>   | <b>\$</b>   |
| <b>CURRENT</b>                                 |             |             |             |
| <b>Development costs</b>                       |             |             |             |
| Cost   |             | 404,953     | 349,493     |
| Accumulated amortisation and impairment losses |             | -           | -           |
| Net carrying amount                            |             | 404,953     | 349,493     |
| Total intangible assets                        |             | 404,953     | 349,493     |

**Note 17. Trade and Other Payables**

**CURRENT**

**Unsecured liabilities**

|                                      |      |           |           |
|--------------------------------------|------|-----------|-----------|
| Trade payables                       | a, c | 1,293,980 | 1,123,341 |
| Sundry payables and accrued expenses |      | 187,291   | 448,304   |
| Supplier credit/(debit) facility     | b    | 320       | 110,274   |
|                                      |      | 1,481,592 | 1,681,919 |

Terms and conditions relating to the above financial instruments:

- Trade creditors are non-interest bearing and payable generally on 60 day terms.
- The supplier credit/(debit) facility is non-interest bearing and has a maximum limit of \$125,000 (2016: \$25,000) at balance date. The facility is secured by a Bank Guarantee in the amount of \$100,000 (refer Note. 18).
- Two suppliers hold specific charges over 2 pieces of machinery

**Note 18. Borrowings**

**CURRENT**

**Unsecured liabilities**

|                         |   |         |         |
|-------------------------|---|---------|---------|
| Bank credit card        | i | -       | 9,500   |
| Bank overdraft          | h | 133,108 | 94,869  |
| Lease liabilities       |   | 123,260 | 110,277 |
| Vendor finance facility | j | -       | -       |
| Loan - other parties    | f | 61,500  | 55,000  |
| Loan - related party    | g | 509,043 | 442,867 |
|                         |   | 826,911 | 712,513 |

**Secured liabilities**

|                      |   |         |         |
|----------------------|---|---------|---------|
| Loan - other parties | e | 509,000 | -       |
| Mortgage loans       | d | 12,046  | 11,399  |
| Lease liabilities    |   | 105,648 | 102,780 |
|                      |   | 626,694 | 114,179 |

Total current borrowings

1,453,605 826,691

**NON-CURRENT**

**Unsecured liabilities**

|                         |   |         |         |
|-------------------------|---|---------|---------|
| Lease liabilities       |   | 433,776 | 557,036 |
| Vendor finance facility | j | -       | -       |
|                         |   | 433,776 | 557,036 |

**Secured liabilities**

|                      |   |         |           |
|----------------------|---|---------|-----------|
| Loan - other parties | e | -       | 509,000   |
| Lease liabilities    |   | 89,685  | 186,975   |
| Mortgage loans       | d | 827,088 | 837,037   |
|                      |   | 916,773 | 1,533,013 |

Total non-current borrowings

1,350,549 2,090,049

Total borrowings

2,804,154 2,916,740



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**Note 18. Borrowings (continued)**

**a. Total current and non-current secured liabilities:**

|                      |   | <b>2017</b>      | <b>2016</b>      |
|----------------------|---|------------------|------------------|
|                      |   | <b>\$</b>        | <b>\$</b>        |
| Mortgage loans       | d | 839,134          | 848,436          |
| Lease liabilities    |   | 195,333          | 289,755          |
| Loan - other parties | e | -                | 509,000          |
|                      |   | <u>1,034,467</u> | <u>1,647,191</u> |

**b. Carrying amounts of non-current assets pledged as security:**

|                     |   |                  |                  |
|---------------------|---|------------------|------------------|
| Freehold land       | d | 680,000          | 925,518          |
| Plant and equipment |   | <u>1,056,512</u> | <u>1,356,348</u> |
|                     |   | <u>1,736,512</u> | <u>2,281,866</u> |

**c. Carrying amounts of financial assets pledged as security:**

|                   |   |                |                |
|-------------------|---|----------------|----------------|
| Trade receivables | e | 388,855        | 549,865        |
|                   |   | <u>388,855</u> | <u>549,865</u> |

**d. Mortgage loans**

The mortgage loans comprise of two fixed term loans:

(i) Fixed term loan:

|               |  |                |                |
|---------------|--|----------------|----------------|
| - Current     |  | 12,046         | 11,399         |
| - Non-current |  | <u>407,088</u> | <u>417,037</u> |
|               |  | <u>419,134</u> | <u>428,436</u> |

These fixed term loans are secured by (i) a registered general security agreement over the assets and undertakings of Print Mail Logistics (International) Pty Ltd, (ii) a first ranking registered real property mortgage over freehold land and (iii) a Guarantee and Indemnity given by the parent entity.

(ii) Fixed term loan:

|               |  |                |                |
|---------------|--|----------------|----------------|
| - Current     |  | -              | -              |
| - Non-current |  | <u>420,000</u> | <u>420,000</u> |
|               |  | <u>420,000</u> | <u>420,000</u> |

This fixed term loan is secured by (i) a registered general security agreement over the assets and undertakings of Print Mail Logistics (International) Pty Ltd and a second ranking registered real property mortgage over freehold land.

**e. Loan - other parties**

The secured loan due to an unrelated party is secured by a registered charge over the Company's trade receivables, bears interest at 10% per annum and is repayable on maturity in September, 2017.

**f. Loan - other parties**

The unsecured loans due to other parties are unsecured, interest bearing and repayable at call.

**g. Loan - related party**

The loan due to a related party is unsecured, non-interest bearing and repayable at call.

**h. Bank overdraft facility**

The bank overdraft facility is unsecured, interest bearing and has an approved credit limit of \$140,000.

**i. Bank credit card facility**

The bank credit card facility is unsecured, interest bearing and has an approved credit limit of \$10,000.

**j. Vendor finance facility**

The vendor finance facility was de-recognised on termination of the underlying contract.

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**Note 19. Tax**

|                               | Opening<br>Balance | Brought to<br>Account | Charged to<br>Statement of<br>Comprehensive<br>Income | Charged to<br>Equity | Closing Balance  |
|-------------------------------|--------------------|-----------------------|---|----------------------|------------------|
|                               | \$                 | \$                    | \$  | \$                   | \$               |
| <b>NON-CURRENT</b>            |                    |                       |   |                      |                  |
| <b>Deferred tax asset</b>     |                    |                       |   |                      |                  |
| Property, plant and equipment | 258,908            | -                     | 5,925   | -                    | 264,833          |
| Employee provisions           | 86,020             | -                     | 3,022   | -                    | 89,042           |
| Creditors and accruals        | 12,839             | -                     | (8,947)   | -                    | 3,892            |
| Tax losses                    | 957,927            | -                     | 21,708  | -                    | 979,635          |
|                               | <u>1,315,694</u>   | <u>-</u>              | <u>21,708</u>   | <u>-</u>             | <u>1,337,402</u> |
| <b>Deferred tax liability</b> |                    |                       |   |                      |                  |
| Other items                   | (5,049)            | -                     | (112,484)   | -                    | (117,533)        |
|                               | <u>(5,049)</u>     | <u>-</u>              | <u>(112,484)</u>                                      | <u>-</u>             | <u>(117,533)</u> |

**Note 20. Provisions**

|   | Note | Employee Benefits | Total     |
|---|------|-------------------|-----------|
| Opening balance at 1 July 2016                  |      | 307,106           | 307,106   |
| Additional provisions                           |      | 162,993           | 162,993   |
| Amounts used                                    |      | (181,138)         | (181,138) |
| Balance at 30 June 2017                         | a    | 288,961           | 288,961   |
| <b>Analysis of total provisions</b>             |      |                   |           |
| Current   |      |                   |           |
| Annual leave accrual                            |      | 120,757           | 122,160   |
| Long service leave provision                    |      | 134,563           | 144,785   |
|   |      | 255,320           | 266,945   |
| Non-current                                     |      |                   |           |
| Long service leave provision                    |      | 33,641            | 34,868    |
| Deferred gain on sale and leaseback transaction |      | -                 | 5,293     |
|   |      | 33,641            | 40,161    |
|   |      | 288,961           | 307,106   |

**a. Provision for employee benefits**

Provision for employee benefits represents amounts accrued for annual leave and long service leave. The current portion for this provision represents the total amount of accrued annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service.

Based on past experience, the Group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event the employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data.

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**Note 21. Issued Capital**

|                                       | Notes | 2017             | 2016             |
|---------------------------------------|-------|------------------|------------------|
|                                       |       | \$               | \$               |
| <b>a. Total issued capital</b>        |       |                  |                  |
| Issued Capital                        | b,c,d | 8,744,918        | 8,744,918        |
| Equity component of convertible notes | e     | 414,065          | 414,065          |
| Transaction costs                     | f,g   | (520,037)        | (539,862)        |
|                                       |       | <u>8,638,946</u> | <u>8,619,121</u> |

**b. Fully paid ordinary shares**

|                            | 2017              |                  | 2016              |                  |
|----------------------------|-------------------|------------------|-------------------|------------------|
|                            | Number of shares  | \$               | Number of shares  | \$               |
| Fully paid ordinary shares | 37,452,490        | 8,744,918        | 37,452,490        | 8,744,918        |
|                            | <u>37,452,490</u> | <u>8,744,918</u> | <u>37,452,490</u> | <u>8,744,918</u> |

**c. Movements in ordinary shares**

|                                    | 2017              |                  | 2016              |                  |
|------------------------------------|-------------------|------------------|-------------------|------------------|
|                                    | Number of shares  | \$               | Number of shares  | \$               |
| Beginning of the financial year    | 37,452,490        | 8,744,918        | 37,452,490        | 8,744,918        |
| Shares issued during the year      |                   |                  |                   |                  |
| - Rights issue                     | -                 | -                | -                 | -                |
| - Share buy-back                   | -                 | -                | -                 | -                |
| At the end of the reporting period | <u>37,452,490</u> | <u>8,744,918</u> | <u>37,452,490</u> | <u>8,744,918</u> |

**d. 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.

**e. Terms and conditions of convertible notes**

The Convertible Notes were repaid in full on 22 September 2010.

|  | 2017             | 2016             |
|--|------------------|------------------|
|  | \$               | \$               |
| <b>f. Movements in transaction costs</b> |                  |                  |
| Beginning of the financial year          | (539,862)        | (539,862)        |
| Incurred during the year                 | 19,825           | -                |
| End of the financial year                | <u>(520,037)</u> | <u>(539,862)</u> |

**g. 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*.

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**Note 21. Issued Capital (continued)**

**h. Capital Management**

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the group can fund its operations and continue as a going concern. The Group's debt and capital include ordinary share capital and financial liabilities that are supported by financial assets. The Group is not subject to any externally imposed capital requirements.

Management effectively manages the group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses included the management of debt levels and share issues. There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. This strategy is to ensure that the Group's gearing ratio remains between 10% and 50%. The gearing ratios for the years ended 30 June 2017 and 30 June 2016 are as follows:

|                              | <b>2017</b>              | <b>2016</b>              |
|------------------------------|--------------------------|--------------------------|
|                              | <b>\$</b>                | <b>\$</b>                |
| Total borrowings             | 2,804,154                | 2,916,740                |
| Net of overdraft per note 10 | <u>106,200</u>           | <u>88,628</u>            |
| Net debt                     | 2,910,354                | 3,005,368                |
| Total equity                 | <u>8,638,946</u>         | <u>8,619,121</u>         |
| Total capital                | <u><u>11,549,300</u></u> | <u><u>11,624,489</u></u> |
| Gearing ratio                | 25.20%                   | 25.85%                   |

**Note 22. Capital and Leasing Commitments**

|   | <b>2017</b>    | <b>2016</b>    |
|---|----------------|----------------|
|   | <b>\$</b>      | <b>\$</b>      |
| <b>a. Finance Lease Commitments</b>     |                |                |
| Payable - minimum lease payments        |                |                |
| - not later than 12 months              | 301,740        | 301,740        |
| - between 12 months and five years      | 549,080        | 850,820        |
| - later than five years                 | -              | -              |
| Minimum lease payments                  | 850,820        | 1,152,560      |
| Less future finance charges             | (98,451)       | (195,492)      |
| Present value of minimum lease payments | <u>752,369</u> | <u>957,068</u> |

The finance lease relates to an item of plant and equipment. The finance lease does not include any provision for contingent rent, terms of renewal, purchase options, escalation clauses or restrictive impositions such as those concerning dividends, additional debt or further leasing.

**b. Operating Lease Commitments**

Non-cancellable operating leases contracted for but not recognised in the financial statements:

**- Property**

|                                    |         |         |
|------------------------------------|---------|---------|
| Payable - minimum lease payments   |         |         |
| - not later than 12 months         | 215,000 | 215,000 |
| - between 12 months and five years | 268,750 | 483,750 |
| - later than five years            | -       | -       |
| Minimum lease payments - Property  | 483,750 | 698,750 |

**- Equipment**

|                                    |                |                  |
|------------------------------------|----------------|------------------|
| Payable - minimum lease payments   |                |                  |
| - not later than 12 months         | 175,500        | 234,000          |
| - between 12 months and five years | -              | 175,500          |
| - later than five years            | -              | -                |
| Minimum lease payments - Equipment | <u>175,500</u> | <u>409,500</u>   |
|                                    | <u>659,250</u> | <u>1,108,250</u> |

The table below provides a general description of the Property leases in place at balance date:

| Property   | Annual Rent | Term    | Optional Lease Extension Term   | Contingent Rent Payable | Significant Restrictions Imposed |
|------------|-------------|---------|---|-------------------------|----------------------------------|
| Property A | \$215,000   | 5 years | Three separate 2 year options exercisable at the expiration of the Term at the option of the Tenant | Nil                     | Nil                              |

**Note. 23. Contingent liabilities and contingent assets**

De-recognition of financial liability on termination of contract

An estimate of the potential financial effect and an indication of the uncertainties relating to the amount or timing of economic outflows, if any, that may become payable has not been disclosed as disclosure can be expected to seriously prejudice the position of the entity in a dispute, if any, with other parties on the subject matter of the contingent liability.

**Note. 24. Segment information**

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 as 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 services;
- the distribution method; and
- external regulatory requirements.

**Types of products and services by segment**

*(i) Printing*

The printing segments 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 of 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.

**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 on 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.

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**Note 24. Operating Segments (continued)**

(i) Segment performance

|                                | Printing<br>\$   | Mailing &<br>Distribution<br>\$ | Total<br>\$      |
|--------------------------------|------------------|---------------------------------|------------------|
| <b>Year Ended 30 June 2017</b> |                  |                                 |                  |
| <b>Revenue</b>                 |                  |                                 |                  |
| External sales                 | 3,859,434        | 2,300,733                       | 6,160,167        |
| <b>Total segment revenue</b>   | <b>3,859,434</b> | <b>2,300,733</b>                | <b>6,160,167</b> |

*Reconciliation of segment revenue to group revenue*

|  |  |  |                  |
|--|--|--|------------------|
| - interest received  |  |  | 3,177            |
| - gain/(loss) on disposal of property, plant and equipment |  |  | 35,000           |
| - gain on sale of trademark                                |  |  | -                |
| - gain on extinguishment of cancelled contract             |  |  | 4,198            |
| - other income   |  |  | 114,529          |
| <b>Total group revenue</b>                                 |  |  | <b>6,317,071</b> |

|                                      |                |                 |                |
|--------------------------------------|----------------|-----------------|----------------|
| <b>Segment net (loss) before tax</b> | <b>567,764</b> | <b>(97,203)</b> | <b>470,561</b> |
|--------------------------------------|----------------|-----------------|----------------|

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

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

|  |  |  |           |
|--|--|--|-----------|
| - interest received  |  |  | 3,177     |
| - gain/(loss) on disposal of property, plant and equipment |  |  | 35,000    |
| - impairment of property, plant and equipment              |  |  | (245,518) |
| - gain on extinguishment of cancelled contract             |  |  | 4,198     |
| - other income   |  |  | 114,529   |

Unallocated items:

|                     |  |  |           |
|---------------------|--|--|-----------|
| - corporate charges |  |  | (508,337) |
| - finance costs     |  |  | (295,655) |

|   |  |  |                  |
|---|--|--|------------------|
| <b>Net (loss) before tax from continuing operations</b> |  |  | <b>(422,046)</b> |
|---|--|--|------------------|

(i) Segment performance (continued)

|                                | Printing<br>\$   | Distribution<br>\$ | Total<br>\$      |
|--------------------------------|------------------|--------------------|------------------|
| <b>Year Ended 30 June 2016</b> |                  |                    |                  |
| <b>Revenue</b>                 |                  |                    |                  |
| External sales                 | 3,964,634        | 2,275,850          | 6,240,484        |
| <b>Total segment revenue</b>   | <b>3,964,634</b> | <b>2,275,850</b>   | <b>6,240,484</b> |

*Reconciliation of segment revenue to group revenue*

|  |  |  |                  |
|--|--|--|------------------|
| - interest received                            |  |  | 1,587            |
| - gain on sale of trademark                    |  |  | 86,364           |
| - gain on extinguishment of cancelled contract |  |  | 321,000          |
| - other income                                 |  |  | 130,608          |
| <b>Total group revenue</b>                     |  |  | <b>6,780,043</b> |

|   |                |                  |               |
|---|----------------|------------------|---------------|
| <b>Segment net profit/(loss) before tax</b> | <b>276,294</b> | <b>(183,273)</b> | <b>93,020</b> |
|---|----------------|------------------|---------------|



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**Note 24. Operating Segments (continued)**

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

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

|  |         |
|--|---------|
| - interest received                            | 1,587   |
| - gain on sale of trademark                    | 86,364  |
| - gain on extinguishment of cancelled contract | 321,000 |
| - other income                                 | 130,608 |

Unallocated items:

|                     |           |
|---------------------|-----------|
| - corporate charges | (493,137) |
| - finance costs     | (255,701) |

**Net (loss) before tax from continuing operations**

**(116,259)**

(ii) Segment assets

**As At 30 June 2017**

**Segment assets**

| Printing<br>\$ | Distribution<br>\$ | Total<br>\$    |
|----------------|--------------------|----------------|
| 699,000        | 266,000            | 965,000        |
| <b>699,000</b> | <b>266,000</b>     | <b>965,000</b> |

*Reconciliation of segment assets to group assets*

|  |                  |
|--|------------------|
| Unallocated assets                                   | 1,492,859        |
| Deferred tax assets                                  | 1,337,402        |
| Intangible assets                                    | 404,953          |
| <b>Total group assets from continuing operations</b> | <b>4,200,214</b> |

**As At 30 June 2016**

**Segment assets**

| Printing<br>\$ | Distribution<br>\$ | Total<br>\$      |
|----------------|--------------------|------------------|
| 894,054        | 354,255            | 1,248,309        |
| <b>894,054</b> | <b>354,255</b>     | <b>1,248,309</b> |

*Reconciliation of segment assets to group assets*

|  |                  |
|--|------------------|
| Unallocated assets                                   | 1,934,284        |
| Deferred tax assets                                  | 1,315,694        |
| Intangible assets                                    | 349,493          |
| <b>Total group assets from continuing operations</b> | <b>4,847,779</b> |

(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:

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|                      | Year Ended 30<br>June 2017 | Year Ended 30<br>June 2016 |
|----------------------|----------------------------|----------------------------|
|                      | \$                         | \$                         |
| Australia            | 6,081,348                  | 6,150,557                  |
| United Kingdom       | 78,819                     | 89,927                     |
| <b>Total revenue</b> | <b>6,160,167</b>           | <b>6,240,484</b>           |

(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<br>June 2017 | Balance as at 30<br>June 2016 |
|---------------------|-------------------------------|-------------------------------|
|                     | \$                            | \$                            |
| Australia           | 965,000                       | 1,248,309                     |
| <b>Total assets</b> | <b>965,000</b>                | <b>1,248,309</b>              |

(vi) Major customers

The Group does not have any customer that accounts for more than 5% of total revenue.

**Note 25: Cash flow information**

**a. Reconciliation of Cash Flow from Operations with Loss after Income Tax**

|  | Note | 2017<br>\$      | 2016<br>\$     |
|--|------|-----------------|----------------|
| (Loss) after income tax  |      | (512,822)       | (157,598)      |
| <b>Non-cash flows in (loss)</b>  |      |                 |                |
| Depreciation expense   |      | 457,512         | 428,905        |
| Net (gain)/loss on disposal of property, plant and equipment                                   | 4    | (35,000)        | -              |
| Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries |      |                 |                |
| (increase)/decrease in trade and other receivables   | 11   | 161,010         | (116,731)      |
| (increase)/decrease in other assets  | 13   | 31,624          | 43,912         |
| (increase)/decrease in inventories   | 12   | 7,413           | (32,092)       |
| (increase)/decrease in deferred tax  | 5    | 90,776          | 41,339         |
| increase/(decrease) in trade and other payables  | 17   | (200,327)       | 83,283         |
| increase/(decrease) provisions   | 20   | (18,145)        | 16,981         |
| increase/(decrease) in non-controlling interest  |      | (73,058)        | 168            |
| Cash flow provided from operating activities   |      | <u>(91,017)</u> | <u>308,167</u> |

**b. Cash balance comprises:**

|                                   |    |                  |                 |
|-----------------------------------|----|------------------|-----------------|
| - Cash and cash equivalents       | 10 | 26,908           | 6,241           |
| - Bank overdraft                  | 10 | (133,108)        | (94,869)        |
| Closing cash and cash equivalents | 10 | <u>(106,200)</u> | <u>(88,628)</u> |

**c. Loan facilities**

|                           |                  |                  |
|---------------------------|------------------|------------------|
| - Bank overdraft          | 140,000          | 140,000          |
| - Bank credit card        | 10,000           | 10,000           |
| - Mortgage loans          | 839,134          | 848,436          |
| - Loans - other parties   | 570,500          | 564,000          |
| - Loans - related parties | 509,043          | 442,867          |
|                           | <u>2,068,677</u> | <u>2,005,303</u> |
| Amount utilised           | <u>2,068,677</u> | <u>2,005,303</u> |
| Unutilised amount         | <u>6,892</u>     | <u>45,131</u>    |

The collateral and covenants relevant to each financial instrument is summarised in Note. 18. The interest rate, composition and maturity of each financial instrument is detailed in Note 27.

**Note 26. Related Party Transactions**

a. The Group's main related parties are as follows:

*Parent entity*

The parent entity is Print Mail Logistics Limited

*Subsidiaries*

A subsidiary is an entity that is controlled by the parent entity. Control exists where the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. For details of disclosures relating to controlled entities, refer to Note 14. Controlled Entities.

*Key management personnel:*

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel. For details of disclosures relating to key management personnel, refer to Note 6. Key Management Personnel Compensation.

*Entities subject to significant influence by the Group:*

An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement.

*Other related parties:*

Other related parties include entities controlled by the ultimate parent entity and entities over which key management personnel have joint control.

**b. Transactions with related parties:**

There were no transactions with related parties during the year.

**c. Amounts payable to related parties**

Trade and other payables

Unsecured, at call loans are provided by the parent entity, subsidiaries, directors, key management personnel and other related parties.

Loans from key management personnel:

|                            |         |           |
|----------------------------|---------|-----------|
| Beginning of the year      | 442,867 | 671       |
| Loans advanced             | 66,176  | 1,284,053 |
| Loan repayments            | -       | (841,857) |
| Interest charged           | -       | -         |
| Interest received          | -       | -         |
| Balance at end of the year | 509,043 | 442,867   |

|  |   |   |
|--|---|---|
| The number of KMP who have advanced loans during the period: | 1 | 1 |
|--|---|---|

The highest amount of indebtedness during the reporting period for each KMP who advanced loans:

|           |         |         |
|-----------|---------|---------|
| N B Elias | 509,043 | 845,330 |
|-----------|---------|---------|

Temporary loans advanced and repaid during the year do not incur interest.  
Loans are unsecured and repayable at call.

**Note 27. Financial Instruments**

**Financial risk management policies**

The Group's financial instruments consist mainly of deposits with banks, trade receivables, 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 2017 (2016: \$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:

**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 |                  |                      |                  |                  |                  |  |           |
| 2017<br>\$('000)       | 2016<br>\$('000) | 2017<br>\$('000)    | 2016<br>\$('000) | 2017<br>\$('000)  | 2016<br>\$('000) | 2017<br>\$('000)  | 2016<br>\$('000) | 2017<br>\$('000)     | 2016<br>\$('000) | 2017<br>\$('000) | 2016<br>\$('000) | 2017<br>%                                | 2016<br>% |
| 27                     | 37               | -                   | -                | -                 | -                | -                 | -                | -                    | -                | 27               | 37               | 1  | 1         |
| -                      | -                | -                   | -                | -                 | -                | -                 | -                | 389                  | 433              | 389              | 433              | -  | -         |
| 27                     | 37               | -                   | -                | -                 | -                | -                 | -                | 389                  | 433              | 416              | 470              | -  | -         |

**(ii) Financial liabilities**

|                                   | 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 |                  |                      |                  |                  |                  |  |           |
|                                   | 2017<br>\$('000)       | 2016<br>\$('000) | 2017<br>\$('000)    | 2016<br>\$('000) | 2017<br>\$('000)  | 2016<br>\$('000) | 2017<br>\$('000)  | 2016<br>\$('000) | 2017<br>\$('000)     | 2016<br>\$('000) | 2017<br>\$('000) | 2016<br>\$('000) | 2017<br>%                                | 2016<br>% |
| <b>(ii) Financial liabilities</b> |                        |                  |                     |                  |                   |                  |                   |                  |                      |                  |                  |                  |  |           |
| Trade payables                    | -                      | -                | -                   | -                | -                 | -                | -                 | -                | 1,294                | 1,123            | 1,294            | 1,123            | -  | -         |
| Other payables                    | -                      | -                | -                   | -                | -                 | -                | -                 | -                | 188                  | 559              | 188              | 559              | -  | -         |
| Credit card facility              | -                      | 10               | -                   | -                | -                 | -                | -                 | -                | -                    | -                | -                | 10               | 13                                       | 13        |
| Bank overdraft                    | 133                    | 95               | -                   | -                | -                 | -                | -                 | -                | -                    | -                | 133              | 95               | 11                                       | -         |
| Mortgage loan                     | -                      | -                | 12                  | 11               | 827               | 837              | -                 | -                | -                    | -                | 839              | 848              | 8  | 8         |
| Lease liability                   | -                      | -                | 229                 | 213              | 523               | 744              | -                 | -                | -                    | -                | 752              | 957              | 11                                       | 11        |
| Vendor finance facility           | -                      | -                | -                   | -                | -                 | -                | -                 | -                | -                    | -                | -                | -                | 11                                       | 11        |
| Loans - other parties             | -                      | -                | 62                  | 55               | 509               | 470              | -                 | -                | -                    | -                | 571              | 525              | 9  | 9         |
| Loans - related party             | -                      | -                | -                   | -                | -                 | -                | -                 | -                | 509                  | 443              | 509              | 443              | -  | -         |
| Total financial liabilities       | 133                    | 104              | 302                 | 279              | 1,860             | 2,050            | -                 | -                | 1,991                | 2,125            | 4,286            | 4,560            | 5  | 5         |

**Note 27. 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 |      |
|                            | 2017   | 2016 | 2017   | 2016 |
| Government/Semi-Government | 69   | 69   | 380    | 380  |
| Other non-concentrated     | 31   | 31   | 170    | 170  |
|                            | 100  | 100  | 550    | 550  |

\* 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.

**Note 28. 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.

**2017**

| <i>Contractual maturity:</i> | Liability | Contracted<br>Cashflow | Due < 1 year | Due 1-5 years | Due > 5 years |
|------------------------------|-----------|------------------------|--------------|---------------|---------------|
| Consolidated Entity          |           |                        |              |               |               |
| Trade payables               | 1,293,980 | 1,293,980              | 1,293,980    | -             | -             |
| Other payables               | 187,612   | 187,612                | 187,612      | -             | -             |
| Credit card facility         | -         | -                      | -            | -             | -             |
| Bank overdraft               | 133,108   | 133,108                | 133,108      | -             | -             |
| Mortgage loan                | 839,134   | 1,400,295              | 45,581       | 602,323       | 752,391       |
| Lease liability              | 752,369   | 850,820                | 301,740      | 549,080       | -             |
| Vendor finance facility      | -         | -                      | -            | -             | -             |
| Loans - other parties        | 570,500   | 570,500                | 61,500       | 509,000       | -             |
| Loans - related party        | 509,043   | 509,043                | 509,043      | -             | -             |
|                              | 4,285,746 | 4,945,357              | 2,532,563    | 1,660,403     | 752,391       |

**2016**

| <i>Contractual maturity:</i> | Liability | Contracted<br>Cashflow | Due < 1 year | Due 1-5 years | Due > 5 years |
|------------------------------|-----------|------------------------|--------------|---------------|---------------|
| Consolidated Entity          |           |                        |              |               |               |
| Trade payables               | 1,123,341 | 1,123,341              | 1,123,341    | -             | -             |
| Other payables               | 558,578   | 558,578                | 558,578      | -             | -             |
| Credit card facility         | 9,500     | 9,500                  | 9,500        | -             | -             |
| Bank overdraft               | 94,869    | 94,869                 | 94,869       | -             | -             |
| Mortgage loan                | 848,436   | 1,400,295              | 45,581       | 602,323       | 752,391       |
| Lease liability              | 957,068   | 1,152,560              | 301,740      | 850,820       | -             |
| Loans - other                | 564,000   | 564,000                | 55,000       | 509,000       | -             |
| Loan - related party         | 442,867   | 442,867                | 442,867      | -             | -             |
|                              | 4,598,659 | 5,346,009              | 2,631,476    | 1,962,143     | 752,391       |

**(e) Interest rate sensitivity analysis**

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



**Note 28. Reserves**

The Group has not recognised or recorded any reserves within equity.

**Note 29. Economic Dependency**

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

**Note 30. Events after the Reporting Period**

Fuji Xerox Australia Pty Limited has asserted that it is owed monies in respect of goods and or services provided. The Group denies, inter alia, that it has received the goods and or services that Fuji Xerox Australia Pty Limited maintains it has supplied. The matter has been referred to independent lawyers.

**Note 31. Company Details**

The registered office and principal place of business of the company is:

Print Mail Logistics Limited  
Tasmanian Technopark  
33 Innovation Drive  
Dowsing Point TAS 7010.


Print Mail Logistics Limited  
ABN 14 103 116 856

#### Directors' Declaration

In accordance with a resolution of the directors of Print Mail Logistics Limited, the directors of the company declare that:

1. the financial statements and notes as set out on pages 18-60 are in accordance with the Corporations Act 2001 and:
  - a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and
  - b. give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended 30 June 2017 and of the performance for the year ended on that date of the consolidated group;
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
3. the directors have been given declarations required by s 295A of the Corporations Act 2001 from the Managing Director and Chief Financial Officer.

At the date of this declaration, there are reasonable grounds to believe that the companies will be able to meet any obligations or liabilities to which they are, or may become, subject to.



Luis Garcia  
Chairman

Dated at Hobart this *21st* day of September 2017

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRINT MAIL LOGISTICS LIMITED**

### **Report on the Audit of the Financial Report**

#### **Opinion**

We have audited the financial report of Print Mail Logistics Limited and Controlled Entities (the Group), which comprises the consolidated statement of financial position at 30 June 2017, consolidated statement of profit or loss, 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, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors declaration.

In our opinion, except for the effect of the matters described in the Basis for Qualified opinion section of our report:

a. the accompanying financial report of Print Mail Logistics Limited and Controlled Entities is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2017 and its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;

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

#### **Basis for Qualified Opinion**

##### **1. Opening Balances**

As this was our first audit of the company, we referred to Auditing Standard ASA 510 Initial Audit Engagements- Opening Balances which establishes procedures, requirements and provides guidance regarding the verification of opening balances when the financial report for the prior period was audited by a predecessor auditor.

We attempted to review the workpapers of the predecessor auditor but were unable to do so. We were advised by the predecessor auditor that he had changed audit software suppliers and was unable to access the workpapers.

While alternative procedures were attempted, we were unable to obtain sufficient appropriate audit evidence in relation to opening balances and accordingly our report is qualified in relation to the verification of opening balances.

## **2. Deferred Tax Assets**

AASB112 Income Tax states that a deferred tax asset shall be recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

The unused tax loss component of the deferred tax asset is \$979,635. In view of the history of losses and the lack of persuasive evidence available to us, we do not believe that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. We have qualified our opinion in respect of the deferred tax asset balance.

If the adjustment to the deferred tax asset balance of \$979,635 had been made this would reduce the balance of deferred tax assets to \$357,761, total non-current assets to \$2,499,232, total assets to \$3,220,579, and increase the deficiency in net assets to \$1,478,837 and increase the loss attributable to members to \$1,364,778.

### **Emphasis of Matter- Going Concern**

We draw attention to Note 1(x) of the financial report, which describes the deficiency in net assets and working capital. Our opinion is not modified in respect of this matter.

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 about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this audit report.

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

### **Key Audit Matters**

Except for the matters described in the Basis for Qualified Opinion section and the Emphasis of Matter section, we have determined that there are no other key audit matters to communicate in our report.

### **Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error. In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material, if individually or in the aggregate, they could be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on the Remuneration Report**

We have audited the remuneration report included in pages 7 to 10 of the directors' report for the year ended 30 June 2017. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with S300A of the Corporations Act 2001. Our responsibility 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 2017, complies with s300A of the Corporations Act 2001.

#### **TROOD PRATT AUDIT & ASSURANCE SERVICES**



**D A TROOD**  
Partner

Dated at Sydney this 27<sup>th</sup> day of September 2017

**A. Substantial Shareholders as at 30 June 2017**

| <b>Name</b>   | <b>Number of<br/>Shares</b> | <b>Percentage of<br/>issued shares</b> |
|---|-----------------------------|--|
| Landav Pty Ltd  | 6,115,000                   | 16.33%                                 |
| NSS Trustees Limitd <The Capo-Bianco Retirement A/C>    | 5,546,418                   | 14.81%                                 |
| Mr Nigel Benjamin Elias                                 | 3,875,420                   | 10.35%                                 |
| Mr J Capo-Bianco & Mrs S Capo-Bianco & NSS Trustees Ltd | 3,190,774                   | 8.92%                                  |
| Pumbaa Investment Pty Ltd <Penrose Family Trust A/C>    | 2,250,000                   | 6.01%                                  |

**B. Distribution of Fully Paid Ordinary Shares as at 30 June 2017**

| <b>Number</b>    | <b>Number of<br/>Holders</b> | <b>Number of<br/>Shares</b> |
|------------------|------------------------------|-----------------------------|
| 1 - 1,000        | -                            | -                           |
| 1,001 - 5,000    | -                            | -                           |
| 5,001 - 10,000   | 40                           | 312,670                     |
| 10,001 - 100,000 | 39                           | 1,284,171                   |
| 100,001 and over | 33                           | 35,855,649                  |
|                  | <b>112</b>                   | <b>37,452,490</b>           |

**C. Twenty Largest Shareholders as at 30 June 2017**

| <b>Name</b>   | <b>Number of<br/>Shares</b> | <b>Percentage of<br/>issued shares</b> |
|---|-----------------------------|--|
| Landav Pty Ltd  | 6,115,000                   | 16.33%                                 |
| NSS Trustees Limited <The Capo-Bianco Retirement A/C>                 | 5,546,418                   | 14.81%                                 |
| Mr Nigel Benjamin Elias   | 3,875,420                   | 10.35%                                 |
| Mr J Capo-Bianco & Mrs S Capo-Bianco & NSS Trustees Ltd               | 3,190,774                   | 8.52%                                  |
| Pumbaa Investment Pty Ltd <Penrose Family Trust A/C>                  | 2,250,000                   | 6.01%                                  |
| Dermos Pty Ltd <RV Jordan Settlement No 2 A/C>                        | 1,777,334                   | 4.75%                                  |
| Mr Marc Hoegger   | 1,500,000                   | 4.01%                                  |
| Ausasian Pty Ltd <Ausasian Super Fund>                                | 1,469,666                   | 3.92%                                  |
| Mr David Harris Stewart   | 1,177,000                   | 3.14%                                  |
| Pumbaa Investment Pty Ltd <Penrose Superannuation Fund A/C>           | 1,150,000                   | 3.07%                                  |
| Mr Robert Craig Cameron   | 1,128,000                   | 3.01%                                  |
| Nigel Benjamin Elias and Benjamin Nissim Elias <Elias Super Fund A/C> | 848,300                     | 2.27%                                  |
| Landav Pty Ltd <Jennifer Ann Campbell A/C>                            | 670,000                     | 1.79%                                  |
| HSBC Custody Nominees (Australia) Limited                             | 620,000                     | 1.66%                                  |
| Wellington Capital Limited  | 500,000                     | 1.34%                                  |
| Inveham Pty Ltd <BK Hamilton Superannuation Fund>                     | 440,000                     | 1.17%                                  |
| Dermos Pty Ltd <The Gillam Super Fund A/C>                            | 433,334                     | 1.16%                                  |
| Estival Holdings Pty Ltd  | 400,000                     | 1.07%                                  |
| Hobart Properties & Securities Pty Ltd <Roberts Pension Fund A/C>     | 390,000                     | 1.04%                                  |
| Lewis Securities Ltd (In Liquidation)                                 | 379,998                     | 1.01%                                  |
| <b>Top 20 Holders of Issued Capital as at 30 June 2017</b>            | <b>33,861,244</b>           | <b>90.41%</b>                          |

**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.