CTI Logistics Limited
ACN 008 778 925

Annual Report 2006

Contents

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

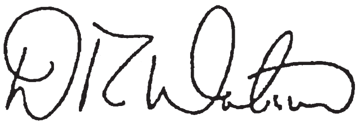
Chairman's Statement

It is pleasing to report a substantial increase in profit over the previous year. The profit of $3,095,769 was up 82.5%. While there is no doubt that the buoyant economic conditions in Western Australia contributed to the results and provided a very good business environment in which to operate, the main driver of profit improvement was the performance of staff, at all levels. Across the board they addressed loss areas, weaknesses and opportunities, and produced the increased profit result against a fairly minimal increase in overall revenue.

At 20.12 cents, the earnings per share calculated on the weighted average of the number of shares on issue throughout the year was up on the AIFRSs-adjusted 7.25 cents the previous year. This was in part due to the series of share buy-backs which ran through to 22 June 2006 and which reduced the number of shares on issue to 11,412,460 at the end of the financial year.

The Company reports as two segments; logistics and transport, and manufacturing and security. Details of the performances of the two segments are set out in this annual report, and further information is set out on the Company's website, www.ctilogistics.com. Given a continuation of the performance of the operating businesses, and a growing economy, the directors are confident that the Company will post another good result in 2006-07, in what will be its twentieth year as a public listed company.

Finally, I would like to extend the board's thanks and appreciation to all members of staff and sub-contractors for their efforts and commitment over the past year.



DAVID WATSON
Executive Chairman

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 2006.

Directors
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 group. Mr Watson is a member of the remuneration committee. Mr Watson has not held any other directorships in listed companies over the past 4 years.

Jonathan David Elbery
Mr Elbery is a Chartered Accountant who has been with the group since 1992. He is responsible for the group'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 4 years.

Peter James Leonhardt
Mr Leonhardt is a non-executive director of CTI Logistics Limited and has been with the group since 1999. During the past 4 years Mr Leonhardt has also served as a director of Centrepoint Alliance Limited (May 2002 and continuing), Carnarvon Petroleum Limited (March 2005 and continuing), Titan Resources Limited (June 2005 to June 2006) and Voyager Energy Limited (2001 to September 2005). Mr Leonhardt is 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 group since 1978. He is responsible for the group's finances and accounts. Mr Mellor has not held any other directorships in listed companies over the past 4 years.

Bruce Edmond Saxild
Mr Saxild has been with the group since 1977. He is responsible for the group's logistics and transport operations. Mr Saxild has not held any other directorships in listed companies over the past 4 years.

Principal activities of the group
The principal activities of the group 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 3 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 1.5 cent fully franked dividend for the year ended 30 June 2005 and a 2 cent fully franked interim dividend for the year ended 30 June 2006 were paid to members.

Review of operations and results
Profit for the year was $3,095,769 compared to $1,695,780 in the previous corresponding period. Revenue from continuing operations was $55,337,492, compared to $54,532,928. Net cash inflows from operating activities was $8,000,893 up from $4,753,723 in the prior year.

The improvement in reported results is due to a combination of successfully managing certain loss making transport and warehousing operations back into profit, and a buoyant economy which has boosted second half profitability in excess of expectations.

Changes in the state of affairs
During the year, the Company completed an on-market share buy-back which commenced in the previous year and was authorised by shareholders to commence a further two on-market buy-backs. In total the Company bought back 10,629,123 shares during the year for a cumulative outlay of $10,091,800. The effect of these buy-backs is detailed in Note 24.

No other significant changes in the state of affairs of the group have occurred other than those matters referred to elsewhere in this 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 group, the results of those operations, or the affairs of the group in subsequent financial years.

Likely developments
The major objectives encompassed in the Business Plan of the group 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 group's existing core operations; and

(iii) to maximise the profits and returns to shareholders by constant review of existing operations.

Directors' Report

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 group'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 27.

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	8	8
P J Leonhardt	8	8
D A Mellor	8	6
B E Saxild	8	8
D R Watson	8	7

Audit committee

	NUMBER HELD	NUMBER ATTENDED
J D Elbery	6	6
P J Leonhardt	6	6

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 HOLDINGS	INDIRECT HOLDINGS
J D Elbery	165,859	327,794
P J Leonhardt	-	53,086
D A Mellor	81,463	935,756
B E Saxild	66,960	760,113
D R Watson	3,484,315	1,972,861

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).

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 group 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 28 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 undermines 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 8.

Directors' Report

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. Remuneration is set to competitively reflect market conditions for comparable roles. There are no guaranteed base pay increases each year, 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 group is set out in the following table.

2006	SHORT TERM			POST-EMPLOYMENT		SHARE BASED PAYMENT	
	CASH SALARY AND FEES $	CASH BONUS $	NON-MONETARY BENEFITS $	SUPER-ANNUATION $	RETIREMENT BENEFITS $	OPTIONS $	TOTAL $
J D Elbery	224,688	-	10,352	16,386	-	-	251,426
P J Leonhardt	35,000	-	-	-	-	-	35,000
D A Mellor	223,522	-	12,324	16,752	-	-	252,598
B E Saxild	225,696	-	15,730	50,000	-	-	291,426
D R Watson	334,031	-	13,893	55,099	-	-	403,023
Total	1,042,937	-	52,299	138,237	-	-	1,233,473

2005	SHORT TERM			POST-EMPLOYMENT		SHARE BASED PAYMENT	
	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 group, 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 Company or relevant group key management personnel apart from the four executive directors.

Directors' Report

Loans to directors

Information on loans to directors is set out in Note 27 of the financial statements.

Additional information – unaudited

	2006 AIFRS	2005 AIFRS	2004 AGAAP	2003 AGAAP	2002 AGAAP
Basic earnings per share (cents)	20.12	7.25	11.24	0.85	3.17
Return on assets (%)	8.79	4.60	6.78	0.04	0.12
Return on equity (%)	21.60	8.07	12.17	0.10	0.38
Yearly dividends per share (cents)	5.00	3.00	2.00	1.00	1.00

As anticipated, the effect of the recent share buy-back (note 24) along with the increase in net profit has seen an improvement in earnings per share. The higher profit levels have meant that returns on equity have improved.

This report is made in accordance with a resolution of the directors on 29 September 2006.

DAVID MELLOR
Director

Perth, 29 September 2006

Auditors' Independence Declaration

PRICEWATERHOUSECOOPERS

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Auditor's Independence Declaration

As lead auditor for the audit of CTI Logistics Limited for the year ended 30 June 2006, 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
29 September 2006

Income Statements for the Year Ended 30 June 2006

	Notes	CONSOLIDATED 2006 $	CONSOLIDATED 2005 $	PARENT ENTITY 2006 $	PARENT ENTITY 2005 $
Revenue	5	55,337,492	54,532,928	3,863,755	7,447,429
Other income	6	667,383	827,968	40,358	35,515
Changes in inventories of finished goods and work in progress		(144,645)	(250,746)	-	-
Raw materials and consumables used		(9,403,894)	(10,550,738)	-	-
Employee benefits expense		(16,117,375)	(15,617,462)	(4,367,452)	(4,174,944)
Subcontractor expense		(14,204,606)	(13,331,166)	-	-
Depreciation and amortisation expense	7	(3,848,442)	(3,427,869)	(321,487)	(276,169)
Motor vehicle and transport costs		(3,010,487)	(3,356,177)	(94,551)	(103,992)
Property costs		(920,584)	(824,184)	(84,502)	(89,956)
Finance costs	7	(928,567)	(787,692)	(244,512)	(103,935)
Other expenses		(3,188,037)	(4,740,684)	(510,830)	(263,236)
Share of net profit of joint venture partnership		209,313	120,275	-	-
Profit (loss) before income tax		4,447,551	2,594,453	(1,719,221)	2,470,712
Income tax (expense) benefit	8	(1,351,782)	(898,673)	509,517	214,667
Profit (loss) for the year	25	3,095,769	1,695,780	(1,209,704)	2,685,379

		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company			
Basic earnings per share	36	20.12	7.25
Diluted earnings per share	36	20.12	7.25

The above income statements should be read in conjunction with the accompanying notes.

Balance Sheets as at 30 June 2006

		CONSOLIDATED		PARENT ENTITY	
	Notes	2006	2005	2006	2005
		$	$	$	$
ASSETS					
Current assets					
Cash and cash equivalents	9	520,418	1,887,896	520,418	1,887,896
Trade and other receivables	10	9,682,076	10,629,178	2,976,048	8,780,278
Inventories	11	1,848,548	1,703,902	-	-
TOTAL CURRENT ASSETS		12,051,042	14,220,976	3,496,466	10,668,174
Non-current assets					
Investments accounted for using the equity method	12	229,589	176,275	-	-
Available-for-sale financial assets	13	65,168	-	54,234	-
Other financial assets	14	-	138,145	8,334,141	8,439,981
Property, plant and equipment	15	18,834,481	19,804,172	2,881,456	2,882,218
Investment properties	16	2,281,755	2,503,775	-	-
Deferred tax assets	17	864,546	538,990	310,943	349,671
Intangible assets	18	881,314	1,009,701	-	-
TOTAL NON-CURRENT ASSETS		23,156,853	24,171,058	11,580,774	11,671,870
TOTAL ASSETS		35,207,895	38,392,034	15,077,240	22,340,044
LIABILITIES					
Current liabilities					
Trade and other payables	19	6,892,609	6,471,754	1,672,608	1,441,776
Borrowings	20	2,172,149	3,140,766	389,862	107,348
Current tax liabilities		1,391,090	87,059	1,391,090	87,059
TOTAL CURRENT LIABILITIES		10,455,848	9,699,579	3,453,560	1,636,183
Non-current liabilities					
Borrowings	21	9,922,404	6,514,815	2,966,511	311,755
Provisions	23	497,472	406,612	108,522	114,089
TOTAL NON-CURRENT LIABILITIES		10,419,876	6,921,427	3,075,033	425,844
TOTAL LIABILITIES		20,875,724	16,621,006	6,528,593	2,062,027
NET ASSETS		14,332,171	21,771,028	8,548,647	20,278,017
EQUITY					
Contributed equity	24	6,838,090	16,929,890	6,838,090	16,929,890
Reserves	25a	(51,084)	-	(36,124)	-
Retained profits	25b	7,545,165	4,841,138	1,746,681	3,348,127
TOTAL EQUITY		14,332,171	21,771,028	8,548,647	20,278,017

The above balance sheets should be read in conjunction with the accompanying notes.

Statements of Changes in Equity for the Year Ended 30 June 2006

	Notes	CONSOLIDATED 2006 $	CONSOLIDATED 2005 $	PARENT ENTITY 2006 $	PARENT ENTITY 2005 $
Total equity at the beginning of the financial year		21,771,028	22,727,439	20,278,017	20,244,829
Change in fair value of available-for-sale financial assets, net of tax		(51,084)	-	(36,124)	-
Recognised directly in equity	25	(51,084)	-	(36,124)	-
Profit (loss) for the year	25	3,095,769	1,695,780	(1,209,704)	2,685,379
Total recognised income and expense for the year		3,044,685	1,695,780	(1,245,828)	2,685,379
Transactions with equity holders in their capacity as equity holders:					
Shares bought back	24	(10,091,800)	(2,105,170)	(10,091,800)	(2,105,170)
Dividends provided for or paid		(391,742)	(547,021)	(391,742)	(547,021)
Total equity at the end of the financial year		14,332,171	21,771,028	8,548,647	20,278,017

The above statements of changes in equity should be read in conjunction with the accompanying notes.

Cash Flow Statements for the Year Ended 30 June 2006

	Notes	CONSOLIDATED 2006 $	CONSOLIDATED 2005 $	PARENT ENTITY 2006 $	PARENT ENTITY 2005 $
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		62,745,691	61,552,665	4,479,512	5,018,966
Payments to suppliers and employees (inclusive of goods and services tax)		(53,993,623)	(56,056,900)	(5,890,928)	(4,895,162)
Dividends received		5,520	4,554	5,520	3,004,554
Interest received		180,038	180,483	96,265	78,085
Joint venture partnership distribution received		156,000	120,000	-	-
Interest paid		(741,322)	(792,805)	(129,096)	(103,935)
Income tax refund received		75,668	1,033,828	-	405,781
Income taxes paid		(427,079)	(1,288,102)	(53,527)	(100,680)
NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES	34	8,000,893	4,753,723	(1,492,254)	3,407,609
Cash flows from investing activities					
Loan repayments received		-	-	7,992,477	1,116,072
Payments for property, plant and equipment		(1,255,632)	(2,381,327)	(307,162)	(389,779)
Payments for intangibles		(42,641)	(8,580)	-	-
Payments for investment in joint venture partnership		-	(176,000)	-	-
Deferred payment for purchase of business		(83,333)	(333,333)	-	-
Proceeds from sale of property, plant & equipment		261,908	647,161	35,455	129,455
Proceeds from sale of other investments		-	119,199	-	-
Deferred proceeds from sale of business		1,196,070	3,235,284	-	-
NET CASH INFLOW FROM INVESTING ACTIVITIES		76,372	1,102,404	7,720,770	855,748
Cash flows from financing activities					
Proceeds from borrowings		3,025,000	-	3,025,000	-
Repayment of borrowings		(1,986,201)	(1,769,566)	(137,452)	(176,796)
Payments for shares bought back		(10,091,800)	(2,105,170)	(10,091,800)	(2,105,170)
Dividend paid to Company's shareholders		(391,742)	(547,021)	(391,742)	(547,021)
NET CASH (OUTFLOW) FROM FINANCING ACTIVITIES		(9,444,743)	(4,421,757)	(7,595,994)	(2,828,987)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(1,367,478)	1,434,370	(1,367,478)	1,434,370
Cash and cash equivalents at the beginning of the financial year		1,887,896	453,526	1,887,896	453,526
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	9	520,418	1,887,896	520,418	1,887,896

The above cash flow statements should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes financial statements for the consolidated entity consisting of CTI Logistics Limited and its subsidiaries

a BASIS OF PREPARATION OF FINANCIAL REPORT

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with AIFRSs ensures that the consolidated financial statements and notes of CTI Logistics Limited comply with International Financial Reporting Standards (IFRSs). The parent entity financial statements and notes also comply with IFRSs except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 *Financial Instruments: Presentation and Disclosure*.

Application of AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards

These financial statements are the first CTI Logistics Limited financial statements to be prepared in accordance with AIFRSs. AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of CTI Logistics Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing CTI Logistics Limited 2006 financial statements, management has amended certain accounting, valuation and consolidation methods applied in the AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures in respect of 2005 were restated to reflect these adjustments. The group has taken the exemption available under AASB 1 to only apply AASB 132 and AASB 139 from 1 July 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRSs on the group's equity and its net income are given in note 37.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available for sale financial assets.

b PRINCIPLES OF CONSOLIDATION

i) Subsidiaries

The financial statements incorporate the assets and liabilities of all entities controlled by CTI Logistics Limited ("Company") as at 30 June 2006 and the results of all subsidiaries for the year then ended. CTI Logistics Limited and its subsidiaries together are referred to in these financial statements as the group.

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

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group (refer to note 1(h)).

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(ii) Joint ventures

Joint venture entities
The interest in a joint venture partnership is accounted for in the consolidated financial statements using the equity method. Under the equity method, the share of the profits or losses of the partnership is recognised in the income statement, and the share of movements in reserves is recognised in the balance sheet.

Profits or losses on transactions establishing the joint venture partnership and transactions with the joint venture are eliminated to the extent of the group'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.

c SEGMENT REPORTING

Segment reporting details are set out in Note 4. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. There is no geographical segmentation as all operations are within Australia.

d FOREIGN CURRENCY TRANSLATION

(i) Functional and presentation currency
All group entities are based in Australia. The consolidated financial statements are presented in Australian dollars, which is the group's functional and presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

e REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

(i) Logistics and transport
A sale is recorded when the goods or services have been delivered to or collected by a customer in accordance with the arrangements made with the Group.
(ii) Security, manufacturing and other
A sale is recorded when goods have been despatched to a customer pursuant to a sales order and the associated risks of ownership have passed to the customer.
A sale is recorded for services when the service has been performed.
(iii) Interest income
Interest income is recognised on a time proportion basis using the effective interest method.
(iv) Dividends
Dividends are recognised as revenue when the right to receive payment is established.

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Other revenue

Revenue from outside the operating activities includes rent and, in the case of the Company, management fees received from controlled entities. This revenue is recognised at the time such income is earned.

f INCOME TAX

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation.

CTI Logistics Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003.

The head entity, CTI Logistics Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, CTI Logistics Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g LEASES

Leases of property, plant and equipment where the group has substantially all the risk and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the leases' inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

h ACQUISITION OF ASSETS

The purchase method of accounting is used to account for all acquisition of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1(q)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

i IMPAIRMENT OF ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets, other than goodwill, are reviewed for possible reversal of the impairment at each reporting period.

j CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within interest bearing liabilities in current liabilities on the balance sheet.

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k TRADE RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement not more than 30 days from the date of recognition.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rates. The amount of the provision is recognised in the income statement.

l INVENTORIES

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriated proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

m INVESTMENTS AND OTHER FINANCIAL ASSETS

From 1 July 2004 to 30 June 2005

The group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 July 2005. The Group has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

Under previous AGAAP, interests in listed and unlisted securities, other than subsidiaries and associates, were brought to account at cost and dividend income was recognised in the income statement when receivable.

Adjustments on transition date: 1 July 2005

The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that, with the exception of loans and receivables which are measured at amortised cost (refer below), fair value is the measurement basis. Fair value is inclusive of transaction costs. Changes in fair value are either taken to the income statement or an equity reserve (refer below). At the date of transition (1 July 2005) there were no significant changes to carrying amounts.

From 1 July 2005

The group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(i) Financial assets held at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value though profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The policy of management is to designate a financial asset, if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities with greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and the option pricing models refined to reflect the issuer's specific circumstances.

The group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

n FAIR VALUE ESTIMATION

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

o PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment other than freehold land is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost net of their residual values, over their estimated useful lives, as follows:

Buildings	25-40 years
Plant & equipment	5-15 years
Motor vehicles	5-10 years
Furniture and fittings	3 - 8 years

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

p INVESTMENT PROPERTY

Investment property, principally comprising freehold land and buildings, is held for long-term rental yields and is not occupied by the group. Investment property other than freehold land is held at historical cost less depreciation. Investment buildings are depreciated using the straight line method over their estimated useful lives of 25 to 40 years.

q INTANGIBLE ASSETS

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets acquired. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash generating units for the purpose of impairment testing.

(ii) Purchased Security Lines

Security lines have a finite useful life and are carried at cost less accumulated amortisation and impaired losses. Amortisation is calculated using the straight line method to allocate the cost of security lines over their estimated useful lives, which vary from 5 to 7 years.

r TRADE AND OTHER PAYABLES

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

s BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

t 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 and finance lease charges.

u PROVISIONS

Provisions for legal claims and service warranties are recognised when the group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

v EMPLOYEE BENEFITS

(i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non monetary benefits, annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Retirement benefit obligations

Contributions to the defined contribution fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Bonus plans

The group recognises a liability and an expense for bonuses where contractually obliged or when past events have created a constructive obligation.

w CONTRIBUTED EQUITY

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are not included in the cost of the acquisition as part of the purchase consideration.

If the Company reacquires its own ordinary shares, eg: as a result of a share buy-back, those shares are deducted from equity and cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

x 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 year but not distributed at balance date.

y EARNINGS PER SHARE

(i) Basic earnings per share

Basic earnings per share is determined by dividing profit for the year by the weighted average number of ordinary shares outstanding 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.

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

z FINANCIAL INSTRUMENT TRANSACTION COSTS

The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 July 2005. The group has applied previous Australian GAAP (AGAAP) in the comparative information on financial instruments within the scope of AASB 132 and AASB 139. Under previous AGAAP transaction costs were excluded from the amounts disclosed in the financial statements. Under AIFRS such costs are included in the carrying amounts. At the date of transition to AASB 132 and AASB 139 the adjustment to carrying amounts for the group was immaterial.

aa GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amounts of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

ab NEW ACCOUNTING STANDARDS AND UIG INTERPRETATIONS

Recently issued as amended Australian Accounting Standards not yet effective and not adopted for the year ended 30 June 2006, are not expected to result in significant accounting policy changes or have a material financial impact on the group.

2. FINANCIAL RISK MANAGEMENT

The group's activities expose it to a variety of financial risks; market risk (fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group. The group, depending on the assessed cost of such instruments, may use derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures.

Risk management is carried out by the director responsible for finance under policies approved by the board of directors. The board considers and minutes principles for overall risk management, as well as minuting policies covering specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of derivative financial instruments and investing excess liquidity.

a Credit risk

The group has no significant concentrations of credit risk. The group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The group has policies that limit the amount of credit exposure to any one financial institution.

b Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the board of directors aims at maintaining flexibility in funding by keeping committed credit lines available.

c Cash flow and fair value interest rate risk

As the group has no significant interest bearing assets, the group's income and operating cash flows are substantially independent of changes in market interest rates.

Notes to the Financial Statements

2. FINANCIAL RISK MANAGEMENT (continued)

The group's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. Group policy is to maintain approximately 60% of its borrowings in short term reviewable or fixed rate instruments. At the year end, 75% of borrowings were at short term reviewable or fixed rates.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates, assumptions and judgements may be used to assess the measurement of certain items of income and expense, and assets and liabilities. Such estimates, assumptions and judgements are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Where estimates and assumptions are made concerning the future, the resulting accounting estimates may not equal the related actual outcome. The estimates and assumptions which give rise to a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(i). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Note 18 sets out the basis of these assumptions.

(ii) Income taxes

Some judgement is required in determining the provision for income taxes. Some transactions and calculations arise for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

4. SEGMENT INFORMATION

a Desccription of segment

The group 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, parcel distribution, fleet management, warehousing and distribution and document storage services
- Manufacturing, security and other services - includes the provision of printing, manufacturing of plastic products and security services.

b Notes to and forming part of the segment information

(i) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1 and accounting standard AASB 114 *Segment Reporting*.

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 operating cash, 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 benefits and provision for service warranties. Segment assets and liabilities do not include income taxes.

Notes to the Financial Statements

4. SEGMENT INFORMATION (continued)

(ii) 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.

2006	LOGISTICS AND TRANSPORT $	MANUFACTURING, SECURITY AND OTHER $	INTERSEGMENT ELIMINATIONS $	CONSOLIDATED $
Sales to external customers	29,633,265	25,431,315	-	55,064,580
Intersegment sales	299,065	35,150	(334,215)	-
Total sales revenue	29,932,330	25,466,465	(334,215)	55,064,580
Share of net profit of joint venture partnership				209,313
Other revenue/income				940,295
Total segment revenue/income				56,214,188
Segment result	4,692,246	2,238,992	(150,011)	6,781,227
Unallocated revenue less expenses				(2,333,676)
Profit before income tax expense				4,447,551
Income tax expense				(1,351,782)
Profit for the year				3,095,769
Segment assets	12,482,475	18,389,024	(815,306)	30,056,193
Unallocated assets				5,151,702
Total assets				35,207,895
Segment liabilities	2,124,100	3,989,912	(146,457)	5,967,555
Unallocated liabilities				14,908,169
Total liabilities				20,875,724
Investment in joint venture partnership	229,589	-	-	229,589
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	1,068,219	1,219,845	-	2,288,064
Unallocated acquisitions				410,378
Total acquisitions				2,698,442
Depreciation and amortisation expense	866,425	2,660,530	-	3,526,955
Unallocated				321,487
Total depreciation and amortisation expense				3,848,442
Other non-cash expenses	657,733	742,443	-	1,400,176

Notes to the Financial Statements

4. SEGMENT INFORMATION (continued)

2005	LOGISTICS AND TRANSPORT $	MANUFACTURING, SECURITY AND OTHER $	INTERSEGMENT ELIMINATIONS $	CONSOLIDATED $
Sales to external customers	27,768,827	26,904,821	-	54,673,648
Intersegment sales	302,107	7,938	(310,045)	-
Total sales revenue	28,070,934	26,912,759	(310,045)	54,673,648
Share of net profit of joint venture partnership				120,275
Other revenue				687,248
Total segment revenue				55,481,171
Segment result	2,415,502	2,718,037	(9,254)	5,124,285
Unallocated revenue less expenses				(2,529,832)
Profit before income tax expense				2,594,453
Income tax expense				(898,673)
Profit for the year				1,695,780
Segment assets	13,153,264	19,723,726	(395,105)	32,481,885
Unallocated assets				5,910,149
Total assets				38,392,034
Segment liabilities	1,871,327	3,486,060	(131,458)	5,225,929
Unallocated liabilities				11,395,077
Total liabilities				16,621,006
Investment in joint venture partnership	176,275	-	-	176,275
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	976,268	2,639,865	-	3,616,133
Unallocated acquisitions				708,995
Total acquisitions				4,325,128
Depreciation and amortisation expense	759,944	2,391,756	-	3,151,700
Unallocated				276,169
Total depreciation and amortisation expense				3,427,869
Impairment of goodwill	79,824	-	-	79,824
Impairment of investment property	250,000	-	-	250,000
Other non-cash expenses	382,308	149,585	-	531,893

Notes to the Financial Statements

5. REVENUE

	CONSOLIDATED		PARENT ENTITY	
	2006	2005	2006	2005
	$	$	$	$
Revenue				
Sales revenue				
Sale of goods	20,904,315	22,319,735	-	-
Services	33,848,817	31,488,557	561,074	532,706
Services to related companies	-	-	2,917,096	1,577,715
Other revenue				
Interest	180,038	180,483	96,265	78,085
Dividends	5,520	4,554	5,520	4,554
Dividends from related companies	-	-	-	3,000,000
Management fees	-	-	-	1,888,632
Rent	398,802	539,599	-	-
Rent charged to related companies	-	-	283,800	365,737
	55,337,492	54,532,928	3,863,755	7,447,429

6. OTHER INCOME

Net gain (loss) on disposal of:				
- Property, plant and equipment	91,810	328,604	(705)	15,995
- Investments	-	159	-	-
- Other	575,573	499,205	41,063	19,520
	667,383	827,968	40,358	35,515

7. EXPENSES

Profit (loss) before income tax includes the following specific expenses:

Defined contribution superannuation expense	1,361,451	1,357,801	347,819	478,025
Write-down of investment property	-	250,000	-	-
Depreciation				
Buildings	397,225	250,739	59,752	59,751
Plant & equipment	3,280,189	2,925,574	261,735	216,418
Total depreciation	3,677,414	3,176,313	321,487	276,169
Amortisation				
Purchased lines	171,028	171,795	-	-
Finance costs				
Interest and finance charges paid/payable	928,567	787,692	244,512	103,935
Rental expense relating to operating leases				
Minimum lease payments	656,031	604,649	-	-

Notes to the Financial Statements

8. INCOME TAX EXPENSE

	CONSOLIDATED		PARENT ENTITY	
	2006	2005	2006	2005
	$	$	$	$
a Income tax expense (benefit)				
Current tax	1,653,215	1,141,105	(555,142)	(182,125)
Deferred tax	(303,663)	(207,590)	54,210	30,011
Under (Over) provided in prior years	2,230	(34,842)	(8,585)	(62,553)
Income tax expense (benefit)	1,351,782	898,673	(509,517)	(214,667)
Deferred income tax (revenue) expense included in income tax expense comprises:				
(Increase) decrease in deferred tax assets (note 17)	(92,414)	36,495	54,210	30,011
Decrease in deferred tax liabilities (note 22)	(211,249)	(244,085)	-	-
	(303,663)	(207,590)	54,210	30,011
b Numeric reconciliation of income tax expense to prima facie tax payable				
Profit (loss) before income tax expense	4,447,551	2,594,453	(1,719,221)	2,470,712
Tax at the Australian rate of tax of 30% (2005 – 30%)	1,334,265	778,336	(515,766)	741,214
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Depreciation and amortisation	12,276	27,363	12,276	6,254
Tax offset for franked dividends	-	(1,366)	-	(901,366)
Write-down of investment property	-	75,000	-	-
Sundry items	3,011	54,182	2,558	1,784
	1,349,552	933,515	(500,932)	(152,114)
Under (over) provision in prior years	2,230	(34,842)	(8,585)	(62,553)
Income tax expense (benefit)	1,351,782	898,673	(509,517)	(214,667)
c Amounts recognised direct in equity				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity				
Net deferred tax – credited directly to equity (note 17)	(21,893)	-	(15,482)	-

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(f).

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 by the Company and will limit the joint and several liability of the controlled entities in the case of default by the Company.

Notes to the Financial Statements

9. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	CONSOLIDATED		PARENT ENTITY	
	2006	2005	2006	2005
	$	$	$	$
Cash at bank and in hand	520,418	1,887,896	520,418	1,887,896

a Reconciliation to cash at the end of the year
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows.

b Cash at bank and on hand
Cash at bank earns interest at varying rates between nil and 5.29%.

10. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

Trade receivables	9,264,034	9,383,242	35,988	58,450
Provision for doubtful receivables	(442,910)	(523,871)	-	-
	8,821,124	8,859,371	35,988	58,450
Loans to controlled entities	-	-	2,560,773	8,631,966
Other receivables	96,038	1,284,040	-	-
Prepayments	764,914	485,767	379,287	89,862
	860,952	1,767,807	2,940,060	8,721,828
	9,682,076	10,629,178	2,976,048	8,780,278

a Bad and doubtful trade receivables
The group has recognised a loss of $45,048 (2005 -$104,893) in respect of bad and doubtful trade receivables during the year ended 30 June 2006. The loss has been included in 'other expenses' in the income statement.

b Other receivables
These amounts generally arise from transactions outside the usual operating activities of the group. Interest is not normally charged and collateral is not normally obtained.

c Effective interest rates and credit risk
Information concerning the effective interest rate and credit risk of receivables is set out in note 2.

11. CURRENT ASSETS – INVENTORIES

	CONSOLIDATED		PARENT ENTITY	
	2006	2005	2006	2005
	$	$	$	$
Raw materials and stores – at cost	364,448	382,541	-	-
Work in progress – at cost	264,583	234,608	-	-
Finished goods – at cost	1,219,517	1,086,753	-	-
	1,848,548	1,703,902	-	-

Notes to the Financial Statements

12. NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	CONSOLIDATED		PARENT ENTITY	
	2006	2005	2006	2005
	$	$	$	$
Interest in joint venture partnership	229,589	176,275	-	-

13. NON-CURRENT ASSETS – AVAILABLE-FOR-SALE FINANCIAL ASSETS

Other listed securities				
Equity securities	65,168	-	54,234	-

Transition to AASB 132 and AASB 139

The group has taken the exemption available under AASB 1 to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and *AASB 139 Financial Instruments: Recognition and Measurement* from 1 July 2005. At the date of transition to these standards on 1 July 2005:

- equity securities of $138,145 and $105,840 for group and Parent Entity respectively, under previous AGAAP, were designated and re-classified as available-for-sale financial assets. On 1 July 2005 there was no significant difference between cost and fair value of these financial assets.
- adjustments of $72,977 (group) and $51,606 (Parent Entity) were recognised at 30 June 2006 to remeasure to fair value.

14. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

	CONSOLIDATED		PARENT ENTITY	
	2006	2005	2006	2005
	$	$	$	$
Shares in subsidiaries (note 31)	-	-	8,334,141	8,334,141
Other listed securities				
Equity securities	-	138,145	-	105,840
	-	138,145	8,334,141	8,439,981

These financial assets are carried at cost.

15. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

Consolidated	FREEHOLD LAND	FREEHOLD BUILDINGS	PLANT AND EQUIPMENT	MOTOR VEHICLES	TOTAL
	$	$	$	$	$
1 July 2004					
Cost	2,488,982	7,517,702	21,205,400	6,274,819	37,486,903
Accumulated depreciation	-	(1,736,045)	(13,720,481)	(3,123,998)	(18,580,524)
Net book amount	2,488,982	5,781,657	7,484,919	3,150,821	18,906,379
Year ended 30 June 2005					
Opening net book amount	2,488,982	5,781,657	7,484,919	3,150,821	18,906,379
Additions	-	3,680	3,035,359	1,277,509	4,316,548
Disposals	-	-	(98,868)	(219,692)	(318,560)
Depreciation charge	-	(174,621)	(2,250,744)	(674,830)	(3,100,195)
Closing net book amount	2,488,982	5,610,716	8,170,666	3,533,808	19,804,172

Notes to the Financial Statements

15. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)

Consolidated	FREEHOLD LAND $	FREEHOLD BUILDINGS $	PLANT AND EQUIPMENT $	MOTOR VEHICLES $	TOTAL $
At 30 June 2005					
Cost	2,488,982	7,521,382	23,871,096	6,042,304	39,923,764
Accumulated depreciation	-	(1,910,666)	(15,700,430)	(2,508,496)	(20,119,592)
Net book amount	2,488,982	5,610,716	8,170,666	3,533,808	19,804,172
Year ended 30 June 2006					
Opening net book amount	2,488,982	5,610,716	8,170,666	3,533,808	19,804,172
Additions	-	14,585	1,637,386	1,003,830	2,655,801
Disposals	-	-	(3,294)	(166,804)	(170,098)
Depreciation charge	-	(175,205)	(2,579,457)	(700,732)	(3,455,394)
Closing net book amount	2,488,982	5,450,096	7,225,301	3,670,102	18,834,481
At 30 June 2006					
Cost	2,488,982	7,535,967	25,338,265	6,534,981	41,898,195
Accumulated depreciation	-	(2,085,871)	(18,112,964)	(2,864,879)	(23,063,714)
Net book amount	2,488,982	5,450,096	7,225,301	3,670,102	18,834,481

Parent Entity	FREEHOLD LAND $	FREEHOLD BUILDINGS $	PLANT AND EQUIPMENT $	MOTOR VEHICLES $	TOTAL $
1 July 2004					
Cost	560,973	1,945,838	1,859,891	796,188	5,162,890
Accumulated depreciation	-	(495,606)	(1,734,873)	(369,559)	(2,600,038)
Net book amount	560,973	1,450,232	125,018	426,629	2,562,852
Year ended 30 June 2005					
Opening net book amount	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 charge	-	(59,751)	(112,772)	(103,646)	(276,169)
Closing net book amount	560,973	1,390,481	328,109	602,655	2,882,218
At 30 June 2005					
Cost	560,973	1,945,838	2,175,754	751,296	5,433,861
Accumulated depreciation	-	(555,357)	(1,847,645)	(148,641)	(2,551,643)
Net book amount	560,973	1,390,481	328,109	602,655	2,882,218
Year ended 30 June 2006					
Opening net book amount	560,973	1,390,481	328,109	602,655	2,882,218
Additions	-	-	278,477	78,409	356,886
Disposals	-	-	-	(36,161)	(36,161)
Depreciation charge	-	(59,752)	(158,450)	(103,285)	(321,487)
Closing net book amount	560,973	1,330,729	448,136	541,618	2,881,456

Notes to the Financial Statements

15. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)

Parent Entity	FREEHOLD LAND $	FREEHOLD BUILDINGS $	PLANT AND EQUIPMENT $	MOTOR VEHICLES $	TOTAL $
At 30 June 2006					
Cost	560,973	1,945,838	2,454,231	781,491	5,742,533
Accumulated depreciation	-	(615,109)	(2,006,095)	(239,873)	(2,861,077)
Net book amount	560,973	1,330,729	448,136	541,618	2,881,456

a Recent valuations of land and buildings

	CONSOLIDATED		PARENT ENTITY	
	2006 $	2005 $	2006 $	2005 $
Aggregate recent valuations of freehold land and buildings based on:				
Independent valuation – 2006	17,200,000	-	3,400,000	-
Directors' valuation – 2005	-	8,977,680	-	2,550,000
	17,200,000	8,977,680	3,400,000	2,550,000

The valuation basis of land and buildings is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition. The 2006 valuations were based on independent assessments by an Associate of the Australian Property Institute as at 23 May 2006. The 2005 valuations were made by the directors as at 30 June 2005.

b Non-current assets pledged as security

Refer to note 21 for information on non-current assets pledged as security by the parent entity and its controlled entities.

Notes to the Financial Statements

16. NON-CURRENT ASSETS – INVESTMENT PROPERTIES

Consolidated	FREEHOLD LAND $	FREEHOLD BUILDINGS $	TOTAL $
1 July 2004			
Cost	511,414	2,989,663	3,501,077
Accumulated depreciation	-	(671,184)	(671,184)
Net book amount	511,414	2,318,479	2,829,893
Year ended 30 June 2005			
Opening net book amount	511,414	2,318,479	2,829,893
Additions	-	-	-
Write-down	-	(250,000)	(250,000)
Depreciation charge	-	(76,118)	(76,118)
Closing net book amount	511,414	1,992,361	2,503,775
At 30 June 2005			
Cost	511,414	2,989,663	3,501,077
Accumulated depreciation	-	(997,302)	(997,302)
Net book amount	511,414	1,992,361	2,503,775
Year ended 30 June 2006			
Opening net book amount	511,414	1,992,361	2,503,775
Additions	-	-	-
Disposals	-	-	-
Depreciation charge	-	(222,020)	(222,020)
Closing net book amount	511,414	1,770,341	2,281,755
At 30 June 2006			
Cost	511,414	2,989,663	3,501,077
Accumulated depreciation	-	(1,219,322)	(1,219,322)
Net book amount	511,414	1,770,341	2,281,755

Parent entity

The parent entity does not hold any investment property.

a Amounts recognised in profit and loss for investment properties

	CONSOLIDATED		PARENT ENTITY	
	2006 $	2005 $	2006 $	2005 $
Rental income	221,170	40,638	-	-
Direct operating expenses from property that generated rental income	(97,054)	(42,830)	-	-
	124,116	(2,192)	-	-

Notes to the Financial Statements

16. NON-CURRENT ASSETS – INVESTMENT PROPERTIES (continued)

	CONSOLIDATED		PARENT ENTITY	
	2006	2005	2006	2005
	$	$	$	$
b Valuation				
Recent independent valuation conducted in 2006 (2005 – Directors' valuation)	3,505,000	2,835,000	-	-

The basis of the valuation of investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. The 2006 valuations were based on independent assessments by an Associate of the Australian Property Institute as at 23 May 2006. The 2005 valuations were made by the directors as at 30 June 2005.

c Non-current assets pledged as security

Refer to note 21 for information on non-current assets pledged as security by the parent entity and its controlled entities.

d Contractual obligations

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

e Leasing arrangements

The investment properties are leased to tenants on monthly operating leases.

17. NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	CONSOLIDATED		PARENT ENTITY	
	2006	2005	2006	2005
	$	$	$	$
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Doubtful debts	132,874	240,525	-	61,200
Employee benefits	544,696	523,432	225,423	257,273
Depreciation	210,920	50,457	15,633	11,182
Other	61,006	42,668	54,405	20,016
	949,496	857,082	295,461	349,671
Amounts recognised directly in equity				
Available-for-sale financial assets	21,893	-	15,482	-
	971,389	857,082	310,943	349,671
Set-off of deferred tax liabilities (note 22)	(106,843)	(318,092)	-	-
Net deferred tax assets	864,546	538,990	310,943	349,671
Opening balance at 1 July	857,082	893,577	349,671	379,682
Credited (debited) to the income statement (note 8)	92,414	(36,495)	(54,210)	(30,011)
Credited to equity (note 25)	21,893	-	15,482	-
Closing balance at 30 June	971,389	857,082	310,943	349,671

Notes to the Financial Statements

18. NON-CURRENT ASSETS – INTANGIBLE ASSETS

Consolidated	GOODWILL $	SECURITY LINES $	TOTAL $
At 1 July 2004			
Cost	404,172	1,331,282	1,735,454
Accumulated amortisation and impairment	-	(482,714)	(482,714)
Net book amount	404,172	848,568	1,252,740
Year ended 30 June 2005			
Opening net book amount	404,172	848,568	1,252,740
Additions	-	8,580	8,580
Impairment charge	(79,824)	-	(79,824)
Amortisation charge	-	(171,795)	(171,795)
Closing net book amount	324,348	685,353	1,009,701
At 30 June 2005			
Cost	324,348	1,339,862	1,662,210
Accumulated amortisation and impairment	-	(654,509)	(654,509)
Net book amount	324,348	685,353	1,009,701
Year ended 30 June 2006			
Opening net book amount	324,348	685,353	1,009,701
Additions	-	42,641	42,641
Amortisation charge	-	(171,028)	(171,028)
Closing net book amount	324,348	556,966	881,314
At 30 June 2006			
Cost	324,348	1,382,503	1,706,851
Accumulated amortisation and impairment	-	(825,537)	(825,537)
Net book amount	324,348	556,966	881,314

Security lines are amortised in accordance with Note 1(q). Amortisation of $171,028 (2005 - $171,795) is included in depreciation and amortisation expense in the income statement.

Parent entity

The parent entity does not carry any goodwill.

a Impairment tests for goodwill

Goodwill is allocated to the group's cash-generating units (CGUs) identified according to business segment.
The segment-level summary of goodwill allocation is presented below.

	LOGISTICS AND TRANSPORT $	MANUFACTURING SECURITY AND OTHER $	TOTAL $
2006	144,082	180,266	324,348
2005	144,082	180,266	324,348

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on current sustainable earnings and financial budgets approved by management. Cash flows have not been discounted as they show that the carrying amounts are substantially recovered within a twelve month period.

Notes to the Financial Statements

19. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	CONSOLIDATED		PARENT ENTITY	
	2006	2005	2006	2005
	$	$	$	$
Trade payables	5,574,427	5,064,459	1,029,720	698,289
Other payables	1,318,182	1,407,295	642,888	743,487
	6,892,609	6,471,754	1,672,608	1,441,776

20. CURRENT LIABILITIES – BORROWINGS

Secured				
Bills payable	225,000	-	225,000	-
Lease liabilities (note 29)	1,947,149	1,880,766	164,862	107,348
Other loans	-	1,260,000	-	-
Total current interest bearing liabilities	2,172,149	3,140,766	389,862	107,348

a Interest rate risk exposures

Details of the group's exposure to interest rate changes on interest bearing liabilities are set out in note 21.

b Fair value disclosures

Details of the fair value of interest bearing liabilities for the group are set out in note 21.

c Security

Details of the security relating to each of the secured liabilities and further information on the bank overdrafts and bank loans are set out in note 21.

21. NON-CURRENT LIABILITIES – BORROWINGS

	CONSOLIDATED		PARENT ENTITY	
	2006	2005	2006	2005
	$	$	$	$
Secured				
Bills payable	2,800,000	-	2,800,000	-
Lease liabilities (note 29)	2,866,404	3,518,815	166,511	311,755
Other loans	4,256,000	2,996,000	-	-
Total secured non-current interest bearing borrowings	9,922,404	6,514,815	2,966,511	311,755

a Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

Secured				
Bank overdrafts and bank loans	3,025,000	-	3,025,000	-
Lease liabilities	4,813,553	5,399,581	331,373	419,103
Other loans	4,256,000	4,256,000	-	-
Total secured liabilities	12,094,553	9,655,581	3,356,373	419,103

Notes to the Financial Statements

21. NON-CURRENT LIABILITIES – BORROWINGS (continued)

b Assets pledged as security

Bank overdrafts and bank loans are secured by mortgages over the group's freehold land and buildings, and investment properties, and fixed and floating charges over the remaining group assets.

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

The other loans are secured mortgages over certain group freehold land and buildings. The carrying amounts of assets pledged as security for current and non-current interest bearing liabilities are:

	CONSOLIDATED		PARENT ENTITY	
	2006	2005	2006	2005
	$	$	$	$
Current				
Floating charge				
Cash and cash equivalents	520,418	1,887,896	520,418	1,887,896
Receivables	9,682,076	10,629,178	2,976,048	8,780,278
Inventories	1,848,548	1,703,902	-	-
Total current assets pledged as security	12,051,042	14,220,976	3,496,466	10,668,174
Non-current				
First mortgage				
Freehold land and buildings	7,939,078	8,099,698	1,891,702	1,951,454
Investment properties	2,281,755	2,503,775	-	-
	10,220,833	10,603,473	1,891,702	1,951,454
Floating charge				
Available-for-sale financial assets	65,168	-	54,234	-
Other financial assets	-	138,145	8,334,141	8,439,981
Plant and equipment	10,895,403	11,704,474	989,754	930,764
	10,960,571	11,842,619	9,378,129	9,370,745
Total non-current assets pledged as security	21,181,404	22,446,092	11,269,831	11,322,199
Total assets pledged as security	33,232,446	36,667,068	14,766,297	21,990,373

c Financing arrangements

	CONSOLIDATED		PARENT ENTITY	
	2006	2005	2006	2005
Unrestricted access was available at balance date to the following lines of credit:				
Credit standby arrangements				
Total facilities				
Bank overdrafts	1,600,000	1,600,000	1,600,000	1,600,000
Secured bill acceptance facility	3,025,000	3,250,000	3,025,000	3,250,000
	4,625,000	4,850,000	4,625,000	4,850,000
Used at balance date				
Bank overdrafts	-	-	-	-
Secured bill acceptance facility	3,025,000	-	3,025,000	-
	3,025,000	-	3,025,000	-
Bank loan facility				
Total facility	4,625,000	4,850,000	4,265,000	4,850,000
Used at balance date	3,025,000	-	3,025,000	-
Unused at balance date	1,600,000	4,850,000	1,600,000	4,850,000

Notes to the Financial Statements

21. NON-CURRENT LIABILITIES – BORROWINGS (continued)

The bank overdraft facilities may be drawn at any time and are subject to annual review. The bill acceptance facilities have defined maturity dates. Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time.

The current interest rates are 6.08 - 6.15% on the bill facilities, 9.35% on the overdraft and 7.25% on the other loans (2005 – n/a, 9.1% and 7.05% respectively).

d Interest rate risk exposure

2006	FLOATING INTEREST RATE	FIXED INTEREST RATE					
		1 YEAR OR LESS $	OVER 1 TO 2 YEARS $	OVER 2 TO 3 YEARS $	OVER 3 TO 4 YEARS $	OVER 4 TO 5 YEARS $	TOTAL $
Bank loans	3,025,000	-	-	-	-	-	3,025,000
Other loans	-	4,256,000	-	-	-	-	4,256,000
Hire purchase liabilities	-	1,947,149	1,488,119	1,161,676	216,609	-	4,813,553
	3,025,000	6,203,149	1,488,119	1,161,676	216,609	-	12,094,553
Weighted average interest rate		7.13%	6.93%	6.76%	6.95%		

2005	FLOATING INTEREST RATE	FIXED INTEREST RATE					
		1 YEAR OR LESS $	OVER 1 TO 2 YEARS $	OVER 2 TO 3 YEARS $	OVER 3 TO 4 YEARS $	OVER 4 TO 5 YEARS $	TOTAL $
Other loans	-	4,256,000	-	-	-	-	4,256,000
Hire purchase liabilities	-	1,880,766	1,662,211	1,030,306	798,487	27,811	5,399,581
	-	6,136,766	1,662,211	1,030,306	798,487	27,811	9,655,581
Weighted average interest rate		6.85%	7.00%	7.11%	6.89%	7.61%	

e Fair value

The carrying amounts and fair values of interest bearing liabilities at balance date are:

	2006		2005	
	CARRYING AMOUNT $	FAIR VALUE $	CARRYING AMOUNT $	FAIR VALUE $
On-balance sheet				
Non-traded financial liabilities				
Bank loans	3,025,000	3,025,000	-	-
Other loans	4,256,000	4,256,000	4,256,000	4,256,000
Hire purchase liabilities	4,813,553	4,813,553	5,399,581	5,399,581
Total secured liabilities	12,094,553	12,094,553	9,655,581	9,655,581

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

Notes to the Financial Statements

22. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	CONSOLIDATED		PARENT ENTITY	
	2006 $	2005 $	2006 $	2005 $
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Prepayments	3,340	14,472	-	-
Depreciation	103,503	303,620	-	-
	106,843	318,092	-	-
Set-off of deferred tax assets (note 17)	(106,843)	(318,092)	-	-
Net deferred tax liabilities	-	-	-	-
Movements				
Opening balance at 1 July	318,092	562,177	-	-
(Charged) to the income statement (note 8)	(211,249)	(244,085)	-	-
Closing balance at 30 June	106,843	318,092	-	-

23. NON-CURRENT LIABILITIES – PROVISIONS

Employee benefits	497,472	406,612	108,522	114,089

24. CONTRIBUTED EQUITY

	PARENT ENTITY		PARENT ENTITY	
	2006 SHARES	2005 SHARES	2006 $	2005 $
a Share capital				
Ordinary shares (fully paid)	11,412,460	22,041,583	6,838,090	16,929,890
Total contributed equity	11,412,460	22,041,583	6,838,090	16,929,890

b Movements in ordinary share capital:

DATE	DETAILS	NUMBER OF SHARES	$
1 July 2004	Opening balance	25,329,931	19,035,060
	Shares bought back on-market and cancelled	(3,288,348)	(2,105,170)
30 June 2005	Balance	22,041,583	16,929,890
	Shares bought back on-market and cancelled	(10,629,123)	(10,091,800)
30 June 2006	Balance	11,412,460	6,838,090

c Ordinary shares

All ordinary shares are fully paid and 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.

d Share buy-backs

During the year the Company completed an on-market share buy-back which commenced in the previous year, and was authorised by shareholders to commence a further two on-market buy-backs. In total the Company bought back 10,629,123 shares during the year for a cumulative outlay of $10,091,800. The details of buy-back activity during the year are as follows:

Notes to the Financial Statements

24. CONTRIBUTED EQUITY (continued)

AUTHORISED BY SHAREHOLDERS						
DATE	% OF SHARES ON ISSUE	NUMBER	COMMENCEMENT DATE	FINAL DATE	NUMBER BOUGHT-BACK IN YEAR TO 30 JUNE 2006	$
19 January 2005	15%	3,419,540	20 January 2005	17 October 2005	2,664,185	2,485,340
17 November 2005	33%	6,459,132	18 November 2005	22 November 2005	6,459,132	6,166,229
22 December 2005	20%	2,583,659	23 December 2005	9 June 2006	1,505,806	1,440,231
					10,629,123	10,091,800

There is no current on-market buy-back.

25. RESERVES AND RETAINED PROFITS

	CONSOLIDATED		PARENT ENTITY	
	2006 $	2005 $	2006 $	2005 $
a Reserves				
Available-for-sale investments revaluation reserve	(51,084)	-	(36,124)	-
Movements:				
Available-for-sale investments revaluation reserve				
Balance 1 July	-	-	-	-
Revaluation, net of tax (note 13)	(51,084)	-	(36,124)	-
Balance 30 June	(51,084)	-	(36,124)	-
b Retained profits				
Movement in retained profits were as follows:				
Balance 1 July	4,841,138	3,692,379	3,348,127	1,209,769
Net profit (loss) for the year	3,095,769	1,695,780	(1,209,704)	2,685,379
Dividends	(391,742)	(547,021)	(391,742)	(547,021)
Balance 30 June	7,545,165	4,841,138	1,746,681	3,348,127

c Nature and purpose of reserves

Available-for-sale investments revaluation reserve

Changes in the fair value and exchange differences arising on translation of investments, such as equities, classified as available-for-sale financial assets, are taken to the available-for-sale investments revaluation reserve, as described in note 1(m). Amounts are recognised in profit and loss when the associated assets are sold or impaired.

26. DIVIDENDS

	PARENT ENTITY	
	2006	2005
	$	$
a Ordinary shares		
Final dividend for the year ended 30 June 2005 of 1.5 cents (2004 – 1 cent) per fully paid share, paid on 22 December 2005 (2004 – 12 November 2004) 30% franked dividend (2004 – 30% franked) based on tax paid @ 30% - 1.5 cents (2004 – 1 cent) per share	193,775	235,463
Interim dividend for the year ended 30 June 2006 of 2 cents (2005 – 1.5 cents) per fully paid share, paid on 26 May 2006 (2005 – 3 May 2005) 30% franked dividend (2005 – 30% franked) based on tax paid @ 30% - 2 cents (2005 – 1.5 cents) per share	228,717	337,804

b Dividends not recognised at year end

In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 3 cents per fully paid ordinary share, (2005 – 1.5 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 1 December 2006 out of retained profits at 30 June 2006, but not recognised as a liability at year end, is $342,374.

c Franked dividends

The franked portions of the final dividend recommended after 30 June 2006 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2006.

	CONSOLIDATED		PARENT ENTITY	
	2006	2005	2006	2005
	$	$	$	$
Franking credits available for subsequent financial years based on a tax rate of 30% (2005 – 30%)	1,344,195	1,171,512	1,344,195	1,171,512

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

(a) franking credits that will arise from the payment of the amount of the provision for income tax,
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of $146,732 (2005 – $83,046).

Notes to the Financial Statements

27. DIRECTORS AND EXECUTIVE DISCLOSURES

a Directors

The following directors were considered to be the key management personnel of CTI Logistics Limited during the full financial year ended 30 June 2006:

(i) *Chairman - executive*
D R Watson

(ii) *Executive directors*
J D Elbery
D A Mellor
B E Saxild

(iii) *Non-executive director*
P J Leonhardt

Having regard to the size and structure of the group, 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 Company or relevant group Company or the group executives apart from the four executive directors.

b Remuneration of directors and executives

The remuneration committee makes specific recommendations on remuneration packages and other terms of employment for executive directors. Remuneration is set to competitively reflect market conditions for comparable roles. There are no guaranteed base pay increases each year, 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.

c 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.

2006	SHORT TERM			POST-EMPLOYMENT		SHARE BASED PAYMENT	
	CASH SALARY AND FEES $	CASH BONUS $	NON-MONETARY BENEFITS $	SUPER-ANNUATION $	RETIREMENT BENEFITS $	OPTIONS $	TOTAL $
J D Elbery	224,688	-	10,352	16,386	-	-	251,426
P J Leonhardt	35,000	-	-	-	-	-	35,000
D A Mellor	223,522	-	12,324	16,752	-	-	252,598
B E Saxild	225,696	-	15,730	50,000	-	-	291,426
D R Watson	334,031	-	13,893	55,099	-	-	403,023
Total	1,042,937	-	52,299	138,237	-	-	1,233,473
2005							
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

Notes to the Financial Statements

27. DIRECTORS AND EXECUTIVE DISCLOSURES (continued)

Compensation by category

	CONSOLIDATED		PARENT ENTITY	
	2006	2005	2006	2005
	$	$	$	$
Short-term	1,095,236	1,046,622	1,095,236	1,046,622
Post-employment	138,237	122,290	138,237	122,290
Share based payment	-	-	-	-
	1,233,473	1,168,912	1,233,473	1,168,912

d Equity instrument disclosures relating to directors and executives

The numbers of ordinary shares in the Company held during the financial year by each director of CTI Logistics Limited, including their personally-related entities, are set out below. There were no shares granted during the reporting period as remuneration.

	BALANCE AT THE START OF THE YEAR	RECEIVED DURING THE YEAR ON THE EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
J D Elbery	471,736	-	18,333	490,069
P J Leonhardt	53,086	-	-	53,086
D A Mellor	984,301	-	24,333	1,008,634
B E Saxild	773,847	-	44,642	818,489
D R Watson	5,449,176	-	8,000	5,457,176

e Loans to directors

	BALANCE AT THE START OF THE YEAR	INTEREST PAID OR PAYABLE FOR THE YEAR	LOAN REPAYMENTS RECEIVED	BALANCE AT THE END OF THE YEAR	NUMBER IN THE GROUP AT THE END OF THE YEAR
	$	$	$	$	
2006	820,905	-	36,750	784,155	4
2005	847,155	-	26,250	820,905	4

Individuals with loans above $100,000 during the year

	BALANCE AT THE START OF THE YEAR	INTEREST PAID OR PAYABLE FOR THE YEAR	LOAN REPAYMENTS RECEIVED	BALANCE AT THE END OF THE YEAR	HIGHEST INDEBTEDNESS DURING THE YEAR
	$	$	$	$	$
J D Elbery	219,135	-	10,500	208,635	219,135
D A Mellor	219,135	-	10,500	208,635	219,135
B E Saxild	219,135	-	10,500	208,635	219,135
D R Watson	163,500	-	5,250	158,250	163,500
	820,905	-	36,750	784,155	820,905

The loans were extended for an original term of 10 years. The first tranche of loans has a remaining life of 2 years, while the second tranche has a remaining term of 6 years. All loans to directors are repayable from dividends and are secured by a lien over the shares. These loans are not on the balance sheet (note 37).

Notes to the Financial Statements

27. DIRECTORS AND EXECUTIVE DISCLOSURES (continued)

In accordance with shareholder approval, these loans are interest free and have not been included in the calculation of non-monetary benefits.

f Other transactions with directors

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

28. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	CONSOLIDATED		PARENT ENTITY	
	2006 $	2005 $	2006 $	2005 $
a Assurance services				
Audit services				
PricewaterhouseCoopers Australian firm				
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	118,220	87,160	109,220	78,160
Other assurance services				
b Taxation services				
PricewaterhouseCoopers Australian firm	-	9,400	-	-

29. COMMITMENTS

a Capital commitments

	CONSOLIDATED		PARENT ENTITY	
	2006	2005	2006	2005
Capital expenditure contracted for at the reporting date but not recognised as liabilities:				
Plant and equipment				
Payable:				
Within one year	3,279,322	-	-	-
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-
	3,279,322	-	-	-

Notes to the Financial Statements

29. COMMITMENTS (continued)

b Lease commitments: group company as lessee

	CONSOLIDATED		PARENT ENTITY	
	2006	2005	2006	2005
	$	$	$	$
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities:				
Payable :				
Within one year	301,039	723,223	17,640	26,143
Later than one year but not later than five years	325,217	1,005,876	10,222	24,415
Later than five years	24,292	50,908	-	-
	650,548	1,780,007	27,862	50,558
Representing:				
Non-cancellable operating leases	156,792	1,140,398	-	-
Future finance charges on hire purchase	493,756	639,609	27,862	50,558
Commitments not recognised in the financial statements	650,548	1,780,007	27,862	50,558

(i) Operating leases

The group leases various offices and warehouses under non-cancellable operating leases expiring within two to eight years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	CONSOLIDATED		PARENT ENTITY	
	2006	2005	2006	2005
	$	$	$	$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	26,500	413,668	-	-
Later than one but not later than five years	106,000	675,822	-	-
Later than five years	24,292	50,908	-	-
	156,792	1,140,398	-	-

(ii) Hire purchase commitments

Commitments in relation to hire purchase are payable as follows:				
Within one year	2,221,314	2,188,664	182,503	133,491
Later than one year but not later than five years	3,085,995	3,850,526	176,732	336,170
Minimum lease payments	5,307,309	6,039,190	359,235	469,661
Future finance charges	(493,756)	(639,609)	(27,862)	(50,558)
Recognised as a liability	4,813,553	5,399,581	331,373	419,103
Representing:				
Current	1,947,149	1,880,766	164,862	107,348
Non-current	2,866,404	3,518,815	166,511	311,755
Total lease liabilities	4,813,553	5,399,581	331,373	419,103

Notes to the Financial Statements

30. RELATED PARTY TRANSACTIONS

a Parent entity
CTI Logistics Limited is the ultimate Australian parent entity of the group and head entity of the tax consolidated group.

b Subsidiaries
Interests in subsidiaries are set out in note 31.

c Directors
Disclosures relating to directors are set out in note 27.

d Transactions with related parties
The following transactions occurred with related parties:

	CONSOLIDATED		PARENT ENTITY	
	2006	2005	2006	2005
	$	$	$	$
Sales of goods and services	-	-	2,917,096	1,577,715
Management revenue	-	-	-	1,888,632
Loans to related parties	-	-	-	-
Loans from related parties	-	-	7,992,477	1,116,072
Dividend revenue	-	-	-	3,000,000
Rent charged	-	-	283,800	365,737

e Outstanding balances
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	CONSOLIDATED		PARENT ENTITY	
	2006	2005	2006	2005
	$	$	$	$
Current receivables (sales of goods and services)	-	-	-	-
Current receivables (loans)	-	-	2,560,773	8,631,966
Current payables (purchases of goods)	-	-	-	-

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

Notes to the Financial Statements

31. SUBSIDIARIES

All subsidiaries are incorporated in Australia.
The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

	EQUITY HOLDING (Ordinary Shares)	
	2006	2005
	%	%
Name of entity		
CTI Logistics Limited		
Directly controlled by CTI Logistics Limited		
Controlled entities		
Bring Transport Industries Pty Ltd	100	100
Mercury Messengers Pty Ltd	100	100
CTI Security Services Pty Ltd	100	100
CTI Transport Systems Pty Ltd	100	100
CTI Taxi Trucks Pty Ltd	100	100
CTI Security Systems Pty Ltd	100	100
CTI Fleet Management Pty	100	100
CTI Freight Management Pty Ltd	100	100
CTI Business Investment Company Pty Ltd	100	100
CTI Freight Systems Pty Ltd	100	100
CTI Couriers Pty Ltd	100	100
CTI Swinglift Services Pty Ltd	100	100
CTI Xpress Systems Pty Ltd	100	100
CTI Investments Pty Ltd	100	100
Consolidated Transport Industries Pty Ltd	100	100
Other controlled entities		
Directly controlled by CTI Investments Pty Ltd		
Advance Press Pty Ltd	100	100
LCL Cargo Services Pty Ltd	100	100
Blackwood Industries Pty Ltd	100	100
CTI Fulfilment Services Pty Ltd	100	100
Directly controlled by Blackwood Industries Pty Ltd		
Efal Pty Ltd	100	100
Ausplastics Pty Ltd	100	100
CTI Records Management Pty Ltd	100	100
CTI Waste Management Pty Ltd	100	100
Directly controlled by Consolidated Transport Industries Pty Ltd		
CTI Distribution Group Pty Ltd	100	100

These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to note 32.

Notes to the Financial Statements

32. DEED OF CROSS GUARANTEE

CTI Logistics Limited and its wholly-owned entities are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission. 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.

33. INTERESTS IN JOINT VENTURES

A controlled entity has a 50% interest in the CTI Foxline Joint Venture, which is resident in Australia and the principal activity of which is the provision of parcel delivery services.
The interest in the CTI Foxline Joint Venture is accounted for in the consolidated financial statements using the equity method of accounting and is carried at cost by the controlled entity. Information relating to the joint venture partnership is set out below:

	CONSOLIDATED		PARENT ENTITY	
	2006 $	2005 $	2006 $	2005 $
Carrying amount of investment in joint venture partnership	229,589	176,275	-	-
Share of partnership's assets and liabilities				
Current assets	441,884	394,670	-	-
Non-current assets	2,230	126	-	-
Total assets	444,114	394,796	-	-
Current liabilities	211,974	218,521	-	-
Non-current liabilities	2,551	-	-	-
Total liabilities	214,525	218,521	-	-
Net assets	229,589	176,275	-	-
Share of partnership's revenue, expenses and results				
Revenues	2,450,986	2,183,607	-	-
Expenses	2,241,673	2,063,332	-	-
Profit before income tax	209,313	120,275	-	-

Share of partnership's commitments

The CTI Foxline Joint Venture does not have any capital or lease commitments at balance date.

Notes to the Financial Statements

34. RECONCILIATION OF PROFIT (LOSS) AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	CONSOLIDATED		PARENT ENTITY	
	2006	2005	2006	2005
	$	$	$	$
Profit (loss) for the year	3,095,769	1,695,780	(1,209,704)	2,685,379
Depreciation and amortisation	3,848,442	3,427,932	321,487	276,169
Provision for doubtful debts	(80,961)	83,500	-	-
Net (gain) loss on sale of non-current assets	(91,810)	(328,604)	705	(15,995)
Gain on disposal of available-for-sale financial assets	-	(159)	-	-
Write-down of investment property	-	250,000	-	-
Share of profits of joint venture partnership not received as dividends or distributions	(209,313)	(120,275)	-	-
Change in operating assets and liabilities				
(Increase) decrease in trade and other debtors	(12,007)	1,717,908	(2,188,247)	708,329
(Increase) in inventories	(144,646)	(250,745)	-	-
Increase in provision for income taxes payable	1,304,031	87,059	1,304,031	87,059
(Decrease) increase in provision for deferred tax assets	(303,662)	(416,997)	54,209	(130,011)
Increase (decrease) in trade creditors, employee entitlements and other provisions	595,050	(1,391,676)	225,265	(203,321)
Net cash inflow (outflow) from operating activities	8,000,893	4,753,723	(1,492,254)	3,407,609

35. NON-CASH INVESTING AND FINANCING ACTIVITIES

	CONSOLIDATED		PARENT ENTITY	
	2006	2005	2006	2005
	$	$	$	$
Acquisition of plant and equipment by means of hire purchase	1,400,176	531,893	49,724	319,216

36. EARNINGS PER SHARE

	CONSOLIDATED	
	2006	2005
	CENTS PER SHARE	
a Basic earnings per share		
Profit attributable to ordinary equity holders of the company	20.12	7.25
b Diluted earnings per share		
Profit attributable to ordinary equity holders of the company	20.12	7.25

c Weighted average number of shares used as the denominator

	CONSOLIDATED	
	2006	2005
	NUMBER	NUMBER
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	15,386,723	23,398,813

Notes to the Financial Statements

37. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs

1 Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian Equivalents to IFRs (AIFRS)

a At the date of transition to AIFRS: 1 July 2004

		CONSOLIDATED			PARENT ENTITY		
	NOTES	PREVIOUS AGAAP $	EFFECT OF TRANSITION TO AIFRS $	AIFRS $	PREVIOUS AGAAP $	EFFECT OF TRANSITION TO AIFRS $	AIFRS $
ASSETS							
Current Assets							
Cash and cash equivalents		453,526	-	453,526	453,526	-	453,526
Receivables	(e)(i)	13,609,942	636,287	14,246,229	10,476,021	(31,365)	10,444,656
Inventories		1,453,157	-	1,453,157	-	-	-
Other assets		636,287	(636,287)	-	311,540	(311,540)	-
TOTAL CURRENT ASSETS		16,152,912	-	16,152,912	11,241,087	(342,905)	10,898,182
Non-current assets							
Receivables	(b)	1,578,895	(466,155)	1,112,740	466,155	(466,155)	-
Other financial assets		257,185	-	257,185	8,439,981	-	8,439,981
Property, plant and equipment	(c)(g)	22,868,890	(3,962,510)	18,906,380	2,562,852	-	2,562,852
Investment properties	(g)	-	2,829,892	2,829,892	-	-	-
Deferred tax assets	(e)(i)	36,777	85,215	121,992	36,777	342,905	379,682
Intangible assets	(a)(c)	404,172	848,568	1,252,740	-	-	-
Other assets		2,148	(2,148)	-	-	-	-
TOTAL NON-CURRENT ASSETS		25,148,067	(667,138)	24,480,929	11,505,765	(123,250)	11,382,515
TOTAL ASSETS		41,300,979	(667,138)	40,633,841	22,746,852	(466,155)	22,280,697
LIABILITIES							
Current liabilities							
Payables	(h)	6,769,761	1,213,811	7,983,572	978,579	668,841	1,647,420
Borrowings		2,828,504	-	2,828,504	148,255	-	148,255
Provisions	(h)	1,213,811	(1,213,811)	-	668,841	(668,841)	-
TOTAL CURRENT LIABILITIES		10,812,076	-	10,812,076	1,795,675	-	1,795,675
Non-current liabilities							
Payables		83,333	-	83,333	-	-	-
Borrowings		6,474,524	-	6,474,524	128,428	-	128,428
Provisions		536,469	-	536,469	111,765	-	111,765
TOTAL NON-CURRENT LIABILITIES		7,094,326	-	7,094,326	240,193	-	240,193
TOTAL LIABILITIES		17,906,402	-	17,906,402	2,035,868	-	2,035,868
NET ASSETS		23,394,577	(667,138)	22,727,439	20,710,984	(466,155)	20,244,829

Notes to the Financial Statements

37. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs (continued)

		CONSOLIDATED			PARENT ENTITY		
	NOTES	PREVIOUS AGAAP $	EFFECT OF TRANSITION TO AIFRS $	AIFRS $	PREVIOUS AGAAP $	EFFECT OF TRANSITION TO AIFRS $	AIFRS $
EQUITY							
Contributed equity	(b)	20,044,215	(1,009,155)	19,035,060	20,044,215	(1,009,155)	19,035,060
Retained earnings	(f)	3,350,362	342,017	3,692,379	666,769	543,000	1,209,769
TOTAL EQUITY		23,394,577	(667,138)	22,727,439	20,710,984	(466,155)	20,244,829

b At the end of the last reporting period under previous AGAAP: 30 June 2005

	NOTES	PREVIOUS AGAAP $	EFFECT OF TRANSITION TO AIFRS $	AIFRS $	PREVIOUS AGAAP $	EFFECT OF TRANSITION TO AIFRS $	AIFRS $
ASSETS							
Current Assets							
Cash and cash equivalents		1,887,896	-	1,887,896	1,887,896	-	1,887,896
Receivables	(e)(i)	10,140,382	488,796	10,629,178	8,583,029	197,249	8,780,278
Inventories		1,703,902	-	1,703,902	-	-	-
Other assets		485,767	(485,767)	-	89,862	(89,862)	-
TOTAL CURRENT ASSETS		14,217,947	3,029	14,220,976	10,560,787	107,387	10,668,174
Non-current assets							
Receivables	(b)	616,905	(616,905)	-	616,905	(616,905)	-
Investment accounted for using the equity method		176,275	-	176,275	-	-	-
Other financial assets		138,145	-	138,145	8,439,981	-	8,439,981
Property, plant and equipment	(c)(g)	23,266,408	(3,462,236)	19,804,172	2,882,218	-	2,882,218
Investment properties	(g)	-	2,503,775	2,503,775	-	-	-
Deferred tax assets	(e)(i)	457,058	81,932	538,990	457,058	(107,387)	349,671
Intangible assets	(a)(c)	282,442	727,259	1,009,701	-	-	-
TOTAL NON-CURRENT ASSETS		24,937,233	(766,175)	24,171,058	12,396,162	(724,292)	11,671,870
TOTAL ASSETS		39,155,180	(763,146)	38,392,034	22,956,949	(616,905)	22,340,044
LIABILITIES							
Current liabilities							
Payables	(h)	5,064,459	1,407,295	6,471,754	698,289	743,487	1,441,776
Borrowings		3,140,766	-	3,140,766	107,348	-	107,348
Tax liabilities		87,059	-	87,059	87,059	-	87,059
Provisions	(h)	1,407,295	(1,407,295)	-	743,487	(743,487)	-
TOTAL CURRENT LIABILITIES		9,699,579	-	9,699,579	1,636,183	-	1,636,183
Non-current liabilities							
Borrowings		6,514,815	-	6,514,815	311,755	-	311,755
Provisions		406,612	-	406,612	114,089	-	114,089
TOTAL NON-CURRENT LIABILITIES		6,921,427	-	6,921,427	425,844	-	425,844
TOTAL LIABILITIES		16,621,006	-	16,621,006	2,062,027	-	2,062,027
NET ASSETS		22,534,174	(763,146)	21,771,028	20,894,922	(616,905)	20,278,017

Notes to the Financial Statements

37. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs (continued)

	NOTES	CONSOLIDATED PREVIOUS AGAAP $	CONSOLIDATED EFFECT OF TRANSITION TO AIFRS $	CONSOLIDATED AIFRS $	PARENT ENTITY PREVIOUS AGAAP $	PARENT ENTITY EFFECT OF TRANSITION TO AIFRS $	PARENT ENTITY AIFRS $
EQUITY							
Contributed equity	(b)	17,939,045	(1,009,155)	16,929,890	17,939,045	(1,009,155)	16,929,890
Retained earnings	(f)	4,595,129	246,009	4,841,138	2,955,877	392,250	3,348,127
TOTAL EQUITY		22,534,174	(763,146)	21,771,028	20,894,922	(616,905)	20,278,017

2 Reconciliation of profit for the year ended 30 June 2005

	NOTES	CONSOLIDATED PREVIOUS AGAAP $	CONSOLIDATED EFFECT OF TRANSITION TO AIFRS $	CONSOLIDATED AIFRS $	PARENT ENTITY PREVIOUS AGAAP $	PARENT ENTITY EFFECT OF TRANSITION TO AIFRS $	PARENT ENTITY AIFRS $
Revenue	(c)	54,719,828	(186,900)	54,532,928	7,447,429	-	7,447,429
Other income		827,968	-	827,968	35,515	-	35,515
Changes in inventories of finished goods and work in progress		(250,746)	-	(250,746)	-	-	-
Raw materials and consumables used		(10,550,738)	-	(10,550,738)	-	-	-
Employee benefits expense		(15,617,462)	-	(15,617,462)	(4,174,944)	-	(4,174,944)
Subcontractor expense		(13,331,166)	-	(13,331,166)	-	-	-
Depreciation and amortisation expense	(a)(c)	(3,667,680)	239,811	(3,427,869)	(276,169)	-	(276,169)
Motor vehicle and transportation costs		(3,356,177)	-	(3,356,177)	(103,992)	-	(103,992)
Property costs		(824,184)	-	(824,184)	(89,956)	-	(89,956)
Finance costs – net		(792,805)	5,113	(787,692)	(103,935)	-	(103,935)
Other expenses	(b)	(4,563,684)	(177,000)	(4,740,684)	(86,236)	(177,000)	(263,236)
Share of net profit of joint venture partnership		120,275	-	120,275	-	-	-
Profit before income tax		2,713,429	(118,976)	2,594,453	2,647,712	(177,000)	2,470,712
Income tax expense	(c)	(895,390)	(3,283)	(898,673)	214,667	-	214,667
Profit for the year		1,818,039	(122,259)	1,695,780	2,862,379	(177,000)	2,685,379

3 Reconciliation of cash flow statement for the year ended 30 June 2005

The adoption of AIFRS has not resulted in any material adjustments to the cash flow statement.

4 Notes to the reconciliations

a Business combinations

As permitted by the election available under AASB1 *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.
Under AASB 3 *Business Combinations*, amortisation of goodwill has been replaced by annual impairment testing focusing on the cash flows of the related cash-generating unit.

The effect of this is:
(i) At 1 July 2004
For the group, the cost base for goodwill under AIFRS is $404,172, which is the net amortised goodwill under the previously applied Australian generally accepted accounting principles.

37. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs (continued)

(ii) At 30 June 2005
For the group there has been an increase of $41,906 in goodwill. Retained earnings has increased by $41,906.

(iii) For the year ended 30 June 2005
For the group there has been a decrease of $41,906 in amortisation expense.

b Share-based payments
Under AASB 2 *Share Based Payment*, the group's executive and employee share purchase plans have been deemed as equity settled share based remuneration and treated as an in-substance grant of options.

Under AGAAP, for limited recourse loans issued to executives and employees after 1 January 2005, the group recognised within the income statement, a remuneration expense measured at fair value of the "share option" inherent in the limited recourse loans. A loan receivable was also recognised. Under AIFRS these loans are not recognised due to the limited recourse terms.
The effect of this is:
(i) At 1 July 2004
The receivable pursuant to the executives and employee share plans has reduced by $466,155 with a reduction in contributed equity of $1,009,155 and an increase in retained earnings of $543,000.

(ii) At 30 June 2005
The receivable pursuant to the executives and employee share plans has reduced by $616,905 with a reduction in contributed equity of $1,009,155 and an increase in retained earnings of $392,250, including a dividend reversal of $26,250.

(iii) For the year ended 30 June 2005
For the group there has been a reversal of the write back of provisions for loans to directors of $177,000.

c Intangible assets – 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. As such these assets have been derecognised. Further, associated revenue not meeting the recognition criteria in AASB 118 *Revenue* has also been reversed.

Assets formerly classified as property, plant and equipment, which are recognised as intangible assets under AIFRS have been reclassified.

The effect of this is:
(i) At 1 July 2004
For the Group there has been a decrease of $284,050 in property, plant and equipment. Retained earnings has decreased by $198,835. Deferred tax liabilities have decreased by $85,215.
There has also been a reclassification of $848,568 from property, plant and equipment to intangible assets.

(ii) At 30 June 2005
For the group there has been a decrease of $273,108 in property, plant and equipment. Retained earnings has decreased by $191,176. Deferred tax liabilities have decreased by $81,932.
There has been a reclassification of $685,353 from property, plant and equipment to intangible assets.

(iii) For the year ended 30 June 2005
For the group, revenue has decreased by $186,900, amortisation expense has decreased by $197,905 and income tax expense increased by $3,283.

Notes to the Financial Statements

37. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs (continued)

d Financial Instruments

The group has taken the exemption available under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* to apply AASB 132 *Financial Instruments - Disclosure and Presentation* and AASB 139 *Financial Instruments – Recognition and Measurement* from 1 July 2005. The group has applied previous AGAAP in the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

There were no adjustments as at 1 July 2005 from applying AASB 132 and AASB 139.

e Deferred tax liability

Under previous AGAAP income tax expense was calculated by reference to the accounting profit after allowing for permanent differences. Deferred tax was not recognised in relation to amounts recognised directly in equity. The adoption of AIFRS has resulted in a change in accounting policy. The application of AASB 112 *Income Taxes* has resulted in the recognition of deferred tax liabilities on revaluations of non-current assets as well as deferred tax balances arising during the year in relation to fair value adjustments on the acquisition of a controlled entity and the equity component of convertible notes issued.

(i) At 1 July 2004 and at 30 June 2005

The effects on the deferred tax liability of the adoption of AIFRS are as follows (tax rate of 30%):

		1 JULY 2004		30 JUNE 2005	
	NOTES	CONSOLIDATED	PARENT ENTITY	CONSOLIDATED	PARENT ENTITY
		$	$	$	$
Adjustments arising from adoption of AASB 112		-	-	-	-
Application of AASB 112 to adjustments arising from adoption of other AASBs					
Intangible assets		85,215	-	81,932	-
Decrease in deferred tax liability		85,215	-	81,932	-

(ii) *For the year ended 30 June 2005*

For the group this has increased income tax expense of $3,283.
For the parent entity there is no effect.

f Retained Earnings

The effect on retained earnings of the changes set out above are as follows:

Business combinations	(a)	-	-	41,906	-
Share based payments	(b)	543,000	543,000	392,250	392,250
Intangible assets	(c)	(284,050)	-	(273,108)	-
Borrowing costs		(5,114)	-	-	-
Income taxes	(e)	85,215	-	81,932	-
Other		2,966	-	3,029	-
		342,017	543,000	246,009	392,250

Notes to the Financial Statements

37. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs (continued)

g Investment Properties

(i) *At 1 July 2004 and 30 June 2005*
For the group land and buildings formerly classified as property, plant and equipment have been reclassified as investment properties under AIFRS. There is no impact on the parent entity.

(ii) *For the year ended 30 June 2005*
There is no impact on the group or parent entity income statement.

h Provisions – Employee benefits

(i) *At 1 July 2004*
The current provision for employee benefits has been reclassified to current trade and other payables under AIFRS. The impact for the group was that other payables increased by $1,213,811 and for the parent entity increased by $668,841.

(ii) *At 30 June 2005*
The group current trade and other payables increased by $1,407,295 and for the parent entity they increased by $743,487.

i Tax Consolidations

CTI Logistics Limited and its subsidiaries implemented the tax consolidation legislation as of 1 July 2003. Under previous AGAAP, the parent entity recognised current and deferred tax amounts relating to transactions, events and balances of the tax consolidated entities as if those transactions, events and balances were its own.

Under AIFRS, the parent entity only recognises the current tax payable and deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

(i) At 1 July 2004
There is no effect on the group. For the parent entity, deferred tax liabilities decreased by $692,067, deferred tax assets decreased by $349,162 and current receivables decreased by $342,109.

(ii) At 30 June 2005
There is no effect on the group. For the parent entity, deferred tax liabilities decreased by $360,749, deferred tax assets decreased by $468,136 and current receivables increased by $107,387.

(iii) For the year ended 30 June 2005
There is no impact on the group or parent entity income statement.

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 9 to 53 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 group's financial position as at 30 June 2006 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 31 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 32.

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
29 September 2006

Independent Audit Report

PRICEWATERHOUSECOOPERS

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Independent audit report to the members of CTI Logistics Limited

Audit opinion

In our opinion:

1. 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 2006, 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*; and
2. the remuneration disclosures that are contained on pages 6 to 7 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures* (AASB 124) and the *Corporations Regulations 2001*.

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

Scope

The financial report, remunerations disclosures and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statements, statement of changes in equity, 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 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

The company has disclosed information about the remuneration of directors and executives (remuneration disclosures) as required by AASB 124, under the heading "remuneration report" on pages 6 to 7 of the directors' report, as permitted by the *Corporations Regulations 2001*.

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. The directors are also responsible for the remuneration disclosures contained in the directors' 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 and the remuneration disclosures comply with AASB 124 and the *Corporations Regulations 2001*. The nature of an audit is influenced by factors such as the use of professional judgement, selective

Independent Audit Report

PRICEWATERHOUSECOOPERS

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.

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, changes in equity and cash flows. We also performed procedures to assess whether the remuneration disclosures comply with AASB 124 and the *Corporations Regulations 2001*.

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 remuneration disclosures, 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

PricewaterhouseCoopers

David J Smith
Partner

Perth
29 September 2006

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 group 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 are 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.

Corporate Governance Statement

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 executive director 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 therefrom.

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.

Corporate Governance Statement

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 27 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.

Shareholder Information

THE TWENTY LARGEST SHAREHOLDERS AS AT 29 SEPTEMBER 2006

	NUMBER OF SHARES	PERCENTAGE
David R Watson	3,332,680	29.14
ANZ Nominees Limited	595,573	5.21
Parmelia Pty Ltd	533,524	4.66
Aberdeen Management Pty Ltd	395,268	3.46
W W Nominees Pty Ltd	363,874	3.18
Catherine Rachel Watson	351,753	3.08
Dixson Trust Pty Ltd	325,354	2.85
Fortunegreen Pty Ltd	315,000	2.75
DAM Nominees Pty Ltd	300,400	2.63
Bruce Saxild and Michelle Saxild	300,000	2.62
David J and Elizabeth L Clarke	260,000	2.27
David Watson Nominees Pty Ltd	233,781	2.04
Peachtree Pty Ltd	209,835	1.83
D Watson, D Mellor and J Elbery	181,417	1.59
William Grove	147,500	1.29
Australian Marketing Services Pty Ltd	138,050	1.21
David Watson Nominees Pty Ltd	108,000	0.94
Peter Blackwell	90,000	0.79
Walter J and Hilary M Hall	88,410	0.77
Brian G and Myrna R Vernon	79,641	0.70
	8,349,790	73.01

SUBSTANTIAL SHAREHOLDERS AS AT 29 SEPTEMBER 2006

The Company's register of substantial shareholders recorded the following information as at 29 September 2006.

	NUMBER OF SHARES	PERCENTAGE
David R Watson	5,457,176	47.82
David A Mellor	1,005,301	8.81
Bruce E Saxild	815,155	7.14

DISTRIBUTION OF EQUITY SECURITIES AS AT 29 SEPTEMBER 2006

(i) Distribution schedule of holdings

			NUMBER OF SHAREHOLDERS ORDINARY SHARES
1	-	1,000	149
1,001	-	5,000	127
5,001	-	10,000	63
10,001	-	100,000	91
100,001 and over			19
			449

(ii) There were 72 shareholders holding less than a marketable parcel of ordinary shares.
(iii) There were a total of 11,412,460 ordinary shares on issue.

VOTING RIGHTS

Ordinary shares carry voting rights of one vote per share.