

Appendix 4E
Preliminary Final Report
Photo-Me Australia Limited

Financial Year ended	Year Ended 30 June 2010
Previous Corresponding Reporting Period	Year Ended 30 June 2009

Results for announcement to the market

				\$A'000
Revenues from ordinary activities	Up	6 %	to	\$3,135,374
Loss from ordinary activities after tax attributable to members	Decreased	51 %	to	(\$1,032,211)
Net loss for the period attributable to members	Decreased	51 %	to	(\$1,032,211)
Dividends (distributions)				
		Amount per security		Franked amount per security
Final dividend		Nil		Nil
Interim dividend				
Previous corresponding period		Nil		Nil

Other notes to the condensed financial statements

	Current period	Previous corresponding period
Ratios		
Profit before tax / revenue Consolidated profit / (loss) from ordinary activities before tax as a percentage of revenue	(33%)	(71%)
Profit after tax / equity interests Consolidated net profit (loss) from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	(12%)	(29%)
NTA Backing	Current period \$	Previous corresponding period \$
Net Tangible Asset backing per ordinary security	0.01	0.02

This Preliminary Final Report is based on accounts which are in the process of being audited. The financial statements are not expected to be subject to audit qualification. However, an "Emphasis of Matter – Material Uncertainty regarding Continuation as a Going Concern" is expected to be included in the Independent Auditor's Report.

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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated	
		2010 \$	2009 \$
Revenue from continuing operations	3	3,135,374	2,944,337
Gain on acquisition of internet vending assets		-	101,208
Discount on debt settlement	6	628,227	-
Other income	3	14,444	34,722
Materials and consumables used		(2,583,278)	(2,734,765)
Employee costs		(584,909)	(198,661)
Administrative expenses		(742,878)	(1,345,593)
Finance costs		(75,217)	(169,973)
Depreciation		(782,090)	(719,736)
Loss on sale of assets		(41,884)	-
Loss before income tax		(1,032,211)	(2,088,461)
Income tax expense		-	-
Net loss for the year		(1,032,211)	(2,088,461)
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive income for the year		(1,032,211)	(2,088,461)

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STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	Note	Consolidated	
		2010 \$	2009 \$
Current assets			
Cash and cash equivalents		9,892	12,552
Trade and other receivables		197,130	65,877
Inventory		91,947	94,311
Total current assets		298,969	172,740
Non-current assets			
Trade and other receivables		121,075	115,969
Property, plant and equipment		2,774,312	3,236,783
Total non-current assets		2,895,387	3,352,752
Total assets		3,194,356	3,525,492
Current liabilities			
Trade and other payables		716,696	634,723
Interest bearing liabilities	5	77,396	663,546
Provisions		13,358	1,452
Total current liabilities		807,450	1,299,721
Non-current liabilities			
Interest bearing liabilities	5	214,852	422,303
Total non-current liabilities		214,852	422,303
Total liabilities		1,022,302	1,722,024
Net assets		2,172,054	1,803,468
Equity			
Contributed equity		8,608,251	7,207,454
Accumulated losses		(7,144,785)	(6,112,574)
Reserves		708,588	708,588
Total equity		2,172,054	1,803,468

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

Consolidated	Issued Capital	Accumulated	Reserves	Total Equity
	\$	Losses	\$	\$
		\$		
At 1 July 2008	5,498,894	(4,024,113)	-	1,474,781
New options issued during the period	-	-	708,588	708,588
New shares issued on acquisition of internet vending assets	312,000	-	-	312,000
New shares issued in settlement of Convertible Notes	127,414	-	-	127,414
Share placements during the year	1,300,000	-	-	1,300,000
Transaction costs on share issue	(30,854)	-	-	(30,854)
Net loss for the year	-	(2,088,461)		(2,088,461)
At 30 June 2009	7,207,454	(6,112,574)	708,588	1,803,468
At 1 July 2009	7,207,454	(6,112,574)	708,588	1,803,468
New shares issued in settlement of convertible notes and loans	927,521	-	-	927,521
Share placements during the year	531,884	-	-	531,884
Transaction costs on share issue	(58,608)	-	-	(58,608)
Net loss for the year	-	(1,032,211)		(1,032,211)
At 30 June 2010	8,608,251	(7,144,785)	708,588	2,172,054

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2010

	Consolidated	
	2010	2009
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	3,013,501	2,918,600
Payments to suppliers and employees	(3,701,388)	(3,790,629)
Interest received	5,064	7,358
Borrowing costs	(14,369)	(52,101)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	(697,192)	(916,772)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for property, plant and equipment	(386,915)	(1,136,246)
Proceeds from sale of property, plant and equipment	3,915	-
Payments for acquisition of business	-	(111,893)
Payment for security deposits	-	(142,950)
Proceeds from security deposits	-	26,981
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	(383,000)	(1,364,108)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares and options	498,884	2,008,588
Repayment of borrowings	(160,432)	(140,249)
Proceeds from borrowings	797,688	419,000
Capital raising expenses	(58,608)	(30,854)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	1,077,532	2,256,485
NET INCREASE/(DECREASE) IN CASH HELD	(2,660)	(24,395)
Cash at beginning of year	12,552	36,947
CASH AT END OF YEAR	9,892	12,552

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Earnings per share (EPS)	30 June 2010	30 June 2009
	\$	\$
Basic EPS	(0.007)	(0.025)
Diluted EPS	(0.007)	(0.025)
Net Loss attributable to members used in calculating basic and diluted earnings per share	(1,032,211)	(2,088,461)
	No of Shares	No of Shares
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	142,402,776	83,818,051
Potential ordinary shares that are not dilutive and not used in the calculation of diluted EPS comprise:		
Share options	80,858,000	80,858,000
NTA Backing		
	\$	\$
Net tangible asset backing per ordinary share	0.01	0.02
	No of Shares	No of Shares
Ordinary shares used in the calculation of NTA backing	383,538,248	91,657,150
Dividend payable		
No dividend is payable.		
Dividend Reinvestment Plan		
There is no dividend re-investment plan in operation		
Total dividend per security (interim plus final)		
Ordinary securities	Nil	Nil
Final dividend on all securities		
Total	Nil	Nil

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Comments on the results

Consolidated result

Photo-Me Australia Limited recorded a loss of \$1,032,211 after tax for the year ended 30 June 2010 (2009 loss of \$2,088,461.)

Statement of financial position, cash flow items and capital expenditure

The 2010 Financial Year under review was one of continued strategic integration, together with growth in revenue following the acquisition of PATLOC.

Photo-Me Australia (PMA) continues to be the largest operator of digital photobooths in Australia which had over 320,000 visitors use the services provided from the digital Photobooths across Australia and the Escape Internet kiosk is one of the three main operators of the digital Internet vending space in the country.

During the year, the Company has focused on increasing revenue per booth and streamlining the number of available photobooths by relocating underperforming minicabins into six new key Westfield shopping centres and extending its footprint over the country to include additional sites in Western Australia. The Company has also taken the opportunity to make a number of design modifications to enhance functionality. Whilst this has entailed some initial relocation and establishment costs, the Company is confident that its careful site selection will yield dividends.

A pilot programme with a national video store has been successfully completed and we are planning a roll-out across up to 400 stores.

The Escape Internet kiosk business now enjoys a client base of in excess of 170,000 account holders throughout Australia. PC Connect, the Hotel internet vending arm, has also continued to expand and now operates in over 150 locations throughout Australia. The acquisition and integration of PATLOC has been successfully completed and a number of sites have been upgraded to enhance its service offering. PATLOC provides a specialised software called iKiosk, which has been installed across 41 locations for the Rydges Hotel Priority Guest kiosk. Rydges Hotels is a wholly owned Australian company with properties throughout Australia, New Zealand, Fiji, Qatar, Dubai and London in its portfolio.

In addition, Photo-Me's service arm has expanded its operation to cover all the servicing and maintenance of Escape Internet sites and PC Connect and new PATLOC clients; the service group is now also providing third party servicing to other kiosk & vending products.

Financials

PMA has increased revenue by over 6% to \$3.1 million, unfortunately the rapid rollout of additional Internet sites along with related operational costs and the continued flat retail economy has seen the Company incur a net loss of approximately \$1 million for the year to 30 June 2010.

This result also reflects additional expenditure spent on relocating certain non-performing booths, as part of the Company's on-going strategy of maximising returns from its photobooth network. Expenditure at this level is not expected to continue and cash flows from the Company's photobooth network are anticipated to grow reflecting additional income from its new sites, together with income from its new PATLOC business.

As referred to in the attached report, the directors are taking steps to ensure that the Company has sufficient cash reserves and has been successful in improving its balance sheet through debt-reduction, cost-cutting and arranging a roll-over in its finance facility. In particular, it has very recently obtained shareholder approval to convert some \$1 million of its short and long term debt into equity. In addition, it has arranged for a \$1 million facility to cover any short term working capital requirements pursuant to its ongoing installation roll-out. Furthermore, the Company is exploring further capital raising opportunities to provide additional working capital.

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

Note 1: Corporate Information

Photo-Me Australia Limited (the parent) is a company limited by shares, incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

Note 2: Summary of Significant Accounting Policies

(a) Basis of Preparation

The accounting policies adopted in this report are the same as those applied in the 2009 annual report.

(b) Going Concern

The consolidated entity incurred a loss for the year ended 30 June 2010 of \$1,032,211 (2009: \$2,088,461) and had negative operating cash flows of \$732,829 (2009: \$916,772). At 30 June 2010 the consolidated entity had an excess of current liabilities over current assets of \$508,481 (at 30 June 2009: \$1,126,981). These conditions give rise to a material uncertainty that may cast significant doubt about the ability of the consolidated entity to continue as a going concern. The consolidated entity, however, is continuing to develop and operate its existing photo-booths and internet vending sites with positive earnings expected to occur from these over the next twelve months and from the acquisition of PATLOC software in February 2010.

The Directors have also been successful in improving its balance sheet through debt-reduction, cost-cutting and arranging a roll-over in its finance facility and are taking steps to ensure that the company has sufficient cash reserves. In particular, on 30 June 2010 the Company converted some \$1 million of its short and long term debt into equity. In addition, as referred to in Note 8 below, subsequent to the year-end an agreement has been obtained from one of its major shareholders to provide a financing facility of up to a maximum of \$1 million to cover any short term working capital requirements pursuant to its ongoing installation roll-out. As at 30 June 2010, the amount of this undrawn facility amounted to \$785,148. Furthermore, the Company is exploring further capital raising opportunities to provide additional working capital.

As such, the financial report has been prepared on a going concern basis which assumes the realisation of assets and the extinguishment of liabilities in the normal course of business at the amount stated in the financial statements. If the Company is unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amount different to those stated in the financial statements. The financial statements do not include adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the Company be unable to continue as a going concern and meet its debts as and when they fall due.

Note 3: Revenue & Other Income

	Consolidated	
	2010	2009
	\$	\$
Revenue		
Revenue from continuing operations		
Revenue from operations	3,130,310	2,936,979
Interest	5,064	7,358
	3,135,374	2,944,337
Other Income		
Foreign exchange gain	-	23,421
Gain on Revaluation of Embedded Derivative	-	11,171
Other	14,444	130
	14,444	34,722

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2010

Note 4: Segment information

Photo-Me Australia Limited operated only within Australia and its sole business is the provision, installation and maintenance of vending machine technology.

Note 5: Interest bearing liabilities and Derivative Financial Instruments

Interest Bearing Loans and Borrowings

	2010	Consolidated 2009
	\$	\$
Current		
<i>Interest Bearing Loans</i>		
Convertible notes	-	663,546
Other interest bearing liabilities	77,396	-
	77,396	663,546
Non-Current		
Loans from Shareholders (Note 8)	214,852	422,303
	214,852	422,303

Note 6: Discount on Settlement

During the year a payment was made to Photo-Me International Plc (PMI) to settle the convertible note owing to PMI of \$700,100 (plus discounted accrued interest of \$28,127). The agreed payment to settle the debt was \$100,000. The resulting discount is therefore calculated as follows:

	\$
Original amount owing to PMI	700,100
Add: Discounted accrued interest	28,127
	<u>728,227</u>
Less: Agreed payment	(100,000)
Discount on debt settlement	<u>628,227</u>

Note 7: Business Combination

Acquisition of PATLOC Business and Assets

On 19th February 2010 shareholders approved the acquisition of the PATLOC Business and Assets owned by Ultimate Transactions Pty Ltd, a wholly owned subsidiary of ETT Limited (ASX Code: ETT), for a total consideration of \$200,000. PATLOC's core business comprises public access internet kiosks located principally in hotel foyers and in-house business centres accessed via prepaid cards.

The acquired business contributed revenue of \$100,110 and a profit of \$72,079 to the Group for the period from 19 February 2010 to 30 June 2010.

	Recognised on acquisition \$	Carrying value \$
Property, Plant & Equipment	200,000	200,000
Cost of the combination:		
Cash	<u>200,000</u>	

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2010**

Note 8: Events After The Balance Sheet Date

On 25 August 2010, an agreement was obtained from one of the Company's major shareholders to provide a financing facility of up to a maximum of \$1 million to cover any short term working capital requirements pursuant to its ongoing installation roll-out. As at 30 June 2010, the amount of this undrawn facility amounted to \$785,148.

There has not been any other matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Vince Accardi



**Managing Director
Photo-Me Australia Limited**

31 August 2010

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