CTI LOGISTICS LIMITED

ABN 69 008 778 925

30 JUNE 2005

ANNUAL ACCOUNTS

DIRECTORY

DIRECTORS
David Robert Watson
(Executive Chairman)

Jonathan David Elbery
(Executive)

David Anderson Mellor
(Executive)

Bruce Edmond Saxild
(Executive)

Peter James Leonhardt
(Non-Executive)

SECRETARY
David Anderson Mellor

AUDITORS
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CTI Logistics Limited is a company limited by shares incorporated and domiciled in Australia

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CTI LOGISTICS LIMITED
ABN 69 008 778 925

DIRECTORS' REPORT

YOUR DIRECTORS PRESENT THEIR REPORT ON THE CONSOLIDATED ENTITY CONSISTING OF CTI LOGISTICS LIMITED AND THE ENTITIES IT CONTROLLED AT THE END OF, OR DURING, THE YEAR ENDED 30 JUNE 2005.

Directors of the Company in office during the whole of the financial year and up to the date of this report are:

David Robert Watson
Mr Watson is the founder and executive chairman of the consolidated entity. Mr Watson is a member of the remuneration committee. Mr Watson has not held any other directorships in listed companies over the past 3 years.

Jonathan David Elbery
Mr Elbery is a Chartered Accountant who has been with the consolidated entity since 1992. He is responsible for the consolidated entity's security operations. Mr Elbery is a member of the audit committee. Mr Elbery has not held any other directorships in listed companies over the past 3 years.

Peter James Leonhardt
Mr Leonhardt is a non-executive director of CTI Logistics Limited and has been with the consolidated entity since 1999. During the past 3 years Mr Leonhardt has also served as a director of Alliance Finance Corporation Limited (May 2002 and continuing), Carnarvon Petroleum Limited (March 2005 and continuing), Titan Resources Limited (June 2005 and continuing) and Voyager Energy Limited (2001 to September 2005). Mr Leonhardt was a former managing partner of Coopers & Lybrand. Mr Leonhardt is the chairman of the audit committee and the remuneration committee.

David Anderson Mellor
Mr Mellor is a Chartered Accountant who has been with the consolidated entity since 1978. He is responsible for the consolidated entity's finances and accounts. Mr Mellor has not held any other directorships in listed companies over the past 3 years.

Bruce Edmond Saxild
Mr Saxild has been with the consolidated entity since 1977. He is responsible for the consolidated entity's logistics and transport operations. Mr Saxild has not held any other directorships in listed companies over the past 3 years.

Principal activities of the consolidated entity
The principal activities of the consolidated entity during the year were the provision of logistics, transport and security services, printing, manufacturing of plastic products and investment.

Dividends
The directors have declared a fully franked final dividend of 1.5 cents per ordinary share subsequent to the end of the financial year. This dividend is not recognised as a liability at year end. During the financial year a 1 cent fully franked dividend for the year ended 30 June 2004 and a 1.5 cents fully franked interim dividend for the year ended 30 June 2005 were paid to members.

Review of operations and results
Net profit attributable to the members of the Company was $1,818,038, compared to $2,847,367 in the previous corresponding period. Revenue from ordinary activities was $55,985,393, compared to $74,301,761. Net cash flows from operating activities was $4,633,723 down from $5,918,135 in the prior year. Last year's results, revenue and cash flows were positively affected by previously reported one-off profits and losses relating to the sale of the logistics and transport businesses located in the eastern states and certain wharf related assets. Last year's after tax result was also affected by a credit to income tax expense of $1,136,291 being an adjustment to deferred tax balances on implementation of tax consolidation.

There is a current on-market share buy-back of up to 15% of the Company's share capital. Since the buy-back was approved by shareholders in January, the Company has purchased a total of 755,355 shares to 30 June 2005 and a further 145,217 since that date.

Changes in the state of affairs
No other significant changes in the state of affairs of the consolidated entity have occurred other than those matters referred to elsewhere in this Annual Report.

Events subsequent to balance date
The directors are not aware of any other matters or circumstances not otherwise dealt with in this Annual Report or the financial statements that has significantly or may significantly affect the operations of the consolidated entity, the results of those operations, or the affairs of the consolidated entity in subsequent financial years.

Likely developments
The major objectives encompassed in the Business Plan of the consolidated entity are:
(i) expansion of existing operations by aggressive marketing and by acquisition;
(ii) establishment or acquisition of businesses in fields related to or compatible with the consolidated entity's existing core operations; and
(iii) to maximise the profits and returns to shareholders by constant review of existing operations.

Directors' benefits
No director of the Company has, since the end of the previous financial year, received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received by directors as shown in the consolidated entity's accounts) by reason of a contract made by the Company or a controlled entity or a related body corporate with the director or with an entity of which the director is a member, or with an entity in which the director has a substantial financial interest other than those transactions detailed in Note 23.

Company secretary
The company secretary is Mr D A Mellor, who was appointed to the position in 1987. He is a Chartered Accountant.

Directors' meetings
The number of directors' meetings held in the period each director held office during the financial year and the number of meetings attended by each director were:

	Board of Directors	
	Number Held	Number Attended
J D Elbery	7	7
P J Leonhardt	7	7
D A Mellor	7	7
B E Saxild	7	7
D R Watson	7	7

Audit committee

	Number Held	Number Attended
J D Elbery	5	5
P J Leonhardt	5	5

Remuneration committee

	Number Held	Number Attended
P J Leonhardt	1	1
D R Watson	1	1

Particulars of directors' interests in shares of CTI Logistics Limited at the date of this report

	Direct Holding	Indirect Holding
J D Elbery	162,526	309,210
P J Leonhardt	-	53,086
D A Mellor	69,545	914,756
B E Saxild	63,626	710,221
D R Watson	3,484,315	1,964,861

Directors' and officers' indemnity insurance
The Company's directors' and officers' indemnity insurance policy indemnifies the directors named in this report in respect of their potential liability to third parties for wrongful acts committed by them in their capacity as directors (as defined in the policy). The premium paid in respect of this policy was $15,394 (2004 - $15,235).

Environmental regulation
The operations of CTI Logistics Limited and its controlled entities are not subject to any particular or significant environmental regulation. However, the board believes that CTI Logistics Limited and its controlled entities have adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to CTI Logistics Limited and its controlled entities.

Non-audit services
The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the consolidated entity are important.

Details of the amounts paid or payable to the auditor, PricewaterhouseCoopers, for audit and non-audit services provided during the year are set out in Note 3(ii) of the financial statements.

The board of directors has considered the position and, in accordance with the advice received from the audit committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1.

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 4.

Remuneration report

Principles used to determine the nature and amount of remuneration
The remuneration committee makes specific recommendations on remuneration packages and other terms of employment for executive directors. No element of the remuneration is based upon the Company's performance and no bonus schemes operated during the financial year. Remuneration of non-executive directors is determined by the board within the maximum amount, approved by shareholders, from time to time.

Details of remuneration
Details of the nature and amount of each element of the emoluments of each director of the Company and the consolidated entity is set out in the following table.

2005

	Primary			Post-employment		Equity	
Name	**Cash salary and fees**	**Cash bonus**	**Non-monetary benefits**	**Super-annuation**	**Retirement benefits**	**Options**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
J D Elbery	236,238	-	6,199	12,320	-	-	254,757
P J Leonhardt	33,000	-	-	-	-	-	33,000
D A Mellor	210,455	-	9,986	16,820	-	-	237,261
B E Saxild	211,525	-	9,916	36,000	-	-	257,441
D R Watson	313,450	-	15,853	57,150	-	-	386,453
Total	1,004,668	-	41,954	122,290	-	-	1,168,912

Service agreements
There are no service agreements in existence and entitlements on termination would be subject to assessment by the remuneration committee within legislative framework at the time.

Having regard to the size and structure of the consolidated entity, the nature of its operations, and the close involvement of the four executive directors, it is the opinion of the directors that there are no executive officers of the Company or the consolidated entity apart from the four executive directors.

Loans to directors
Information on loans to directors is set out in Note 23 of the financial statements.

This report is made in accordance with a resolution of the directors.

DAVID MELLOR
Director

Perth, 30 September 2005

PRICEWATERHOUSECOOPERS

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Auditors' Independence Declaration

As lead auditor for the audit of CTI Logistics Limited for the year ended 30 June 2005, 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 audit; and
b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of CTI Logistics Limited and the entities it controlled during the period.

David J Smith
Partner
PricewaterhouseCoopers

Perth
30 September 2005

Liability is limited by the Accountant's Scheme under the Professional Standards Act 1994 (NSW)

STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2005

	Notes	Consolidated 2005	Consolidated 2004	Company 2005	Company 2004
		$	$	$	$
Revenue from ordinary activities	2	55,985,393	74,301,761	7,596,404	6,678,371
Share of net profit of joint venture partnership accounted for using the equity method		120,275	-	-	-
Borrowing costs expense		(792,805)	(1,091,792)	(103,935)	(365,267)
Other expenses from ordinary activities	3	(52,599,435)	(71,199,860)	(4,844,757)	(5,754,187)
Profit from ordinary activities before income tax expense	3	2,713,428	2,010,109	2,647,712	558,917
Income tax (expense)/benefit	4	(895,390)	837,258	214,667	343,284
Net profit attributable to members of the Company	17	1,818,038	2,847,367	2,862,379	902,201
Total changes in equity other than those resulting in transactions with owners as owners		1,818,038	2,847,367	2,862,379	902,201
		Cents	Cents		
Basic earnings per share	25	7.77	11.24		
Diluted earnings per share	25	7.77	11.24		

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2005

	Notes	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
CURRENT ASSETS					
Cash assets	26	1,887,896	453,526	1,887,896	453,526
Receivables	5	10,140,382	13,609,942	8,583,029	10,476,021
Inventories	7	1,703,902	1,453,157	-	-
Other assets	11	485,767	636,287	89,862	311,540
Total Current Assets		14,217,947	16,152,912	10,560,787	11,241,087
NON-CURRENT ASSETS					
Receivables	5	616,905	1,578,895	616,905	466,155
Investment accounted for using the equity method	29	176,275	-	-	-
Other financial assets	6	138,145	257,185	8,439,981	8,439,981
Property, plant and equipment	8	23,266,408	22,868,890	2,882,218	2,562,852
Deferred tax assets	9	806,625	717,690	806,625	717,690
Intangible assets	10	282,442	404,172	-	-
Other assets	11	-	2,148	-	-
Total Non-current Assets		25,286,800	25,828,980	12,745,729	12,186,678
TOTAL ASSETS		39,504,747	41,981,892	23,306,516	23,427,765
CURRENT LIABILITIES					
Payables	12	5,064,459	6,769,761	698,289	978,579
Interest bearing liabilities	13	3,140,766	2,828,504	107,348	148,255
Tax liabilities	14	87,059	-	87,059	-
Provisions	15	1,407,295	1,213,811	743,487	668,841
Total Current Liabilities		9,699,579	10,812,076	1,636,183	1,795,675
NON-CURRENT LIABILITIES					
Payables	12	-	83,333	-	-
Interest bearing liabilities	13	6,514,815	6,474,524	311,755	128,428
Deferred tax liabilities	14	349,567	680,913	349,567	680,913
Provisions	15	406,612	536,469	114,089	111,765
Total Non-current Liabilities		7,270,994	7,775,239	775,411	921,106
TOTAL LIABILITIES		16,970,573	18,587,315	2,411,594	2,716,781
NET ASSETS		22,534,174	23,394,577	20,894,922	20,710,984
EQUITY					
Contributed equity	16	17,939,045	20,044,219	17,939,045	20,044,219
Retained profits	17	4,595,129	3,350,358	2,955,877	666,765
TOTAL EQUITY		22,534,174	23,394,577	20,894,922	20,710,984

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2005

	Notes	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from trade and other debtors (inclusive of goods and services tax)		61,552,665	75,526,944	5,018,966	5,814,693
Payments of accounts payable to suppliers, creditors and employees (inclusive of goods and services tax)		(56,056,900)	(67,743,056)	(4,895,162)	(6,719,453)
Interest received		180,483	114,769	78,085	107,981
Borrowing costs		(792,805)	(1,091,792)	(103,935)	(365,267)
Dividends received		4,554	3,450	3,004,554	2,003,450
Income tax refund received		1,033,828	372,463	405,781	-
Income tax paid		(1,288,102)	(1,264,643)	(100,680)	-
Net cash flows from operating activities	26(i)	4,633,723	5,918,135	3,407,609	841,404
CASH FLOWS FROM INVESTING ACTIVITIES					
Loan repayments received		26,250	21,000	1,142,322	7,817,840
Payment for investment in joint venture partnership		(176,000)	-	-	-
Repayment of investment from joint venture partnership		120,000	-	-	-
Payments for property, plant and equipment		(2,389,907)	(1,987,011)	(389,779)	(118,683)
Deferred payment for purchase of business		(333,333)	(333,333)	-	-
Proceeds from sale of property, plant & equipment		647,161	3,049,840	129,455	97,273
Proceed from sale of other investments		119,199	-	-	-
Deferred proceeds from sale of businesses		3,235,284	5,526,360	-	-
Net cash flows from investing activities		1,248,654	6,276,856	881,998	7,796,430
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of borrowings		(1,769,566)	(11,166,132)	(176,796)	(7,608,975)
Payments for shares bought back		(2,105,174)	-	(2,105,174)	-
Dividends paid		(573,267)	(506,598)	(573,267)	(506,598)
Net cash flows from financing activities		(4,448,007)	(11,672,730)	(2,855,237)	(8,115,573)
NET INCREASE IN CASH HELD		1,434,370	522,261	1,434,370	522,261
Cash at the beginning of the financial year		453,526	(68,735)	453,526	(68,735)
CASH AT THE END OF THE FINANCIAL YEAR	26(ii)	1,887,896	453,526	1,887,896	453,526

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

The financial statements have been prepared on the basis of historical costs and, except where stated, do not take into account current valuations of non-current assets. Where the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to its recoverable amount. The recoverable amount of an asset is assessed as the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal or via appropriate market indices. Except where stated recoverable amounts are not determined using discounted cash flows.

The accounting policies adopted in preparing the financial statements have been consistently applied by entities in the consolidated entity except as otherwise indicated. Unless otherwise stated, the accounting policies are consistent with those of the previous year.

a PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by CTI Logistics Limited ("Company" or "parent entity") as at 30 June 2005 and the results of all controlled entities for the year then ended. CTI Logistics Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

b ACQUISITION OF ASSETS

The cost method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs incidental to the acquisition. Where shares are issued in an acquisition, the value of the shares is determined having reference to the fair value of the assets or net assets acquired, including goodwill or discount on acquisition where applicable.

Goodwill is brought to account on the basis described in Note 1(h).

c REVENUE RECOGNITION

Revenue from operating activities represents revenue earned from the sale of the consolidated entity's products and services, net of returns, trade allowances and duties and taxes paid. Revenue from outside the operating activities includes interest income on short term investments, dividends received from other corporations, rent, proceeds from the sale of assets and, in the case of the Company, dividends and management fees received from controlled entities.

d INVESTMENTS

The Company's interests in companies and the consolidated entity's interests in companies which are not controlled are brought to account at cost and dividends are recognised in the statement of financial performance when receivable. Subsequently, the carrying amount of investments is the lower of cost or market value, the latter resulting in a provision for diminution.

e INVENTORIES

Finished goods, raw materials and stores and work in progress are stated at the lower of cost and net realisable value. Costs have been assigned to inventory quantities on hand at balance date using the first in first out basis. Cost comprises material, labour and an appropriate proportion of fixed and variable overheads.

f PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, other than freehold land, are recorded at cost and are depreciated over their estimated useful lives to the consolidated entity using the straight line method. The expected useful lives are as follows:

Buildings	21-40 years
Plant and equipment	5-15 years
Motor vehicles	5-10 years

g LEASED ASSETS

Where property, plant and equipment is acquired by means of finance leases, the present value of the minimum lease payments is recognised as an asset at the beginning of the lease term and amortised on a straight line basis over the expected useful life of the leased asset. A corresponding liability is also established and each lease payment is allocated between the liability and finance charge. Other operating lease payments are charged to the statement of financial performance in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h GOODWILL

On acquisition of some, or all, of the assets of another entity or, in the case of an investment in a controlled entity, on acquisition of some, or all, of the equity of that controlled entity, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired, including any liability for restructuring costs, is brought to account as goodwill and amortised on a straight line basis over the period of expected benefit, which has been assessed as up to 20 years from the date of gaining control of the entities for substantially all of the goodwill.

i BORROWING COSTS

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs include interest on bank overdrafts, short-term and long-term borrowings, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, and finance lease charges. Certain ancillary costs incurred in connection with the arrangement of borrowings have been capitalised and are being amortised over the period of expected benefit.

j AMORTISATION PERIODS

Intangible assets and other significant items of expenditure having a future benefit are amortised over their anticipated useful lives or the periods to which they relate.

k RECEIVABLES

A sale is recorded when goods have been despatched to a customer or services have been provided.

All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition.

A provision is raised for any doubtful debts based on a review of all outstanding amounts at balance date. Bad debts are written off in the period in which they are identified.

l TRADE AND OTHER CREDITORS

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are paid based on the terms of trade which are usually 30 to 60 days from the date of recognition.

m INTEREST BEARING LIABILITIES

Loans are carried at their principal amounts and interest is accrued over the period it becomes due.

n EMPLOYEE ENTITLEMENTS

Liabilities for wages and salaries, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date, and are measured as the amounts expected to be paid when liabilities are settled.

A liability for long service leave expected to be settled more than 12 months from the reporting date is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Contributions to employee superannuation plans are charged as an expense as the contributions are paid or become payable.

Employee Share and Option Plan

Under the Employee Share and Option Plan, the Company at the director's discretion and with shareholder approval, may offer eligible employees the opportunity to purchase ordinary shares with the assistance of an interest free loan. The issue price of the shares is determined under the terms of the Employee Share and Option Plan (refer Note 16(iii)). The loan is for a term of 10 years and is repayable by dividends. The shares are recorded at the issue price in equity and the related loan is recorded as a non-current receivable.

Options to acquire ordinary shares may also be offered to employees. The exercise price is determined under the terms of the Employee Share and Option Plan (refer Note 16(iii)). The options are not recorded in the financial statements until they are exercised.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o FOREIGN CURRENCY

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency receivables and payables at balance date are translated at exchange rates at balance date. Exchange gains and losses are brought to account in determining the profit or loss for the year.

p INCOME TAX

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit account at the rates which are expected to apply when those timing differences reverse.

Tax consolidation legislation

The economic entity implemented the tax consolidation legislation as of 1 July 2003.

As a consequence, CTI Logistics Limited, as the head entity in the tax consolidated group, recognises current and deferred tax amounts relating to transactions, events and balances of the entities in the group (being wholly-owned controlled entities) as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable under an accounting tax sharing agreement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense (revenue).

The deferred tax balances recognised by the parent entity in relation to the wholly-owned entities joining the tax consolidated group are measured based on their carrying amounts at the level of the tax consolidated group before the implementation of the tax consolidation regime, with one exception. The deferred tax balances relating to assets that had their tax values reset on joining the tax consolidated group, have been re-measured based on the carrying amount of those assets at the tax-consolidated group level and their reset tax values. The re-measurement adjustments of these deferred tax balances are also recognised in the consolidated financial statements as income tax expense or revenue.

q CASH FLOWS

For the purpose of the statements of cash flows, cash includes cash on hand, deposits held at call with banks and investments in money market instruments, net of bank overdrafts.

r EARNINGS PER SHARE

(i) Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members 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.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

s SEGMENT INFORMATION

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of receivables, inventories, property, plant and equipment and goodwill and other intangible assets, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors, employee entitlements and provision for service warranties. Segment assets and liabilities do not include income taxes.

t DIVIDENDS

Provision is made for the amount of any dividend declared, determined or publicly recommended by the directors on or before the end of the financial year but not distributed at balance date.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u JOINT VENTURE ENTITIES

The interest in a joint venture partnership is accounted for using the equity method. Under this method, the share of the profits or losses of the partnership is recognised in the statement of financial performance, and the share of the movements in reserves is recognised in reserves in the statement of financial position.

Profits or losses on transactions establishing the joint venture partnership and transactions with the joint venture are eliminated to the extent of the consolidated entity's ownership interest until such time as they are realised by the joint venture partnership on consumption or sale, unless they relate to an unrealised loss that provides evidence of the impairment of an asset transferred.

	Consolidated		Company	
	2005 $	2004 $	2005 $	2004 $
2. REVENUE				
Revenue from operating activities				
Sale of goods	22,319,735	18,661,248	-	259,032
Sale of services	31,142,752	42,514,870	-	-
Management fees	-	-	1,888,632	2,353,370
Services provided to related companies	-	-	1,577,715	1,399,558
Interest charged to related companies	-	-	-	72,658
Rent charged to related companies	-	-	365,737	293,226
	53,462,487	61,176,118	3,832,084	4,377,844
Revenue from outside the operating activities				
Interest	180,483	114,769	78,085	35,323
Dividends	4,554	3,450	4,554	3,450
Dividends from related companies	-	-	3,000,000	2,000,000
Rent	539,599	320,431	-	-
Grant	-	25,507	-	-
Proceeds from sale of:				
Businesses, property, plant and equipment	647,161	11,254,840	129,455	97,273
Other investments	119,199	-	-	-
Other	1,031,910	1,406,646	552,226	164,481
	2,522,906	13,125,643	3,764,320	2,300,527
Total revenue from ordinary activities	55,985,393	74,301,761	7,596,404	6,678,371
3. OPERATING PROFIT				
(i) OPERATING EXPENSES				
a) Other expenses from ordinary activities				
Other expenses from operating activities				
Changes in inventories of finished goods and work in progress	250,746	98,420	-	-
Raw materials and consumables used	10,550,738	9,497,820	-	182,791
Employee benefits expense	15,617,462	19,514,105	4,174,944	4,311,075
Subcontractor expense	13,330,071	16,886,009	-	-
Depreciation of non-current assets (refer Note 8)	3,545,950	3,354,953	276,169	340,435
Amortisation and write-down of non-current assets	121,730	146,657	-	-
Motor vehicle and transportation costs	3,357,260	5,671,291	103,980	94,227
Property costs	824,184	942,601	89,956	55,273
Insurance costs	462,558	723,561	216,193	246,466
Write-down of property	250,000	-	-	-
Provision for diminution of investment	-	70,625	-	-
Write-back of provision for restricted recovery of share scheme loans	(177,000)	-	(177,000)	-
Other expenses from operating activities	4,028,139	4,813,843	47,055	461,333
	52,161,838	61,719,885	4,731,297	5,691,600
Other expenses from outside the operating activities				
Carrying value of:				
Businesses, property, plant and equipment sold	318,557	9,479,975	113,460	62,587
Other investments sold	119,040	-	-	-
	437,597	9,479,975	113,460	62,587
Expenses from ordinary activities, excluding borrowing costs expense	52,599,435	71,199,860	4,844,757	5,754,187

	Consolidated		Company	
	2005 $	2004 $	2005 $	2004 $
3. OPERATING PROFIT (continued)				
b) Profit from ordinary activities before income tax expense for the year includes the following specific net gains and expenses:				
Cost of sale of goods	15,862,499	14,118,492	-	182,791
Net gain on disposal:				
Investments	159	-	-	-
Businesses, property, plant and equipment	328,604	1,774,865	15,995	34,686
Bad and doubtful debts expense:				
Trade debtors	281,893	363,470	-	-
Rental expense relating to operating leases:				
Minimum lease payments	631,060	838,895	-	-
(ii) AUDITORS' REMUNERATION				
Amounts received, or due and receivable, by:				
The auditors of the Company for auditing and reviewing the financial statements	87,160	89,140	78,160	80,140
Other services - taxation	9,400	9,250	-	-

	Consolidated		Company	
	2005 $	2004 $	2005 $	2004 $
4. INCOME TAX				
The income tax on the operating profit differs from the amount prima facie payable on that profit as follows:				
Prima facie income tax on the operating profit at 30%	814,028	603,033	794,314	167,675
Tax effect of permanent differences which:				
Reduce tax payable due to:				
Rebatable dividends	(1,366)	(1,035)	(901,366)	(601,035)
Non-assessable profits on sale of businesses, property, plant and equipment	-	(352,114)	-	-
Increase tax payable due to non-deductible:				
Amortisation	33,699	43,970	-	-
Depreciation	6,254	13,442	6,254	8,802
Expenses	2,617	1,703	1,784	932
Write-down of property	75,000	-	-	-
Provision	-	21,188	-	-
Prima facie tax adjusted for permanent differences	930,232	330,187	(99,014)	(423,626)
Tax losses transferred to controlled entities	-	-	-	79,601
Under/(over) provision in prior year	(34,842)	(31,154)	(8,266)	741
Aggregate income tax expense/(benefit) before impact of tax consolidations	895,390	299,033	(107,280)	(343,284)
Prima facie income tax on the operating profit of the tax consolidated group (excluding parent entity) at 30%			19,714	435,358
Tax effect of permanent differences which				
Reduce tax payable due to:				
Non-assessable profits on sale of businesses, property, plant and equipment			-	(352,114)
Increase tax payable due to non-deductible:				
Intercompany dividend			900,000	600,000
Amortisation			33,699	43,970
Depreciation			-	4,640
Expenses			833	771
Write-down of property			75,000	-
Provision			-	21,188
Prima facie tax adjusted for permanent differences			1,029,246	753,813
Eliminate tax losses transferred to controlled entities			-	(79,601)
Over provision in prior year			(26,576)	(31,895)
Aggregate income tax expense – tax consolidated group (excluding parent entity)			1,002,670	642,317
			895,390	299,033
Net deferred tax liabilities of the tax consolidated group entities assumed on implementation of tax consolidation	-	-	-	(888,109)
Adjustment to deferred tax balances on implementation of tax consolidation	-	(1,136,291)	-	-
Understatement in prior year of tax related amounts payable to tax consolidated group entities	-	-	382,255	-
Compensation (received from)/paid to tax consolidated group entities	-	-	(1,492,312)	245,792
Aggregate income tax expense/(benefit)	895,390	(837,258)	(214,667)	(343,284)

Tax consolidation legislation

CTI Logistics Limited and the controlled entities implemented the tax consolidation legislation as of 1 July 2003. The accounting policy on implementation of the legislation is set out in Note 1(p). The impact on the income tax expense for the year is disclosed in the tax reconciliation above.

4. INCOME TAX (continued)

The entities have also entered into tax sharing and funding agreements. Under the terms of these agreements, the controlled entities will reimburse the Company for any current tax payable by the Company arising in respect of their activities and the Company will reimburse the controlled entities for any tax refund due to the Company arising in respect of their activities. The reimbursements are payable at the same time as the associated income tax liabilities fall due and have therefore been recognised as a current tax related payable by the Company. In the opinion of the directors, the tax sharing agreements are also valid agreements under the tax consolidated legislation and will limit the joint and several liability of the controlled entities in the case of default by the Company.

	Consolidated		Company	
	2005 $	2004 $	2005 $	2004 $
5. RECEIVABLES				
Current				
Trade debtors	9,383,242	9,098,848	58,450	165,921
Deduct provision for doubtful debts	523,871	440,371	-	-
	8,859,371	8,658,477	58,450	165,921
Loans to controlled entities	-	-	8,219,691	9,335,763
Income tax refund receivable	-	974,337	-	974,337
Tax related amounts receivable from controlled entities	-	-	304,888	-
Deferred consideration for sale of businesses	1,174,223	3,380,782	-	-
Other	106,788	596,346	-	-
	10,140,382	13,609,942	8,583,029	10,476,021
Non-current				
Loans to directors (issued pursuant to the Company's Employee Share and Option Plan and secured by a lien over shares). Refer to Note 23.	820,905	847,155	820,905	847,155
Deduct provision for restricted recovery	204,000	381,000	204,000	381,000
	616,905	466,155	616,905	466,155
Deferred consideration for sale of a business	-	1,112,740	-	-
	616,905	1,578,895	616,905	466,155
6. OTHER FINANCIAL ASSETS				
Non-current				
Traded securities (at cost)				
Shares and other equity securities	138,145	718,765	105,840	105,840
Deduct provision for diminution	-	461,580	-	-
	138,145	257,185	105,840	105,840
Other investments				
Shares in controlled entities (refer Note 21)				
At cost	-	-	8,334,141	8,334,141
Shares - at cost	70,625	70,625	-	-
Deduct provision for diminution	70,625	70,625	-	-
	-	-	8,334,141	8,334,141
	138,145	257,185	8,439,981	8,439,981
NET FAIR VALUES				
Traded securities are listed. The aggregate net fair values of these securities are:				
Non-current	82,697	395,105	72,228	74,614

	Consolidated		Company	
	2005 $	2004 $	2005 $	2004 $
7. INVENTORIES				
Current				
Raw materials and stores (at cost)	382,541	383,687	-	-
Work in progress (at cost)	234,608	244,265	-	-
Finished goods (at cost)	1,086,753	825,205	-	-
	1,703,902	1,453,157	-	-

	Cost		Accumulated depreciation/amortisation		Written down value	
	2005 $	2004 $	2005 $	2004 $	2005 $	2004 $
8. PROPERTY, PLANT AND EQUIPMENT						
Consolidated						
Freehold land						
At cost	3,000,396	3,000,396	-	-	3,000,396	3,000,396
Buildings						
At cost	10,261,045	10,507,365	2,657,968	2,407,229	7,603,077	8,100,136
Plant and equipment						
At cost	26,741,859	23,880,682	17,612,732	15,263,145	9,129,127	8,617,537
Motor vehicles						
At cost	6,042,304	6,274,819	2,508,496	3,123,998	3,533,808	3,150,821
	46,045,604	43,663,262	22,779,196	20,794,372	23,266,408	22,868,890
Company						
Freehold land						
At cost	560,973	560,973	-	-	560,973	560,973
Buildings						
At cost	1,945,838	1,945,838	555,357	495,606	1,390,481	1,450,232
Plant and equipment						
At cost	2,175,755	1,859,891	1,847,646	1,734,873	328,109	125,018
Motor vehicles						
At cost	751,296	796,188	148,641	369,559	602,655	426,629
	5,433,862	5,162,890	2,551,644	2,600,038	2,882,218	2,562,852

8. PROPERTY, PLANT AND EQUIPMENT (continued)

	Consolidated		Company	
	2005	2004	2005	2004
	$	$	$	$
Recent valuations of land and buildings				
Aggregate recent valuations of freehold land and buildings based on:				
Directors' valuation - 2005	11,812,680	12,059,000	2,550,000	2,550,000

In determining their valuation, the directors have utilised independent valuations conducted in May 2003. The basis of the valuation of land and buildings is market value, being the amounts for which the asset should exchange on the date of valuation between a willing buyer and a willing seller in an "arm's-length" transaction, wherein the parties had each acted knowledgeably, prudently and without compulsion.

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

	Freehold land At cost	Buildings At cost	Plant and equipment At cost	Motor vehicles At cost	Total
	$	$	$	$	$
Consolidated					
Carrying amount at 1 July 2004	3,000,396	8,100,136	8,617,537	3,150,821	22,868,890
Additions	-	3,680	3,230,839	1,277,509	4,512,028
Disposals	-	-	(98,868)	(219,692)	(318,560)
Write-down	-	(250,000)	-	-	(250,000)
Depreciation/ amortisation expense	-	(250,739)	(2,620,381)	(674,830)	(3,545,950)
Carrying amount at 30 June 2005	3,000,396	7,603,077	9,129,127	3,533,808	23,266,408

	Freehold land At cost	Buildings At cost	Plant and equipment At cost	Motor vehicles At cost	Total
	$	$	$	$	$
Company					
Carrying amount at 1 July 2004	560,973	1,450,232	125,018	426,629	2,562,852
Additions	-	-	315,863	393,132	708,995
Disposals	-	-	-	(113,460)	(113,460)
Depreciation/ amortisation expense	-	(59,751)	(112,772)	(103,646)	(276,169)
Carrying amount at 30 June 2005	560,973	1,390,481	328,109	602,655	2,882,218

	Consolidated		Company	
	2005 $	2004 $	2005 $	2004 $
9. DEFERRED TAX ASSETS				
Non-current				
Future income tax benefit	806,625	717,690	806,625	717,690

The consolidated future income tax benefit for the year ended 30 June 2005 includes $nil attributable to tax losses (2004 - $nil).

10. INTANGIBLE ASSETS				
Goodwill (at cost)	1,144,196	1,144,196	-	-
Deduct accumulated amortisation	861,754	740,024	-	-
	282,442	404,172	-	-
11. OTHER ASSETS				
Current				
Prepayments	485,767	636,287	89,862	311,540
Non-current				
Borrowing costs	266,708	266,708	-	200,618
Deduct accumulated amortisation	266,708	264,560	-	200,618
	-	2,148	-	-
Deferred costs	221,906	222,752	-	-
Deduct accumulated amortisation	221,906	222,752	-	-
	-	-	-	-
	-	2,148	-	-

	Consolidated		Company	
	2005	2004	2005	2004
	$	$	$	$
12. PAYABLES				
Current				
Trade (unsecured)	5,064,459	6,769,761	698,289	732,787
Tax related amounts payable to controlled entities	-	-	-	245,792
	5,064,459	6,769,761	698,289	978,579
Non-current				
Trade (unsecured)	-	83,333	-	-
13. INTEREST BEARING LIABILITIES				
Current (secured)				
Other loans	1,260,000	-	-	-
Hire purchase creditors	1,880,766	2,828,504	107,348	148,255
	3,140,766	2,828,504	107,348	148,255
Non-current (secured)				
Other loans	2,996,000	4,256,000	-	-
Hire purchase creditors	3,518,815	2,218,524	311,755	128,428
	6,514,815	6,474,524	311,755	128,428

Other loans
Other loans comprise of two interest only mortgages over freehold land and buildings. The mortgages have expiry dates of August 2006 and February 2006. The interest rates are subject to review on a three monthly basis and calculated with reference to the 90 day bank bill bid rate.

Security provided
The bank overdrafts, loans and hire purchase creditors are secured by mortgages over the consolidated entity's freehold land and buildings, rights to assets under lease or hire purchase which revert to the lessor in event of default and a fixed and floating charge over the remaining assets of the consolidated entity.

	Consolidated		Company	
	2005 $	2004 $	2005 $	2004 $
13. INTEREST BEARING LIABILITIES (continued)				
The carrying amounts of assets pledged as security are:				
Non-current				
Receivables	616,905	1,578,895	616,905	466,155
Other financial assets	138,145	257,185	8,439,981	8,439,981
Property, plant and equipment	23,266,408	22,868,890	2,882,218	2,562,852
Intangible assets	282,442	404,172	-	-
14. TAX LIABILITIES				
Current				
Provision for income tax	87,059	-	87,059	-
Non-current				
Provision for deferred income tax	349,567	680,913	349,567	680,913
15. PROVISIONS				
Current				
Employee entitlements	1,407,295	1,213,811	743,487	668,841
Non-current				
Employee entitlements	406,612	536,469	114,089	111,765
Employee entitlement liabilities				
Current	1,407,295	1,213,811	743,487	668,841
Non-current	406,612	536,469	114,089	111,765
Total	1,813,907	1,750,280	857,576	780,606
Employee numbers				
Number of employees at year end	293	274	27	31

	Consolidated		Company	
	2005	2004	2005	2004
	$	$	$	$
16. CONTRIBUTED EQUITY				
(i) Share capital				
22,041,583 (2004 - 25,329,931) fully paid ordinary shares	17,939,045	20,044,219	17,939,045	20,044,219

(ii) Movements in issued share capital	2004 Number	2004 $
Balance at 30 June 2003 and 30 June 2004	25,329,931	20,044,219

	2005 Number	2005 $
Balance at 1 July 2004	25,329,931	20,044,219
Ordinary shares purchased under share buy back (refer Note 16 (iv))	(3,288,348)	(2,105,174)
Balance at 30 June 2005	22,041,583	17,939,045

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(iii) Employee Share and Option Plan

The Employee Share and Option Plan was approved by the shareholders at the 1998 annual general meeting. Under the plan, employees (including executive directors), that have been employed by the consolidated entity for at least two years, may be offered the opportunity to purchase ordinary fully paid shares or offered options to acquire ordinary fully paid shares at the directors' discretion and subject to shareholder approval.

The issue price of the plan shares is determined from the weighted average market price of all CTI Logistics Limited shares sold on the Australian Stock Exchange during the 30 days preceding the offer being extended. The exercise price of the plan options is determined by the last sale price of the Company's shares on the day prior to the offer being extended plus a premium of 15%. No options have been issued under this plan since inception.

The Company, at the time of offering the plan shares, may also offer an interest free loan to assist with the purchase of these shares. The term of the loan is for 10 years. The loan is repayable by dividends earned on the plan shares and is secured by a lien over the plan shares.

(iv) Share buy back

During the period the Company undertook an on market buy-back of its issued shares. The share buy-back was undertaken under the terms of the relevant legislation and Australian Stock Exchange Listing Rules, allowing 10% of its shares to bought back within a 12 month period for a price not exceeding 5% above the average market price paid in the 5 trading days immediately preceding a purchase.

The share buy-back operated from 20 September 2004 to 8 December 2004 with shares being repurchased for prices ranging from 58 cents per share to 61 cents per share. A total of 2,532,993 shares were repurchased at a total cost of $1,533,533.

On 19 January 2005, an extension to the share buy-back was authorised at a General Meeting of Shareholders. The Company has been authorised to buy-back a further 15% of the Company's shares. A total of 755,355 shares were repurchased for prices ranging from 65 cents per share to 80 cents per share at a total cost of $571,641 during the year.

17. RETAINED PROFITS AND DIVIDENDS	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
(i) RETAINED PROFITS				
Balance at the beginning of year	3,350,358	1,009,589	666,765	271,162
Net profit for the year	1,818,038	2,847,367	2,862,379	902,201
Dividends provided for or paid	(573,267)	(506,598)	(573,267)	(506,598)
Balance at the end of the year	4,595,129	3,350,358	2,955,877	666,765
(ii) DIVIDENDS				
Ordinary				
Final 2004 dividend of 1 cent per share paid on 12 November 2004. - Franked at 30%	235,463	253,299	235,463	253,299
Interim dividend of 1.5 cents per share paid on 3 May 2005. - Franked at 30%	337,804	253,299	337,804	253,299
Total dividends provided for or paid	573,267	506,598	573,267	506,598

Dividends were paid in cash.

Dividends not recognised at year end

Since the end of the year the directors have declared a final dividend of 1.5 cents per ordinary share, fully franked at 30%. The aggregate amount of the dividend payable on 22 December 2005 out of retained profits at 30 June 2005 is $330,623 (2004 - $253,299).

Franking credits				
Franking credits available at the 30% corporate tax rate.	1,171,512	173,273	1,171,512	173,273

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

(a) franking credits/debits that will arise from the payment/refund of the current tax liability/receivable;
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and
(d) franking credits that may be prevented from being distributed in subsequent financial years.

18. CONTINGENT LIABILITIES	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
Details and estimated maximum amounts of contingent liabilities (for which no amounts are recognised in the financial statements) arising in respect of:				
Company				
Guarantees by the Company in respect of leasing and hire purchase agreements entered into by controlled entities	-	-	4,980,478	4,770,345
Controlled entities				
Guarantees by the Company in respect of creditors and borrowings by controlled entities	-	-	8,622,170	10,376,307
	-	-	13,602,648	15,146,652

18. CONTINGENT LIABILITIES (continued)

Under the terms of a Deed of Cross Guarantee (as detailed in Note 21) the Company has undertaken to meet any shortfall which might arise on the winding up of controlled entities which are party to the deed. The controlled entities are not in liquidation nor is there any indication that the controlled entities will be wound up. Details of controlled entities party to the deed are in Note 21.

19. SUPERANNUATION COMMITMENTS

Superannuation contributions are made pursuant to the Government's Superannuation Guarantee Charge and are legally enforceable. Employees contribute various percentages of their gross income. Benefits provided under the Company's Superannuation Plan are based on the accumulated contributions for each employee over the period of employment. Funds are available to satisfy all benefits that are vested under the plan in the event of termination of the plan or termination of an employee's employment.

20. LEASE AND CAPITAL COMMITMENTS

	Consolidated		Company	
	2005 $	2004 $	2005 $	2004 $
Total lease expenditure contracted for at balance date but not recognised in the financial statements:				
Payable no later than one year	723,223	1,021,857	26,143	14,423
Payable later than one, not later than five years	1,005,876	1,271,957	24,415	11,164
Payable later than five years	50,908	72,676	-	-
	1,780,007	2,366,490	50,558	25,587
Representing:				
Non-cancellable operating leases	1,140,398	1,873,067	-	-
Future finance charges on hire purchase	639,609	493,423	50,558	25,587
Commitments not recognised in the financial statements	1,780,007	2,366,490	50,558	25,587
Analysis of non-cancellable operating lease commitments:				
Payable no later than one year	413,668	830,971	-	-
Payable later than one, not later than five years	675,822	1,066,822	-	-
Payable later than five years	50,908	72,676	-	-
	1,140,398	1,970,469	-	-
Deduct provision for surplus lease space	-	97,402	-	-
Commitments not recognised in the financial statements	1,140,398	1,873,067	-	-
Analysis of hire purchase commitments:				
Payable no later than one year	2,188,664	3,116,792	133,491	162,678
Payable later than one, not later than five years	3,850,526	2,423,659	336,170	139,592
	6,039,190	5,540,451	469,661	302,270
Deduct future finance charges on hire purchase	639,609	493,423	50,558	25,587
Recognised as a liability	5,399,581	5,047,028	419,103	276,683
Representing hire purchase liabilities:				
Current	1,880,766	2,828,504	107,348	148,255
Non-current	3,518,815	2,218,524	311,755	128,428
	5,399,581	5,047,028	419,103	276,683

21. INVESTMENTS IN CONTROLLED ENTITIES

Name of entity	Country of incorporation	Interest of Company (Ordinary shares) 2005 %	2004 %
CTI Logistics Limited	Australia		
Directly controlled by CTI Logistics Limited			
Controlled entities			
Bring Transport Industries Pty Ltd	Australia	100	100
Mercury Messengers Pty Ltd	Australia	100	100
CTI Security Services Pty Ltd	Australia	100	100
CTI Transport Systems Pty Ltd	Australia	100	100
CTI Taxi Trucks Pty Ltd	Australia	100	100
CTI Security Systems Pty Ltd	Australia	100	100
CTI Fleet Management Pty	Australia	100	100
CTI Freight Management Pty Ltd	Australia	100	100
CTI Business Investment Company Pty Ltd	Australia	100	100
CTI Freight Systems Pty Ltd	Australia	100	100
CTI Couriers Pty Ltd	Australia	100	100
CTI Swinglift Services Pty Ltd	Australia	100	100
CTI Xpress Systems Pty Ltd	Australia	100	100
CTI Investments Pty Ltd	Australia	100	100
Consolidated Transport Industries Pty Ltd	Australia	100	100
Other controlled entities			
Directly controlled by CTI Investments Pty Ltd			
Advance Press Pty Ltd	Australia	100	100
LCL Cargo Services Pty Ltd	Australia	100	100
Blackwood Industries Pty Ltd	Australia	100	100
CTI Fulfilment Services Pty Ltd	Australia	100	100
Directly controlled by Blackwood Industries Pty Ltd			
Efal Pty Ltd	Australia	100	100
Ausplastics Pty Ltd	Australia	100	100
CTI Records Management Pty Ltd	Australia	100	100
CTI Waste Management Pty Ltd	Australia	100	100
Directly controlled by Consolidated Transport Industries Pty Ltd			
CTI Distribution Group Pty Ltd	Australia	100	100

All of the above companies are relieved from the requirement to prepare audited financial statements under the ASIC Class Order 98/1418 (as amended) as they and the Company are party to a Deed of Cross Guarantee under which each company guarantees the debts of the others. Entities acquired or established during the financial year have been added by an Assumption Deed contemplated by the Deed of Guarantee. The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee, they also represent the Extended Closed Group.

22. SEGMENT INFORMATION

The consolidated entity operates predominantly in Australia and is involved in the production and sale of the following products and services:

- Logistics and transport services - includes the provision of courier, taxi truck, warehousing and freight forwarding services.
- Manufacturing, security and other services - includes the provision of printing, manufacturing of plastic products and security services.

22. SEGMENT INFORMATION (continued)

	Logistics and Transport 2005 $	Manufacturing, Security and Other 2005 $	Intersegment Eliminations 2005 $	Consolidated 2005 $
Sales to customers outside the consolidated entity	27,768,827	26,559,016	-	54,327,843
Intersegment sales	302,107	7,938	(310,045)	-
Total segment revenue	28,070,934	26,566,954	(310,045)	
Unallocated revenue				1,657,550
Consolidated revenue from ordinary activities				55,985,393
Segment result	2,415,502	2,837,013	(9,255)	5,243,260
Unallocated result				
Interest expense				(655,950)
Other				(1,873,882)
Consolidated profit from ordinary activities before income tax				2,713,428
Income tax expense				(895,390)
Net profit				1,818,038
Segment assets	13,153,264	19,954,928	(395,103)	32,713,089
Unallocated assets				6,791,658
Total assets				39,504,747
Segment liabilities	1,871,327	3,567,992	(131,456)	5,307,863
Unallocated liabilities				11,662,710
Total liabilities				16,970,573
Investment in joint venture partnership	176,275	-	-	176,275
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	976,268	2,826,765	-	3,803,033
Unallocated acquisitions				708,995
Total acquisitions				4,512,028
Share of net profits of joint venture partnership	120,275	-	-	120,275
Depreciation and amortisation expense	801,850	2,589,661	-	3,391,511
Unallocated				276,169
Total depreciation and amortisation expense				3,667,680
Other non-cash expenses	382,308	149,585	-	531,893
Unallocated				(177,000)
Total other non-cash expenses				354,893

22. SEGMENT INFORMATION (continued)

	Logistics and Transport 2004 $	Manufacturing, Security and Other 2004 $	Intersegment Eliminations 2004 $	Consolidated 2004 $
Sales to customers outside the consolidated entity	50,353,933	23,372,066	-	73,725,999
Intersegment sales	141,181	18,860	(160,041)	-
Total segment revenue	50,495,114	23,390,926	(160,041)	
Unallocated revenue				575,762
Consolidated revenue from ordinary activities				74,301,761
Segment result	2,568,361	2,817,116	(181,267)	5,204,210
Unallocated result				
Interest expense				(687,468)
Other				(2,506,633)
Consolidated profit from ordinary activities before income tax				2,010,109
Income tax benefit				837,258
Net profit				2,847,367
Segment assets	17,889,945	19,106,399	(882,309)	36,114,035
Unallocated assets				5,867,857
Total assets				41,981,892
Segment liabilities	3,409,906	4,826,859	(1,342,261)	6,894,504
Unallocated liabilities				11,692,811
Total liabilities				18,587,315
Investment in joint venture partnership	-	-	-	-
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	515,212	2,906,838	-	3,422,050
Unallocated acquisitions				166,898
Total acquisitions				3,588,948
Share of net profits of joint venture partnership	-	-	-	-
Depreciation and amortisation expense	1,305,059	1,856,113	-	3,161,172
Unallocated				340,438
Total depreciation and amortisation expense				3,501,610
Other non-cash expenses	208,932	225,163	-	434,095
Unallocated				187,402
Total other non-cash expenses				621,497

22. SEGMENT INFORMATION (continued)

Inter-segment transfers
Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an "arm's-length" basis and are eliminated on consolidation.

23. DIRECTORS' AND EXECUTIVES' REMUNERATION

The following persons were directors of CTI Logistics Limited during the financial year; J D Elbery, P J Leonhardt, D A Mellor, B E Saxild and D R Watson. Each held office as a director of the Company during the full year ended 30 June 2005.

Having regard to the size and structure of the consolidated entity, the nature of its operations, and the close involvement of the four executive directors, it is the opinion of the directors that there are no specified executives of the Company or the consolidated entity apart from the four executive directors.

REMUNERATION OF DIRECTORS
Principles used to determine the nature and amount of remuneration

The remuneration committee makes specific recommendations on remuneration packages and other terms of employment for executive directors. No element of the remuneration is based upon the Company's performance and no bonus schemes operated during the financial year. There are no service agreements in existence and entitlements on termination would be subject to assessment by the remuneration committee within legislative framework at the time. Remuneration of non-executive directors is determined by the board within the maximum amount, approved by shareholders, from time to time.

Details of remuneration
Details of remuneration of each director of CTI Logistics Limited, including their personally-related entities, are set out in the following table.

2005

	Primary			Post-employment		Equity	
Name	**Cash salary and fees**	**Cash bonus**	**Non-monetary benefits**	**Super-annuation**	**Retirement benefits**	**Options**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
J D Elbery	236,238	-	6,199	12,320	-	-	254,757
P J Leonhardt	33,000	-	-	-	-	-	33,000
D A Mellor	210,455	-	9,986	16,820	-	-	237,261
B E Saxild	211,525	-	9,916	36,000	-	-	257,441
D R Watson	313,450	-	15,853	57,150	-	-	386,453
Total	1,004,668	-	41,954	122,290	-	-	1,168,912

2004

	Primary			Post-employment		Equity	
Name	**Cash salary and fees**	**Cash bonus**	**Non-monetary benefits**	**Super-annuation**	**Retirement benefits**	**Options**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
J D Elbery	220,538	-	9,184	15,249	-	-	244,971
TJ Kennedy (resigned 17 Nov 2003)	9,556	-	-	860	-	-	10,416
P J Leonhardt	-	-	-	29,000	-	-	29,000
D A Mellor	209,456	-	7,841	16,819	-	-	234,116
B E Saxild	198,645	-	8,007	18,630	-	-	225,282
D R Watson	277,117	-	9,982	17,315	-	-	304,414
Total	915,312	-	35,014	97,873	-	-	1,048,199

Directors' and officers' indemnity insurance
The Company's directors' and officers' indemnity insurance policy indemnifies the directors named in this report in respect of their potential liability to third parties for wrongful acts committed by them in their capacity as directors (as defined in the policy). The premium paid in respect of this policy was $15,394 (2004 - $15,235).

23. DIRECTORS' AND EXECUTIVES' REMUNERATION (continued)

EQUITY INSTRUMENT DISCLOSURES RELATING TO DIRECTORS

Share holdings

The number of shares in the Company held during the financial year by the directors of the Company, including their personally-related entities, is set out below.

Name	Balance at the start of the year	Other changes during the year	Balances at the end of the year
J D Elbery	468,726	3,010	471,736
P J Leonhardt	53,086	-	53,086
D A Mellor	984,301	-	984,301
B E Saxild	773,847	-	773,847
D R Watson	5,371,151	78,025	5,449,176

LOANS TO DIRECTORS

Aggregates for directors

	Balance at the start of the year	Interest paid or payable for the year	Interest not charged	Balance at the end of the year	Number in the group at the end of the year
	$	$	$	$	
Directors of CTI Logistics Limited					
2005	847,155	-	55,713	820,905	4
2004	868,155	-	57,293	847,155	4

Individuals with loans above $100,000 during the financial year

2005

	Balance at the start of the year	Interest paid or payable for the year	Interest not charged	Balance at the end of the year	Highest indebtedness during the year
	$	$	$	$	$
J D Elbery	226,635	-	14,889	219,135	226,635
D A Mellor	226,635	-	14,889	219,135	226,635
B E Saxild	226,635	-	14,889	219,135	226,635
D R Watson	167,250	-	11,046	163,500	167,250

The loans were extended for an original term of 10 years. The first tranche of loans has a remaining term of 3 years, while the second tranche has a remaining term of 7 years. All loans to directors are repayable from dividends and are secured by a lien over the shares. The market value of the underlying shares at 30 June 2005 was $892,500 (2004 - $577,500).

In accordance with shareholder approval, these loans are interest free and have not been included in the calculation of non-monetary benefits. The amounts for interest not charged in the tables above represent the amount of interest that would have been charged on an arm's-length basis.

In the event of cessation of employment of directors, loans are repayable but the Company cannot claim or demand outstanding moneys other than to the extent of proceeds realised from the disposal of shares secured under the plans. At the reporting date, the possible loss to the consolidated entity in the event of non-realisation of loans was nil (2004 - nil) after a provision of $204,000 (2004 - $381,000). The provision was made during 2003 against restricted recovery.

23. DIRECTORS' AND EXECUTIVES' REMUNERATION (continued)

OTHER TRANSACTIONS WITH DIRECTORS AND SPECIFIED EXECUTIVES

A director, P J Leonhardt, is a director of Alliance Finance Corporation Limited. During the year Alliance Finance Corporation Limited provided the consolidated entity with an insurance premium funding loan under normal commercial terms and conditions.

24. RELATED PARTY INFORMATION

(i) CONTROLLING ENTITY

CTI Logistics Limited is the ultimate Australian parent entity of the consolidated entity and head entity of the tax consolidated group. The details of the tax sharing agreements are included in Note 4.

(ii) DIRECTORS AND DIRECTOR-RELATED ENTITIES

Disclosures relating to the directors of entities in the consolidated entity are disclosed in Note 23.

(iii) TRANSACTIONS WITH ENTITIES IN THE WHOLLY-OWNED GROUP

During the year the Company advanced and repaid loans, received loans, sold goods and provided accounting and administrative services to other entities in the wholly-owned group. These transactions were on commercial terms and conditions, except for certain interest free loans.

	Consolidated		Company	
	2005	2004	2005	2004
(iv) AMOUNTS RECEIVABLE FROM AND PAYABLE TO ENTITIES IN THE WHOLLY OWNED GROUP AND OTHER RELATED PARTIES	$	$	$	$
Aggregate amounts receivable at balance date from:				
Entities in the wholly-owned group				
Loans				
Current	-	-	8,219,691	9,335,763
(v) AMOUNTS ATTRIBUTABLE TO TRANSACTIONS WITH ENTITIES IN THE WHOLLY-OWNED GROUP AND OTHER RELATED PARTIES				
Operating profit before income tax for the financial year includes aggregate amounts attributable to transactions in respect of:				
Entities in the wholly-owned group				
Interest revenue	-	-	-	72,658
Management revenue	-	-	1,888,632	2,353,370
Services provided	-	-	1,577,715	1,399,558
Rent charged	-	-	365,737	293,226
Dividend revenue	-	-	3,000,000	2,000,000

(vi) OWNERSHIP INTEREST IN ENTITIES IN THE WHOLLY-OWNED GROUP

Interests held in controlled entities are set out in Note 21.

25. EARNINGS PER SHARE

	Consolidated 2005	Consolidated 2004
	Cents per share	Cents per share
Basic earnings per share	7.77	11.24
Diluted earnings per share	7.77	11.24
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share and diluted earnings per share	23,398,813	25,329,931
	$	**$**
Earnings used in the calculation of basic and diluted earnings per share	1,818,038	2,847,367

	Consolidated		Company	
	2005	2004	2005	2004
26. CASH FLOW INFORMATION	$	$	$	$
(i) RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO OPERATING PROFIT AFTER INCOME TAX				
Operating profit after income tax	1,818,038	2,847,367	2,862,379	902,201
Depreciation and amortisation	3,667,743	3,501,610	276,169	340,434
Provision for doubtful debts	(93,500)	(156,595)	(177,000)	-
Net gain on disposal of				
Businesses, property, plant and equipment	(328,604)	(1,774,865)	(15,995)	(34,686)
Investments	(159)	-	-	-
Write-down of property	250,000	-	-	-
Provision for diminution of investments	-	70,625	-	-
Share of net profit of joint venture partnership	(120,275)		-	-
Decrease/(increase) in future income tax benefit	(88,935)	716,154	(88,935)	(293,049)
Increase in provision for income tax payable	87,059	-	87,059	
Increase/(decrease) in deferred taxes payable	(331,345)	(1,471,255)	(331,345)	678,311
Changes in assets and liabilities net of effects of acquisitions and disposals of entities				
(Increase)/decrease in trade and other debtors	1,260,489	4,420,381	776,920	(241,277)
(Increase)/decrease in inventories	(250,745)	(98,420)	-	59,121
(Increase)/decrease in prepayments	150,520	616,675	221,678	(231,440)
(Decrease) in accounts payable, employee entitlements and other provisions	(1,386,563)	(2,753,542)	(203,321)	(338,211)
Net cash inflows from operating activities	4,633,723	5,918,135	3,407,609	841,404
(ii) RECONCILIATION OF CASH				
Cash at the end of the financial year (as shown in the consolidated statement of cash flows) is reconciled to the accounts as follows:				
Cash on hand and at bank at the end of the financial year	1,887,896	453,526	1,887,896	453,526
(iii) STANDBY ARRANGEMENTS AND CREDIT FACILITIES				
Entities in the consolidated entity have access to:				
Credit standby arrangements				
Secured bank overdraft and bill acceptance facilities, totaling	6,180,000	5,920,000	-	-
Amount of credit unused	6,180,000	5,778,320	-	-

The Company does not have separate credit facilities but has access to funds made available by bankers to the consolidated entity as a whole.

26. CASH FLOW INFORMATION (continued)

	Consolidated		Company	
	2005 $	2004 $	2005 $	2004 $
(iv) NON-CASH FINANCING AND INVESTING ACTIVITIES				
Acquisition of plant and equipment by means of hire purchase	2,122,121	1,601,937	319,216	48,213
Sale of businesses, plant and equipment for deferred consideration	-	2,678,640	-	-

(v) DISPOSAL OF BUSINESSES

	Consolidated 2005 $	Consolidated 2004 $
There were no disposals of businesses during the financial year (In 2004 - logistics and transport businesses located in the eastern states and certain wharf related assets were sold).		
Proceeds received or receivable:		
Cash consideration received	-	6,281,185
Deferred consideration	-	2,678,640
Total consideration	-	8,959,825
Carrying value of assets disposed of:		
Plant and equipment	-	4,841,758
Intangible assets	-	2,886,483
Other assets	-	361,552
	-	8,089,793

27. SUBSEQUENT EVENTS

Subsequent to balance date, the directors have declared a final dividend of 1.5 cents per ordinary share fully franked.

Other than disclosed elsewhere in these financial statements no events have occurred since the end of the financial year that provide additional evidence of conditions that existed at the end of the financial year or that reveal for the first time a condition that existed at the end of the financial year.

28. FINANCIAL INSTRUMENTS

Credit Risk Exposures

The credit risk on financial assets of the consolidated entity which have been recognised on the balance sheet, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

Interest Rate Risk Exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate assets and liabilities to maturity.

			Fixed interest maturing in:			
2005	**Weighted average effective interest rate**	**Floating interest rate**	**1 year or less**	**Over 1 to 5 years**	**Non-interest bearing**	**Total**
	%	**$**	**$**	**$**	**$**	**$**
Financial assets						
Cash	4.76	1,887,896	-	-	-	1,887,896
Receivables		-	-	-	10,757,287	10,757,287
Investments		-	-	-	138,145	138,145
		1,887,896	-	-	10,895,432	12,783,328
Financial liabilities						
Other loans	6.90	-	1,260,000	2,996,000	-	4,256,000
Trade and other creditors		-	-	-	5,064,459	5,064,459
Hire purchase liabilities	6.99	-	1,880,766	3,518,815	-	5,399,581
		-	3,140,766	6,514,815	5,064,459	14,720,040
Net financial assets (liabilities)		1,887,896	(3,140,766)	(6,514,815)	5,830,973	(1,936,712)

			Fixed interest maturing in:			
2004	**Weighted average effective interest rate**	**Floating interest rate**	**1 year or less**	**Over 1 to 5 years**	**Non-interest bearing**	**Total**
	%	**$**	**$**	**$**	**$**	**$**
Financial assets						
Cash	4.09	453,526	-	-	-	453,526
Receivables		-	-	-	15,188,837	15,188,837
Investments		-	-	-	257,185	257,185
		453,526	-	-	15,446,022	15,899,548
Financial liabilities						
Other loans	6.68	-	-	4,256,000	-	4,256,000
Trade and other creditors		-	-	-	6,853,094	6,853,094
Hire purchase liabilities	6.83	-	2,828,504	2,218,524	-	5,047,028
		-	2,828,504	6,474,524	6,853,094	16,156,122
Net financial assets (liabilities)		453,526	(2,828,504)	(6,474,524)	8,592,928	(256,574)

28. FINANCIAL INSTRUMENTS (continued)

Net fair value of financial assets and liabilities on-balance sheet

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the consolidated entity approximates their carrying value.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

Equity investments traded on organised markets have been valued by reference to market prices prevailing at balance date.

The carrying amounts and net fair values of financial assets and liabilities at balance date are:

	2005		2004	
	Carrying amount $	Net fair value $	Carrying amount $	Net fair value $
On-balance sheet financial instruments				
Financial assets				
Cash	1,887,896	1,887,896	453,526	453,526
Trade and other debtors	10,757,287	10,728,373	15,188,837	15,133,162
Traded investments (note 6)	138,145	82,697	257,185	395,105
	12,783,328	12,698,966	15,899,548	15,981,793
Financial liabilities				
Trade accounts payable	5,064,459	5,064,459	6,853,094	6,853,094
Other loans	4,256,000	4,256,000	4,256,000	4,256,000
Hire purchase liabilities	5,399,581	5,399,581	5,047,028	5,047,028
	14,720,040	14,720,040	16,156,122	16,156,122

Other than those classes of assets and liabilities denoted as “traded”, none of the classes of financial assets and liabilities are readily traded on organised markets in standardised form.

Although certain trade and other debtors are carried at an amount above net fair value, the directors have not caused those assets to be written down as it is intended to retain those assets to maturity.

	Consolidated		Company	
	2005 $	2004 $	2005 $	2004 $
29. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD				
Non current				
Interest in joint venture partnership	176,275	-	-	-

Interest in joint venture partnership

A controlled entity has a 50% interest in the CTI Foxline Joint Venture, the principal activity of which is the provision of parcel delivery services. Information relating to the joint venture partnership is set out below:

	Consolidated		Company	
	2005 $	2004 $	2005 $	2004 $
Retained profits attributable to the partnership				
At the beginning of the financial year	-	-	-	-
At the end of the financial year	120,275	-	-	-
Movement in carrying amount of investment in partnership				
Carrying amount at the beginning of the financial year	-	-	-	-
New capital invested	176,000	-	-	-
Share of profits from ordinary activities before related income tax	120,275	-	-	-
Repayment of capital investment	(120,000)	-	-	-
Carrying amount at the end of the financial year	176,275	-	-	-
Share of partnership's assets and liabilities				
Current assets	394,670	-	-	-
Non-current assets	126	-	-	-
Total assets	394,796	-	-	-
Current liabilities	218,521	-	-	-
Non-current liabilities	-	-	-	-
Total liabilities	218,521	-	-	-
Net assets	176,275	-	-	-
Share of partnership's revenue, expenses and results				
Revenues	2,183,607	-	-	-
Expenses	2,063,332	-	-	-
Profit from ordinary activities before related income tax	120,275	-	-	-

30. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS

The Australian Accounting Standards Board (AASB) has adopted International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to International Accounting Standards Board (IASB) interpretations originated by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee. These Australian equivalents to IFRS are referred to hereafter as AIFRS. The adoption of AIFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to the comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

The consolidated entity has initiated a review of all areas affected by AIFRS and has identified the accounting policy changes that will be required. In some cases choices of accounting policies are available; including elective exemptions under Accounting Standards AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards*. These choices have been analysed to determine the most appropriate accounting policy for the consolidated entity.

The consolidated entity is still in the process of quantifying all the impacts of the introduction of AIFRS on the financial report. This process is continuing and will be completed during the period ended 31 December 2005.

Although the adjustments disclosed in this note are based on management's best knowledge of expected standards and interpretations, and current facts and circumstances, these may change. For example, amended or additional standards or interpretations may be issued by the AASB and the IASB. Therefore, until the Company prepares its first full AIFRS financial statements, the possibility cannot be excluded that the accompanying disclosures may have to be adjusted. No material impacts are expected in relation to the statement of cash flows.

Set out below are details of the significant areas where there will be an impact on the consolidated entity and the parent entity as a result of the introduction of AIFRS and where known, the impacts have been quantified.

Share based payments
Under AASB 2 *Share Based Payment*, the consolidated entity executive and employee share purchase plans will be deemed as equity settled share based remuneration and treated as an in-substance grant of options.

For new limited recourse loans issued to executives and employees after 1 January 2005, the consolidated entity will be required to recognise within the statement of financial performance, a remuneration expense measured at fair value of the "share option" inherent in the limited recourse loans issued to executives and employees. A loan receivable will not be recognised.

If the policy required by AASB 2 had been applied during the year ended 30 June 2005 in respect of both the consolidated entity and the parent entity, the receivable pursuant to the executives and employee share plans would have reduced by $616,905 with a reduction in contributed equity of $1,009,155 and an increase in retained earnings of $392,250. The 30 June 2005 operating profit would be impacted by a reduction in the write-back of the provision for share scheme loan of $177,000 and the dividends paid during the year would decrease by $26,250.

Business Combinations
As permitted by the election available under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, the classification and accounting treatment of business combinations that occurred prior to transition date have not been restated in preparing the opening AIFRS balance sheet. The assets and liabilities are then subject to the other requirements of AASB 1.

There is no effect of the above on either the consolidated entity or the parent entity.

Intangible assets – goodwill
Under AASB 3 *Business Combinations*, amortisation of goodwill will be prohibited, and will be replaced by annual impairment testing focusing on the cash flows of the related cash-generating unit.

This will result in a change to the current accounting policy, under which goodwill is amortised on a straight-line basis over the period during which the benefits are expected to arise and not exceeding 20 years.

There would be no effect on the parent entity.

30. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS (continued)

If the policy required by AASB 3 had been applied, the effect would have been as follows:

(i) At 1 July 2004
For the consolidated entity, the cost base for goodwill under AIFRS would be $404,172, which was the net amortised goodwill under the previously applied Australian generally accepted accounting principles.

(ii) At 30 June 2005
For the consolidated entity, the net carrying value of goodwill would have been $41,905 higher, with a corresponding decrease in the amortisation and write off of goodwill as included in the 30 June 2005 operating profit.

There would be no effect on the parent entity.

Property, plant and equipment
The current accounting policies of the consolidated entity allowed for the capitalisation and amortisation of an amount relating to the costs of obtaining future income from contracts entered into with clients. This amount is classified as property, plant and equipment.

AASB 138 *Intangible Assets* details the accounting treatment applicable to identifiable non-monetary assets without physical substance. Under AASB 138, contracts obtained by entering directly into an agreement with clients cannot be recognised as an intangible asset as it does not meet the standards requirements in relation to measurement at cost. Under AASB 138 an asset would not be recognised.

If the policy required by AASB 138 had been applied, the effect would have been as follows:

(i) At 1 July 2004
For the consolidated entity, the net carrying amount of property plant and equipment would decrease by $284,050, with a corresponding decrease to retained earnings.
There would be no effect on the parent entity.

(ii) At 30 June 2005
For the consolidated entity, the net carrying amount of property plant and equipment would decrease by $273,108, with a decrease in retained earnings of $284,050 and an increase in the June 2005 operating profit of $10,942.
There would be no effect on the parent entity.

Income taxes
(i) Deferred tax balances
Under AASB 112 *Income taxes*, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

If the policy required by AASB 112 had been applied during the year ended 30 June 2005 there would not have been any significant differences in deferred tax balances as a result of the application of the balance sheet method.

(ii) Tax consolidation legislation
Under UIG 1052 *Tax Consolidation Accounting,* the Company, as the head entity in the tax consolidated group, will be required to recognise the current tax payable of the tax consolidated group entities and deferred tax assets relating to tax losses of these subsidiaries. The net difference between these amounts and amounts receivable or payable under tax funding agreements could result in equity contributions or distributions being recognised in the head entity and other members of the tax consolidated group.

The Company's own tax amounts will be measured using one of the acceptable allocation methods in UIG 1052.

This differs from the current accounting policy, under which the Company recognises current and deferred tax amounts relating to transactions, events and balances of the tax consolidated group entities as if those transactions, events and balances were its own, and measures its own tax amounts by applying the principles in AASB 1020 and its tax sharing agreements.

30. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS (continued)

Income taxes (continued)

(ii) Tax consolidation legislation (continued)

Due to the existence of tax sharing agreements, the Company expects to be able to apply the transitional rules in UIG 1052 paragraph 65. Under theses rules, the Company will derecognise the deferred tax balances relating to tax consolidated group entities against the relevant intercompany account, resulting in a reduction of deferred tax assets, deferred tax liabilities and tax related intercompany receivables or payables respectively.

Due to the recent issue of UIG 1052, the Company is still in the process of determining the financial impact of UIG 1052 on the parent entity's financial report and any amendment required of its tax sharing agreements.

There will be no impact on the net assets or tax expense of the consolidated entity and the consolidated tax balances will not change.

Financial Instruments

AASB 139 *Financial Instruments: Recognition and measurement* is likely to impact the classification and measurement of financial assets and liabilities. Under AASB 139, financial assets held by entities in the consolidated entity will be classified as either at fair value through profit or loss, held-to-maturity, available for sale or loans and receivables and, depending upon classification, be measured at fair value or amortised cost.

Under AASB 139:

- Investments in non-traded equity securities will be classified as available for sale and measured at fair value, with changes in fair value recognised directly in equity until the underlying asset is derecognised.

- Loans and receivables and financial liabilities classifications will remain unchanged. Measurement of these instruments will initially be at fair value with subsequent measurement at amortised cost, using the effective interest rate method.

This will result in a change to the current accounting policy, under which financial assets are carried at the lower of cost and recoverable amount, with changes recognised in profit or loss.

The consolidated entity intends to take advantage of the exemption under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* to apply AASB139 only from 1 July 2005. This allows the consolidated entity to apply previously applied Australian generally accepted accounting principles to the comparative information with the scope of AASB139 for the 30 June 2006 financial report.

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 5 to 38 are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
(ii) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2005 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in Note 21 will be able to meet any obligations or liabilities to which they are, or may become, subject to virtue of the deed of cross guarantee described in Note 21.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the directors.

DAVID MELLOR
Director

Perth
30 September 2005

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Independent audit report to the members of CTI Logistics Limited

Audit opinion

In our opinion, the financial report of CTI Logistics Limited:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of CTI Logistics Limited and the CTI Logistics Group (defined below) as at 30 June 2005, and of their performance for the year ended on that date, and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report and the directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both CTI Logistics Limited (the company) and the CTI Logistics Group (the consolidated entity), for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

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We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

PricewaterhouseCoopers

David J Smith
Partner

Perth
30 September 2005

CORPORATE GOVERNANCE STATEMENT

The Australian Stock Exchange Corporate Governance Council has published 10 principles and best practice recommendations relating to the direction and management of companies. These guidelines form a corporate governance framework intended to provide a practical guide for listed companies and their investors.

Adoption of the principles and associated best practice recommendations is not mandatory and the Australian Stock Exchange recognises that they may not be applicable to all companies. Under the Australian Stock Exchange Listing Rules companies are required to provide a statement disclosing the extent to which they have followed all the recommendations and identify the recommendations that have not been followed and give reasons for not following them.

Board of Directors

Role of the Board
As mentioned in the Directors' Report, due to the size and structure of the consolidated entity and the nature of its operations, the four executive directors have a close involvement with the management of the businesses. Consequently, a Board Charter has not been formally adopted. The formal adoption of a Board Charter will be considered again in the current year.

The board's primary objective is to oversee the group's business activities and management for the benefit of all stakeholders by:
- setting objectives, goals and strategic direction with management with a view to maximising shareholder value;
- overseeing the financial position and monitoring the business and financial affairs of the Company;
- establishing corporate governance, ethical, environmental and health and safety standards;
- ensuring significant business risks are identified and appropriately managed;
- monitoring management's performance and implementation of strategy;
- ensuring appropriate resources are available; and
- ensuring the composition of the board is appropriate, selecting directors for appointment to the board and reviewing the performance of the board and the contribution of individual directors.

The board has delegated responsibilities and authorities to management to enable management to conduct the Company's day to day businesses. Matters which are not within these delegations, such as expenditure and activity approvals which exceed certain parameters, require separate board approval.

For the reasons set out below, the board is mainly composed of management personnel who have been employed by the company for many years. Formal director's letters of appointment were not issued on commencement and are not considered necessary at this stage.

Board Composition
The board comprises five directors including four executive directors. Due to the small size of the Company and its operations, and to avoid additional layers of management, the directors are necessarily involved in the day to day operations of the group businesses. The Company's ability to appoint appropriate non-executive directors who can add value is limited and the costs involved are considered prohibitive in relation to the potential benefits obtainable. The board has, and will continue to consider the appointment of additional non-executive directors. A nomination committee is not considered necessary due to the small number of directors on the board and the relative infrequency of board changes.

The non-executive director is an independent director.

Due to the executive directors' individual separate operational functions, the board is able to effectively review the performance of management and exercise independent judgement.

The directors have a broad range of qualifications, experience and expertise and details of individual directors is set out in the Directors' Report. The role of chairman and chief executive officer is filled by the founder of the business who is also a substantial shareholder. His knowledge, experience and understanding of the small businesses comprising the group are considered essential to perform these roles. The board considers that no value could be added by separating the roles.

Due to the difficulty in finding appropriate independent directors the provision of a specific term for independent directors is not considered appropriate.

The board has adopted a formal policy on access to independent professional advice which provides that directors are entitled to seek such advice for the purposes of the proper performance of their duties. The advice is at the Company's expense and is made available to all directors.

Ethical and Responsible Decision Making

The Company has clarified the ethical behaviour expected of directors and staff, as well as its attitude towards trading in the company's securities.

The Company's business conduct and ethics policy along with the policy on trading in company securities are published on the Company's web site, www.ctilogistics.com.

Integrity in Financial Reporting

The Company has formed an audit committee consisting of independent director Peter Leonhardt (chair) and Jonathan Elbery. Meetings are also attended by David Mellor (finance director) and the chief group accountant. The audit committee has a formal charter which has been approved by the board of directors. The charter is published on the Company's website, www.ctilogistics.com. The size and composition of the audit committee is considered to be appropriate for the size and complexity of the Company.

The committee reports directly to the board of directors and has unlimited access to the Company's external auditors and company employees. The committee meets regularly with the external auditors and reviews all comments and findings there from.

The external auditors meet with the board of directors at least twice a year to review their audit procedures and findings. It is the policy of the external auditors to rotate the audit partner and staff at regular intervals. The board is satisfied with the external auditor's competence and independence.

In accordance with the Australian Stock Exchange Corporate Governance Council best practices guidelines, the chief executive officer and the chief financial officer have written to the board giving assurances as the accuracy and integrity of the Company's financial statements.

The Company's external auditors are always invited to attend the Company's Annual General Meeting and are available to answer shareholders' queries at that time.

Timely and Balanced Disclosure

The board is committed to ensuring that all matters which should be disclosed to the market are disclosed in a timely and balanced manner. All matters for disclosure are vetted and authorised by the board prior to disclosure.

Apart from matters arising at board meetings and audit committee meeting, the executive directors meet regularly as a sub-committee of the board of directors and consider any matters that may require disclosure.

Rights of Shareholders

The board of directors encourages direct communication with shareholders.

Shareholders are encouraged to attend general meetings where formal and informal discussions can take place with board members, senior employees and the external auditors.

Shareholders may also communicate freely with board members at any time.

The Company's website will continue to be developed as a medium to facilitate communication with shareholders.

Risk Recognition and Management

The board has established policies and procedures to recognise, minimise and manage all aspects of risk affecting the Company. Although in many cases these policies are not formally documented, they are appropriate for a small company.

Industry risk is assessed at local management as well as board level.

The audit committee also has the ability to review internal financial control procedures.

A risk and disaster management plan covering the Company's electronic data facilities is in place and is reviewed periodically.

Whilst there is no formal internal audit function, the Company's finance director performs and delegates certain internal audit procedures on a rotational basis throughout the year.

The chairman and chief executive as well as the finance director sign a letter of representation to the external auditors in relation to the matters contained in the annual accounts.

The Australian Stock Exchange Corporate Governance Council best practices guidelines recommend that the chief executive officer and the chief financial officer write to the board giving assurances regarding risk recognition and management, so that the board is assured of considering all relevant factors. This was not considered necessary as the chief executive officer is also the chairman of the Company's board of directors and the chief financial officer is also a member of the Company's board of directors.

Enhanced Performance

The board evaluates the performance of key executives against a range of performance criteria.

The current composition of the board obviates a measurable review of the board's performance and the size of the Company does not warrant an independent assessment.

Board members have access to continuing education within their spheres of operation and the board encourages directors and staff to embark on continuing professional development.

Directors have access to all information required to efficiently discharge responsibility and may request additional information from management at any time. Board meetings are rotated around the company's various locations and operational management are invited to attend board meetings on a regular basis to facilitate directors' understanding of operational matters.

Remuneration

The Company has established a remuneration committee comprising Peter Leonhardt (chair) and David Watson. This committee reviews and makes recommendations on remuneration policies for the Company including, in particular, those governing the directors. Directors' emoluments are set out in Note 23 of the financial statements.

Interests of Stakeholders

The board acknowledges the legitimate interests of all stakeholders and its legal and other obligations to employees, clients and the community as a whole.

Being a small company, there is not a published code of conduct but the board has recognised these obligations through its policies on such matters as ethical standards, and occupational health and safety.

The board encourages all employees to conduct business in a fair and ethical manner and to report any instances where standards may be at risk.