

Appendix 4D

PHOTO-ME AUSTRALIA LIMITED

ABN 73 110 184 355

For the Half-Year Ended 31 December 2009

This Half-Year Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.2A.3

Current Reporting Period: Financial Half-Year Ended 31 December 2009

Previous Corresponding Period: Financial Half-Year Ended 31 December 2008

Results for announcement to the market

				<u>6 months to</u> <u>31/12/09</u> \$
Revenue from ordinary activities	Up	19.8%	to	1,552,079
Loss from ordinary activities after tax attributable to members	Down	18.7%	to	(801,992)
Net Loss for the period attributable to members	Down	18.7%	to	(801,992)

Dividends

No dividends have been paid during this period and no interim dividend is proposed.

Net Tangible Assets

The net tangible asset backing per ordinary security is 0.78 cents (30 June 2009: 1.97 cents)

Set out below is a table showing the variance between the loss for the current financial period as compared with the previous corresponding financial period.

	<u>6 months to</u>	
	<u>31 Dec</u> <u>2009</u> \$	<u>31 Dec</u> <u>2008</u> \$
Total Revenue	1,552,079	1,295,891
EBTDA (Pre tax operating loss before depreciation and amortisation)	(394,405)	(794,467)
Gain on acquisition of internet vending assets	-	101,208
Depreciation and amortisation	(407,587)	(293,765)
Loss after tax and depreciation	(801,992)	(987,024)

The Company is reporting a loss of \$801,992 for the six months ended 31 December 2009 compared with a loss of \$987,024 for the prior corresponding period ended 31 December 2008 and the full year loss of \$2,088,461 for the year ended 30 June 2009.

Brief Explanation of Results

The loss reflects the comparative start-up nature of the Company, costs associated with expansion of its vending activities, together with temporary loss of revenue as a result of relocating a number of underperforming sites (which are now in the process of being relocated in improved locations). The acquisition of the PATLOC business, capital raising, successful settlement of a loan and proposed conversion of current debts provide an improved capital base for the Company.

PHOTO-ME AUSTRALIA LIMITED

ABN 73 110 184 355

Interim Financial Report

For the Half-Year Ended 31 December 2009

CORPORATE INFORMATION

Photo-Me Australia Limited

ABN 73 110 184 355

Directors

Mr. Vince Accardi	(Managing Director)
Mr Malcolm Di Giulio	(Chairman and Non-Executive Director)
Mr. Riccardo Costi	(Non-Executive Director)
Mr. Vincent Mathieu	(Non-Executive Director)

Company Secretary

Mr. TJ Spooner

Registered Office

Level 41, 108 St George's Terrace
Perth
Western Australia 6000
Phone: (08) 9463 2463
Fax: (08) 9463 2499

Principal Place of Business

Level 1, 797 Plenty Road
South Morang
Victoria 3752

Mailing address:

PO BOX 109
Mill Park
Victoria 3082
Phone: (03) 9436 4669

Website: www.photo-me.com.au

Auditors

PKF
Level 14, 140 William Street
Melbourne
Victoria 3000

Solicitors

Quinert Rodda & Associates
Level 19, 500 Collins Street
Melbourne
Victoria 3000

Share Registry

Security Transfer Registrars Pty Ltd
Alexandra House
Suite 1, 770 Canning Highway,
Applecross
Western Australia 6153

DIRECTORS' REPORT

The directors present their report together with the condensed financial report of the consolidated entity consisting of Photo-Me Australia Ltd and the entities it controlled, for the half-year ended 31 December 2009 and independent review report thereon.

Directors Names

The names of the directors in office at the above date are:

Mr V Accardi	Managing Director
Mr M DiGuilio	Chairman and Non Executive Director
Mr R Costi	Non Executive Director
Mr V Mathieu	Non Executive Director

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

Company Secretary

The Company Secretary is Mr TJ Spooner.

Principal Activities

The Company's principal activities and current operations are the provision, installation and maintenance of vending machine technology in Australia, together with the identification and subsequent commercial exploitation of new opportunities with other vending machine technology.

The Company's principal activities have not changed from the prior reporting period.

Operating Results

The consolidated net loss of the Photo-Me Australia group of companies for the six months ended 31 December 2009 after providing for income tax amounted to \$801,992 (for the six months ended 31 December 2008: Loss of \$987,024).

Loss Per Share

Basic loss per share for the financial period was 0.86 cents per share (2008: 1.28 cents per share).

Dividends Paid or Recommended

No dividends have been paid or declared during the period under review.

DIRECTORS' REPORT (CONTINUED)

Review of Operations

Photo-Me Australia Ltd reported a loss of \$801,992 for the half year to 31 December 2009. The loss reflects the comparative start-up nature of the Company, costs associated with expansion of its vending activities, together with temporary loss of revenue as a result of relocating a number of underperforming sites (which are in the process of being relocated in improved locations).

Photo-Me's flagship business of owning and managing a network of more than 300 high-technology digital photo booths has now reached a satisfactory level of market penetration and acceptance and continues to build market share in the area of providing instant photographs for identification purposes. During the period, the average return on the photo booths has increased and the Company is looking at additional revenue streams that can be generated from its network. The Company, through its subsidiary, G Vend Pty Ltd, is also about to roll out six new Escape Internet sites located within high traffic-flow Westfield sites across the country including Western Australia.

In addition, G Vend expects to generate additional revenue as it increases its number of sites from 13 to 19 by the end of April and the Company's service arm continues to expand its client base.

As anticipated in the Company's announcement of 14 December 2009, the Company has acquired the PATLOC business and assets which are anticipated to have an immediate very positive impact on the Company's earnings. The purchase of the PATLOC business will complement Photo-Me's current operations which include Escape Internet kiosks and digital photo booths. PATLOC's core business comprises public access internet kiosks located principally in hotel foyers and in-house business centres accessed via prepaid cards.

The Company has continued to look for opportunities to cut its overheads and is already seeing the benefits of a number of measures that it has been able to negotiate. This is reflected in a slowing down in the rate of loss in the second quarter of this period.

The board has been successful in a number of measures to improve the Company's Balance Sheet including:

- Undertaking a 2 for 1 rights issue which raised some \$457,000 (and further capital is expected to be raised through the placement of the shortfall).
- Settling the debt to Photo-Me International Plc which not only improves the Company's balance sheet as a result of the substantial discount on settlement but also eliminates the accrual of further interest in this respect. As this occurred in January 2010, the benefit of the discount on settlement is not reflected in the Company's attached Statement of Financial Position (Balance Sheet) as at 31 December 2009.
- Obtaining agreement in principle to convert existing and further loans subsequent to year end of \$200,000 to equity of in excess of \$900,000. A notice of meeting and related explanatory statement in this respect is in the process of being prepared and the Company expects to hold a shareholders' meeting in April. If approved, this will eliminate all the current debt shown in the attached Balance Sheet, but is not yet reflected therein.

DIRECTORS' REPORT (CONTINUED)

Significant Changes in State of Affairs

During the half year, the Company issued the following securities:

Date	No of shares issued	No of options issued	Issue price	Amount (\$)
Dec 09	91,476,898	-	0.5 cents	\$457,384

Financial Position

The Company has made good progress in both raising funds and reducing debts and outgoings in order to strengthen its balance sheet. In addition, the Company is in the process of placing the shortfall from its recent entitlements issue. Subsequent to the end of the period the Company acquired the PATLOC business and assets which are anticipated to have a very positive impact on the Company's future earnings. In addition, further cash is expected to be raised pursuant to the placement of the shortfall arising from the Company's recent entitlements issue. Six new Escape Internet sites within the Westfield shopping centre portfolio are in the process of being installed which will have the capacity to generate positive earnings.

The Company has a loan facility with Oceanside Securities of up to \$1m. In addition, as foreshadowed in the Company's 2009 Annual Report, it intends to convert existing shareholder loans to equity at the forthcoming shareholders' meeting to be held in April 2010.

After Balance Date Events

Shortly after the end of the half year, the Company settled the principle amount of \$700,100 to Photo-Me International Plc by the payment of \$100,000, which improved the Company's balance sheet as a result of the substantial discount on settlement and also eliminated the accrual of further interest in this respect. The Company is not aware of any other significant event that has occurred subsequent to balance date.

In December 2009 the Company entered into an agreement to acquire 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. A deposit of \$100,000 was paid in the period, with the balance paid on 25th February 2010, being after ETT shareholder approval was obtained on 19th February 2010.

Environmental Issues

Photo-Me Australia Limited's operations are not regulated by any significant environmental regulation under a law of the commonwealth or of a state or territory.

PHOTO-ME AUSTRALIA LIMITED
ABN 73 110 184 355

DIRECTORS' REPORT (CONTINUED)

Auditor's Independence Declaration

A copy of the auditor's declaration in relation to the review for the half-year is provided with this report.

Signed in accordance with a resolution of the directors:



.....
Mal Di Giulio (Director)

Dated this 26th day of February 2010



Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of Photo-Me Australia Limited for the half-year ended 31 December 2009, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Photo-Me Australia Limited and the entities it controlled during the half-year.

A handwritten signature in black ink, appearing to read 'J A Mooney'.

J A Mooney
Partner
PKF

26 February 2010
Melbourne

Tel: 61 3 9603 1700 | Fax: 61 3 9602 3870 | www.pkf.com.au
PKF | ABN 83 236 985 726
Level 14, 140 William Street | Melbourne | Victoria 3000 | Australia
GPO Box 5099 | Melbourne | Victoria 3001

The PKF East Coast Practice is a member of the PKF International Limited network of legally independent member firms. The PKF East Coast Practice is also a member of the PKF Australia Limited national network of legally independent firms each trading as PKF. PKF East Coast Practice has offices in NSW, Victoria and Brisbane. PKF East Coast Practice does not accept responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

Liability limited by a scheme approved under Professional Standards Legislation.

DIRECTORS' DECLARATION

In the opinion of the directors of Photo-Me Australia Limited:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009, and of its performance for the half year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with the resolution of the directors of Photo-Me Australia Limited

On behalf of the Board,



.....
Malcolm Di Giulio (Director)

Dated this 26th day of February 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Note	31 Dec 2009 \$	31 Dec 2008 \$
Revenues		1,552,079	1,295,891
Gain on acquisition of internet vending assets	8	-	101,208
Materials and consumables used		(1,240,918)	(1,260,153)
Employee costs		(281,074)	(12,535)
Administrative expenses		(343,215)	(773,961)
Finance costs		(81,277)	(43,709)
Depreciation and amortisation expense		(407,587)	(293,765)
LOSS FROM CONTINUING ACTIVITIES BEFORE INCOME TAX EXPENSE		(801,992)	(987,024)
Income tax expense		-	-
NET LOSS FOR THE PERIOD		(801,992)	(987,024)
Other comprehensive income for the period, net of income tax		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(801,992)	(987,024)
Basic earnings/(loss) per share (cents per share)		(0.86)	(1.28)
Diluted earnings/(loss) per share (cents per share)		(0.86)	(1.28)

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 AS AT 31 DECEMBER 2009

	Notes	31 Dec 2009 \$	30 June 2009 \$
CURRENT ASSETS			
Cash and cash equivalents		238,686	12,552
Trade and other receivables		280,930	65,877
Inventories		139,049	94,311
TOTAL CURRENT ASSETS		<u>658,665</u>	<u>172,740</u>
NON-CURRENT ASSETS			
Trade and other receivables		115,969	115,969
Property, plant and equipment		2,858,097	3,236,783
TOTAL NON-CURRENT ASSETS		<u>2,974,066</u>	<u>3,352,752</u>
TOTAL ASSETS		<u>3,632,731</u>	<u>3,525,492</u>
CURRENT LIABILITIES			
Trade and other payables		555,532	634,723
Interest bearing liabilities	4	1,522,098	663,546
Provisions		16,641	1,452
TOTAL CURRENT LIABILITIES		<u>2,094,271</u>	<u>1,299,721</u>
NON-CURRENT LIABILITIES			
Interest bearing liabilities	4	108,175	422,303
TOTAL NON-CURRENT LIABILITIES		<u>108,175</u>	<u>422,303</u>
TOTAL LIABILITIES		<u>2,202,446</u>	<u>1,722,024</u>
NET ASSETS		<u>1,430,285</u>	<u>1,803,468</u>
EQUITY			
Contributed equity	5	7,636,263	7,207,454
Reserves	6	708,588	708,588
Accumulated losses		(6,914,566)	(6,112,574)
TOTAL EQUITY		<u>1,430,285</u>	<u>1,803,468</u>

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Contributed Equity \$	Reserves \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2008	5,498,894	-	(4,024,113)	1,474,781
Net loss for the period	-	-	(987,024)	(987,024)
Shares issued during the period	1,739,414	-	-	1,739,414
Options issued during the period	-	708,588	-	708,588
Transaction costs on share issue	(19,576)	-	-	(19,576)
Balance at 31 December 2008	7,218,732	708,588	(5,011,137)	2,916,183
Balance at 1 July 2009	7,207,454	708,588	(6,112,574)	1,803,468
Net loss for the period	-	-	(801,992)	(801,992)
Shares issued during the period	457,384	-	-	457,384
Transaction costs on share issue	(28,575)			(28,575)
Balance at 31 December 2009	7,636,263	708,588	(6,914,566)	1,430,285

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	31 Dec 2009 \$	31 Dec 2008 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	1,337,026	1,271,045
Payments to suppliers and employees	(1,976,273)	(2,180,702)
Interest received	-	7,340
Borrowing costs	(34,284)	(43,709)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(673,531)	(946,026)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments of property, plant and equipment	(32,816)	(788,164)
Payments for security deposits	-	(142,950)
Payments for acquisitions of business	-	(111,893)
Proceeds from sale of property, plant and equipment	3,915	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(28,901)	(1,043,007)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of equity	457,384	2,008,588
Costs associated with issue of equity	(28,575)	(19,576)
Repayment of borrowings	-	(40,249)
Proceeds from borrowings	499,757	100,000
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	928,566	2,048,763
NET INCREASE IN CASH HELD	226,134	59,730
Cash and cash equivalents at beginning of half-year	12,552	36,947
CASH AND CASH EQUIVALENTS AT END OF HALF-YEAR	238,686	96,677

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

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.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

Note 2: Summary of Significant Accounting Policies

Basis of Preparation

The half-year condensed consolidated financial report is a general purpose financial report prepared in accordance with Australian Accounting Standard AASB 134: Interim Financial Reporting and the *Corporations Act 2001*.

This interim financial report does not include full disclosures of the type normally included in an annual financial report. Accordingly, it is recommended that this report be read in conjunction with the annual financial report for the year ended 30 June 2009 and any public announcements made by Photo-Me Australia Limited and its controlled entities during the half year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The accounting policies adopted in this report are the same as those applied in the 2009 annual report, apart from the adoption of Revised Australian Accounting Standards, AASB 101 *Presentation of Financial Statements* and AASB 8 *Operating Segments*, from 1 July 2009 (refer to Note 3: Segment Information). Adoption of these standards did not have any effect on the financial position or performance of the consolidated entity.

Going Concern

The consolidated entity incurred a loss for the half-year ended 31 December 2009 of \$801,992 (for the half-year ended 31 December 2008: \$987,024) and had negative operating cash flows of \$673,531 (for the half-year ended 31 December 2008: \$946,026). At 31 December 2009 the consolidated entity had an excess of current liabilities over current assets of \$1,435,606. 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.

It should however be noted that subsequent to the end of the period, the Company settled the principal amount of \$700,100 owing to Photo-Me International Plc by the payment of \$100,000 in full and final settlement. In addition shareholder loans in the amount of \$728,852 are proposed to be converted into equity in the Company. In the event that shareholders approve this conversion, this will further improve the Company's financial position by \$728,852. The consolidated entity is also 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 recent acquisition of the PATLOC business.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009
(CONTINUED)

Note 2: Summary of Significant Accounting Policies (Continued)

Going Concern (Continued)

The constitution of the Company also provides for the issues of shares by the Directors. The directors believe the consolidated entity will be able to obtain adequate additional sources of finance to fund operations for the next 12 months. This may be undertaken through:

- issuing shares pursuant to the "15% rule" under ASX Listing Rules and other share issues approved by shareholders;
- issuance of debt instruments; and
- the proposed placement of the shortfall of shares from the Company's recent 2:1 Entitlements Issue, which has the potential to raise additional capital of up to \$459,188, if fully placed.

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 and classification 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: Segment Information

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

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2009
 (CONTINUED)

Note 4: Loans and Borrowings and Derivative Financial Instruments

Interest Bearing Loans and Borrowings

	31 Dec 2009 \$	30 June 2009 \$
Current		
Convertible Notes (refer to Note (i))	708,213	663,546
Interest Bearing Loans (refer to Note (ii))		
Loans from Shareholders	749,943	-
Premium Funding	63,942	-
	1,522,098	663,546
Non-Current		
Interest Bearing Loans (refer to Note (ii))		
Loans from Shareholders	-	319,000
Loans from Directors	108,175	103,303
	108,175	422,303

Note (i)

As referred to in Note 2 above, the Company's convertible note to Photo-Me International Plc was repaid subsequent to the end of the period by the payment of \$100,000 in full and final settlement.

Note (ii)

Also as referred to in Note 2, the Company's interest bearing loans are proposed to be converted into equity.

Note 5: Contributed Equity

	31 Dec 2009 \$	30 June 2009 \$
Issued and Paid Up Capital		
Ordinary shares fully paid	7,636,263	7,207,454
	7,636,263	7,207,454

Movements in ordinary shares on issue:

	31 Dec 2009	
	Number of Shares	\$
Ordinary Shares:		
At 1 July 2009	91,657,150	7,207,454
Movement due to:		
- Shares issued pursuant to entitlements issue on 29 December 2009	91,476,898	457,384
Share issue costs	-	(28,575)
Balance at end of the financial period 31 Dec 2009	183,134,048	7,636,263

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2009
 (CONTINUED)

Note 5: Contributed Equity (Continued)

	30 June 2009	
	Number of Shares	\$
Ordinary Shares:		
At 1 July 2008	64,358,800	5,498,894
Movement due to:		
- Shares issued on conversion of convertible notes	3,298,350	127,414
- Shares issued for subsidiary acquisition	6,500,000	312,000
- Share placements during the year	17,500,000	1,300,000
Share issue costs	-	(30,854)
Balance at end of the financial period 30 June 2009	91,657,150	7,207,454

Note 6: Reserves

	31 Dec 2009	30 June 2009
	\$	\$
Option Premium Reserve		
Options with exercise price of \$0.06 expiring on or before 31 July 2011	708,588	708,588
	708,588	708,588

Movements in options on issue

	31 Dec 2009	
	Number of Options	\$
Options:		
At 1 July 2009	80,858,800	708,588
(No movement during the half-year)	-	-
Balance at end of the financial period 31 Dec 2009	80,858,800	708,588

Movements in options on issue

	30 June 2009	
	Number of Options	\$
Options:		
At 1 July 2008	-	-
Movement due to:		
- Options issues	80,858,800	708,588
- Options issues costs	-	-
Balance at end of the financial period 30 June 2009	80,858,800	708,588

The options are exercisable at 6 cents each on or before 31 July 2011.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009
(CONTINUED)

Note 7: Events After The Balance Sheet Date

Shortly after the end of the half year, the Company settled the principle amount of \$700,100 to Photo-Me International Plc by the payment of \$100,000, which improved the Company's balance sheet as a result of the substantial discount on settlement and also eliminated the accrual of further interest in this respect.

The Company acquired the PATLOC business and assets from Ultimate Transactions Pty Ltd for a total consideration of \$200,000. Refer to Note 8 for further details.

Except as referred to above, there has not been any matter or circumstance that has arisen since the end of the financial period, which 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.

Note 8: Business Combination

Acquisition of PATLOC Business and Assets

In December 2009 the Company entered into an agreement to acquire 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. A deposit of \$100,000 was paid in the period, with the balance paid on 25th February 2010, being after ETT shareholder approval was obtained on 19th February 2010.

Acquisition of Globalinc Technology Pty Ltd

On 1 September 2008, Photo-Me Australia Limited acquired the assets of Globalinc Technology Pty Ltd. Globalinc Technology was an unlisted private company based in Australia specialising in the installation and management of Internet vending services.

The total cost of the acquisition was \$312,000 and comprised an issue of 6,500,000 shares at \$0.048 each. Fair value is based on the ASX closing price for Photo-Me Australia on the purchase date.

The acquired business contributed revenue of \$216,268 and a loss of \$139,785 to the Group for the period from 1 September 2008 to 31 December 2008.

	Recognised on acquisition \$	Carrying value \$
Property, Plant & Equipment	<u>525,101</u>	<u>525,101</u>
Cost of the combination:		
Shares issued, at fair value	312,000	
Direct costs relating to the acquisition	<u>111,893</u>	
Total cost of combination	<u>423,893</u>	
Discount on acquisition	<u>101,208</u>	



**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF PHOTO-ME AUSTRALIA LIMITED**

Chartered Accountants
& Business Advisers

We have reviewed the accompanying half-year financial report of Photo-Me Australia Limited, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at 31 December 2009 or from time to time during the half year ended on that date.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Photo-Me Australia Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Photo-Me Australia Limited is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Tel: 61 3 9603 1700 | Fax: 61 3 9602 3870 | www.pkf.com.au
PKF | ABN 83 236 985 726
Level 14, 140 William Street | Melbourne | Victoria 3000 | Australia
GPO Box 5099 | Melbourne | Victoria 3001

The PKF East Coast Practice is a member of the PKF International Limited network of legally independent member firms. The PKF East Coast Practice is also a member of the PKF Australia Limited national network of legally independent firms each trading as PKF. PKF East Coast Practice has offices in NSW, Victoria and Brisbane. PKF East Coast Practice does not accept responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

Liability limited by a scheme approved under Professional Standards Legislation.



Chartered Accountants
& Business Advisers

Emphasis of Matter - Material Uncertainty Regarding Continuation As A Going Concern

Without qualification to the conclusion expressed above, attention is drawn to the following matter:

As referred to in Note 2 to the financial statements, the consolidated entity incurred a net loss of \$801,992 (2008: \$987,024) for the half year ended 31 December 2009 and had net cash outflows from operations of \$673,531 (2008: \$946,026). As at 31 December 2009 the consolidated entity's statement of financial position showed a net current liability position of \$1,435,606. These conditions give rise to a material uncertainty which may cast significant doubt about the ability of the consolidated entity to continue as a going concern, and therefore whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report has been prepared on a going concern basis and therefore does not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

A handwritten signature in black ink, appearing to be 'PKF'.

PKF

A handwritten signature in black ink, appearing to be 'J A Mooney'.

J A Mooney
Partner

26 February 2010
Melbourne