CTI Logistics Limited

ACN 008 778 925

ANNUAL REPORT 2010

Contents

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DIRECTORS

David Robert Watson
(Executive Chairman)

David Anderson Mellor
(Executive)

Bruce Edmond Saxild
(Executive)

Peter James Leonhardt
(Non-Executive)

Matthew David Watson
(Non-Executive)

SECRETARY

David Anderson Mellor

AUDITORS

PricewaterhouseCoopers
QV1, Level 19
250 St Georges Terrace
Perth WA 6000
Telephone (08) 9238 3000

SHARE REGISTRY

Computershare Investor Services Pty Ltd
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Perth WA 6000
Telephone (08) 9323 2000

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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The financial report covers the group consisting of CTI Logistics Limited and its subsidiaries.

The financial report is presented in the Australian currency.

The financial report was authorised for issue by the directors on 23 September 2010. The directors have the power to amend and reissue the financial report.

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

Chairman's Statement

After a difficult GFC-affected 2008-09 financial year, we saw a recovery in the 2009-10 financial year. Early indications are that current favourable trends are continuing, and that this will reflect in the results for the new financial year.

Profit after tax for 2009-10 was $4,730,893, up 13.5% on the previous year, on revenue of $60,726,513 which was up 20.4%. Net cash flows from operating activities were $6,783,011. Dividends for the year total 6 cents fully franked, and directors expect to retain this dividend on the shares following the one-for-five bonus share issue in December 2010. All shareholders registered on 1 December 2010 will receive an extra one share for every five shares held at that date.

CTI Logistics provides a total supply chain solution, covering general, bulk and temperature-controlled warehousing with flexible distribution options. We operate warehousing facilities in Welshpool, Bibra Lake, Spearwood, Malaga, West Perth and [soon] Hazelmere and offer supply base support, including receival of goods, container packing and unpacking and transport. The Company also runs courier, taxi truck, parcel distribution, freight forwarding, fleet management and records management businesses. In addition, we operate a security business and a plastic injection moulding business.

There were no business acquisitions during the year, but we started a new business, CTI Wrapping Services, in November 2009. This business handles cleaning, shrink-wrapping and subsequent fumigation of plant and equipment before it is moved to the Gorgon project on Barrow Island. The purpose is to protect the unique flora and fauna on the island by ensuring that no new species are introduced to the fragile environment. We wrap anything and everything, from relatively small items to dongas and prefabricated office units, to 220 tonne cranes and heavy machinery.

We acquired another property during the year, a 40,000 square metre block of land at Hazelmere. The property is well located near Perth Airport, twenty minutes from the centre of Perth, with excellent access to the Great Northern and Great Eastern highways, plus the major road systems in the Perth metropolitan area. We are currently seeking approval to commence the first stage development of warehousing, hardstand and offices.

Our fleet of more than 470 vehicles, both sub-contractors and wage drivers, is unmatched in Perth. Whether you need an envelope delivered across town, or a semi-trailer delivery to the North-West or the South-West, we do it. There are a further 244 management and staff, including warehouse staff, the factory workers at Ausplastics and the security division technicians and control room alarm monitoring staff. I would like to extend the board's thanks to all at CTI for their efforts and commitment over the past year.

DAVID WATSON
Executive Chairman

Directors' Report

YOUR DIRECTORS PRESENT THEIR REPORT ON THE GROUP CONSISTING OF CTI LOGISTICS LIMITED AND THE ENTITIES IT CONTROLLED AT THE END OF, OR DURING, THE YEAR ENDED 30 JUNE 2010.

Directors

Directors of the Company were in office during the whole of the financial year and up to the date of this report are (unless otherwise indicated):

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.

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 to June 2009), Carnarvon Petroleum Limited (March 2005 and continuing) and Titan Resources Limited (June 2005 to June 2006). Mr Leonhardt is a former managing partner of Coopers & Lybrand (now PricewaterhouseCoopers). 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. He is a member of the audit committee. Mr Saxild has not held any other directorships in listed companies over the past 4 years.

Matthew David Watson (appointed 23 February 2010)

Mr Watson is a non-executive director of CTI Logistics Limited. He was appointed to the board on 23 February 2010. He has a Post Graduate Diploma of Business Information Systems and is a Chartered Management Accountant (CIMA).

Principal activities of the group

The principal activities of the group during the year were the provision of logistics and transport services, rental of property, manufacturing of plastic products and provision of security services.

Dividends

The directors have declared a fully franked final dividend of 3 cents (2009 – 3 cents) per ordinary share, ($1,230,565, 2009 –$1,230,565) subsequent to the end of the financial year. This dividend is not recognised as a liability at year end. During the financial year a 3 cents (year ended 30 June 2008 – 3 cents) fully franked dividend, ($1,230,565, 2009 – $1,009,318) for the year ended 30 June 2009 and a 3 cents (2009 – 3 cents) fully franked interim dividend ($1,230,565 2009 – $1,230,565) for the year ended 30 June 2010 were paid to members.

Review of operations and results

Profit after tax from operations was $4,730,893 compared to $4,166,998 in the previous corresponding period. Revenue from operations was $60,726,513, compared to $50,454,640 in the previous corresponding period. Net cash inflows from operating activities were $6,783,011 up from $5,879,387 in the prior period. Both the increase in revenue and cash flow in the current period are mainly due to a full year's result from a business acquired in the prior year.

Changes in the state of affairs

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.

Company secretary

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

Directors' Report

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
P J Leonhardt	6	6
D A Mellor	6	6
B E Saxild	6	6
D R Watson	6	6
M D Watson (appointed 23.02.10)	2	2

Audit committee

	Number Held	Number Attended
P J Leonhardt	2	2
B E Saxild	2	2

Remuneration committee

	Number Held	Number Attended
P J Leonhardt	2	2
D R Watson	2	2

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

	DIRECT HOLDING	INDIRECT HOLDING
P J Leonhardt	–	361,109
D A Mellor	293,265	3,810,094
B E Saxild	241,056	3,051,712
D R Watson	12,543,533	7,938,247
M D Watson (appointed 23.02.10)	225,356	–

Directors' and officers' indemnity insurance

The Company's directors' and officers' indemnity insurance policy indemnifies the directors named in this report in respect of their potential liability to third parties for wrongful acts committed by them in their capacity as directors (as defined in the policy). The disclosure of the premium paid in respect of the insurance policy is prohibited under the terms of 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 services provided during the year are set out in Note 26 of the financial statements. There were no non-audit services provided during the year. The directors are satisfied the auditor did not therefore compromise the auditor independence requirements of the *Corporations Act 2001.*

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

Directors' Report

Remuneration report

The remuneration report is set out under the following main headings:

A. *Principles used to determine the nature and amount of remuneration*
B. *Details of remuneration*
C. *Service agreements*
D. *Additional information*

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

A. 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 other than some managers of certain business units received bonuses at the discretion of the board depending on performance. Remuneration of non-executive directors is determined by the board within the maximum amount of $100,000, approved by shareholders at the annual general meeting on 28 November 2000.

B. 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.

2010	SHORT-TERM CASH SALARY AND FEES $	SHORT-TERM NON-MONETARY BENEFITS $	POST-EMPLOYMENT SUPER-ANNUATION $	TOTAL $
P J Leonhardt	45,600	–	–	45,600
D A Mellor	295,166	7,575	50,000	352,741
B E Saxild	323,716	19,538	50,000	393,254
D R Watson	413,414	14,007	50,000	477,421
M D Watson (appointed 23.02.10)	9,727	–	875	10,602
Total	1,087,623	41,120	150,875	1,279,618

2009	SHORT-TERM CASH SALARY AND FEES $	SHORT-TERM NON-MONETARY BENEFITS $	POST-EMPLOYMENT SUPER-ANNUATION $	TOTAL $
P J Leonhardt	45,600	–	–	45,600
D A Mellor	256,156	7,193	86,000	349,349
B E Saxild	272,728	20,347	97,300	390,375
D R Watson	366,134	13,459	97,280	476,873
Total	940,618	40,999	280,580	1,262,197

Directors' Report

Remuneration report (continued)

C. 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.

D. Additional information

As there is no remuneration link between management compensation and the performance of the Company on the Australian Securities Exchange, disclosure of the past four years results is deemed not necessary.

Having regard to the size and structure of the group, the nature of its operations, and the close involvement of the three executive directors, the directors have adopted the view that there are no other key management personnel apart from the three executive directors.

Employee Share Plans

Information on Employee Share Plan is set out in Note 25 of the financial statements. There were no outstanding options/shares under the Employee Share Plan and no awards/grants were made during the year.

This report is made in accordance with a resolution of the directors on 23 September 2010.

D Mellor

DAVID MELLOR
Director

Perth, WA
23 September 2010

Auditor's 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 2010, 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 entities it controlled during the period.

Pierre Dreyer
Partner
PricewaterhouseCoopers

Perth
23 September 2010

Statement of Comprehensive Income for the Year Ended 30 June 2010

	Notes	CONSOLIDATED 2010 $	2009 $
Revenue from operations	5	60,726,513	50,454,640
Other income	6	139,283	221,837
Changes in inventories of finished goods and work in progress		(746,101)	28,139
Raw materials and consumables used		(2,020,231)	(2,639,803)
Employee benefits expense		(16,586,102)	(13,820,775)
Subcontractor expense		(24,467,907)	(19,262,667)
Depreciation and amortisation expense	7	(2,300,870)	(2,128,713)
Motor vehicle and transport costs		(2,967,935)	(2,967,466)
Property costs		(506,107)	(169,206)
Finance costs	7	(827,368)	(717,988)
Other expenses		(3,787,098)	(3,154,092)
Shares of net profit of joint venture partnership		–	34,217
Profit before income tax		6,656,077	5,878,123
Income tax expense	8	(1,925,184)	(1,711,125)
Profit for the year	23	4,730,893	4,166,998
Other comprehensive income			
Changes in the fair value of available-for-sale financial assets		4,004	(13,847)
Income tax relating to changes in the fair value of available-for-sale financial assets		(1,607)	4,155
Transfer from other comprehensive income to profit and loss due to prolonged decline in value of available-for-sale financial assets		58,870	–
Income tax relating to the transfer of available-for-sale financial assets to profit and loss		(17,661)	–
Other comprehensive income/(loss) for the year		43,606	(9,692)
Total comprehensive income for the year		4,774,499	4,157,306

Earnings per share for profit attributable to the ordinary equity holders of the Company		Cents	Cents
Basic earnings per share	34	11.54	10.16
Diluted earnings per share	34	11.54	10.16

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Balance Sheet
as at 30 June 2010

	Notes	CONSOLIDATED 2010 $	CONSOLIDATED 2009 $
ASSETS			
Current assets			
Cash and cash equivalents	9	714,825	2,725
Trade and other receivables	10	9,897,506	9,064,620
Inventories	11	1,486,939	2,126,469
TOTAL CURRENT ASSETS		12,099,270	11,193,814
Non-current assets			
Available-for-sale financial assets	12	63,517	60,427
Property, plant and equipment	13	31,870,116	22,277,024
Investment properties	14	10,107,235	10,215,861
Deferred tax assets	15	845,103	868,321
Intangible assets	16	1,683,690	1,642,145
TOTAL NON-CURRENT ASSETS		44,569,661	35,063,778
TOTAL ASSETS		56,668,931	46,257,592
LIABILITIES			
Current liabilities			
Trade and other payables	17	6,693,281	6,665,102
Borrowings	18	189,806	2,876,646
Current tax liabilities		464,042	511,431
TOTAL CURRENT LIABILITIES		7,347,129	10,053,179
Non-current liabilities			
Borrowings	19	19,071,793	8,257,600
Provisions	21	213,491	223,664
TOTAL NON-CURRENT LIABILITIES		19,285,284	8,481,264
TOTAL LIABILITIES		26,632,413	18,534,443
NET ASSETS		30,036,518	27,723,149
EQUITY			
Contributed equity	22	7,292,807	7,292,807
Reserves	23a	(9,707)	(53,313)
Retained profits	23b	22,753,418	20,483,655
TOTAL EQUITY		30,036,518	27,723,149

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

Statement of Changes in Equity for the Year Ended 30 June 2010

Consolidated	Notes	Contributed Equity $	Reserves $	Retained Profits $	Total Equity $
Balance at 1 July 2008		7,292,807	(43,621)	18,556,540	25,805,726
Total comprehensive income for the year as reported in the 2009 financial statements		–	(9,692)	4,166,998	4,157,306
Transactions with equity holders in their capacity as equity holders:					
Dividends provided for or paid	24	–	–	(2,239,883)	(2,239,883)
Balance at 30 June 2009		7,292,807	(53,313)	20,483,655	27,723,149
Total comprehensive income for the year		–	43,606	4,730,893	4,774,499
Transactions with equity holders in their capacity as equity holders:					
Dividends provided for or paid	24	–	–	(2,461,130)	(2,461,130)
Balance at 30 June 2010		7,292,807	(9,707)	22,753,418	30,036,518

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

Statement of Cash Flows
for the Year Ended 30 June 2010

	Notes	CONSOLIDATED 2010 $	2009 $
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		65,870,221	55,503,742
Payments to suppliers and employees (inclusive of goods and services tax)		(56,617,535)	(47,316,960)
Dividends received		3,992	3,864
Interest received		27,962	36,193
Joint venture partnership distribution received		–	100,000
Interest paid		(551,245)	(546,590)
Income tax refund received		76,098	87,472
Income taxes paid		(2,026,482)	(1,988,334)
Net cash inflow from operating activities	32	6,783,011	5,879,387
Cash flows from investing activities			
Payments for property, plant and equipment		(11,679,500)	(6,209,693)
Payments for intangibles – security lines		(6,449)	(14,660)
Payments for intangibles – software		(31,039)	(59,138)
Payments for purchase of business	35	(141,174)	(1,422,421)
Proceeds from sale of property, plant and equipment		119,435	268,782
Proceeds from sale of available-for-sale financial assets		1,593	–
Net cash outflow from investing activities		(11,737,134)	(7,437,130)
Cash flows from financing activities			
Proceeds from borrowings		14,000,000	3,500,000
Repayment of borrowings		(5,712,663)	(673,875)
Dividend paid to Company's shareholders		(2,461,130)	(2,239,883)
Net cash inflow from financing activities		5,826,207	586,242
Net increase (decrease) in cash and cash equivalents		872,084	(971,501)
Cash and cash equivalents at the beginning of the financial year		(157,259)	814,242
Cash and cash equivalents at the end of the financial year	9	714,825	(157,259)

The above statement of cash flows 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 consolidated financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report is 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 Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001.*

Compliance with IFRS
The consolidated financial statements of the CTI Logistics Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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.

Financial statement presentation
The group has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

(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 2010 and the results of all subsidiaries for the period the Company controlled them during 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 acquisition method of accounting is used to account for business combinations by the group (refer to note 1(h)).

Intercompany transactions, balances and unrealised gains on transactions within the group 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 profit and loss, 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.

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) SEGMENT REPORTING

Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker who is the group's CEO.

Change in accounting policy

The group has adopted AASB 8 *Operating Segments* from 1 July 2009. AASB 8 replaces AASB 114 *Segment Reporting*. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an additional reportable segment. In addition, the segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. Comparatives for 2009 have been restated.

(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 profit and loss.

(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 transferred 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.

(v) Other revenue

Revenue from outside the operating activities includes rent. This revenue is recognised on a straight-line basis in accordance with note 1(g).

(f) INCOME TAX

The income tax expense or benefit 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 income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) INCOME TAX (continued)

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.

Investment allowances

Companies within the group may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances). The group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

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.

(g) LEASES

Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's 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 cost. The finance cost is charged to profit and loss 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 profit and loss 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.

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) BUSINESS COMBINATIONS

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

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.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Change in accounting policy

A revised AASB 3 *Business Combinations* became operative on 1 July 2009. While the revised standard continues to apply the acquisition method to business combinations, there have been some significant changes.

All purchase consideration is now recorded at fair value at the acquisition date. Contingent payments classified as debt are subsequently remeasured through profit or loss. Under the group's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net identifiable assets.

If the group recognises previous acquired deferred tax assets after the initial acquisition accounting is completed there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the group's net profit after tax.

The changes were implemented prospectively from 1 July 2009 and there is no impact on the financial statements.

(i) IMPAIRMENT OF ASSETS

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Assets that are subject to amortisation or depreciation 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 less 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.

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 borrowings in current liabilities on the balance sheet.

(k) TRADE RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Trade receivables are due for settlement not more than 30 days from month end.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for impairment of trade 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 asset's 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 profit and loss.

(l) INVENTORIES

Raw materials, 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

Classification

The group classifies its investments in the following categories: 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) 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 are included in current assets, except for those with maturities 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.

(ii) 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.

Recognition and derecognition

Purchases and sales of financial assets are recognised on trade-date – the date on which the group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs. 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. When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in equity are included in profit and loss as gains and losses from investment securities.

Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest rate method.

Available-for-sale financial assets are subsequently carried at fair value. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) INVESTMENTS AND OTHER FINANCIAL ASSETS (continued)

Fair value

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.

Impairment

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 profit and loss. Impairment losses recognised in profit and loss on equity instruments are not reversed through profit and loss.

(n) 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 profit and loss 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 and equipment	5-15 years
Motor vehicles	5-10 years
Furniture and fittings	3-8 years

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 amounts. These are included in profit and loss under other income and other expenses.

(o) 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 10 to 40 years.

Change in accounting policy

Investment property now also includes properties that are under construction for future use as investment property and is carried at historical cost. This is different to previous years where properties under construction were accounted for at cost and presented under property, plant and equipment until construction was complete.

The change in policy was necessary following changes made to AASB 140 *Investment Property* as a result of the IASB's 2008 Improvements standard.

There has been no impact on the financial statements as there are no properties under construction for future use as investment property.

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) 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. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note 4).

(ii) Security Lines
Security lines have a finite useful life and are carried at cost less accumulated amortisation and impairment 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.

(iii) Software
Costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software. Amortisation is calculated on a straight-line basis over periods ranging from 2.5 to 4 years.

(iv) Trade names
Trade names have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trade names over their estimated useful life of 8 years.

(v) Customer relationships
Customer relationships acquired as part of a business combination are recognised separately from goodwill. The customer relationships are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the relationships over their estimated useful life of 5 years.

(q) 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.

(r) 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 profit and loss 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.

(s) BORROWING COSTS
Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed. Borrowing costs includes interest on bank overdrafts, short-term and long-term borrowings and finance lease charges.

(t) PROVISIONS
Provisions 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.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date.

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) EMPLOYEE BENEFITS

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service 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 end of the reporting period. 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 end of the reporting period 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

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

(v) 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 re-acquires its own ordinary shares, for example 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.

(w) 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.

(x) 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)

(y) 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.

(z) PARENT ENTITY FINANCIAL INFORMATION

The financial information for the parent entity, CTI Logistics Limited, disclosed in note 36 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of CTI Logistics Limited.

(ii) Tax consolidation legislation

CTI Logistics Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. Refer to notes 1(f) and 8.

(iii) Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees is not recognised as contributions or as part of the cost of the investment.

(aa) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Sharebased Payment Transactions [AASB 2] (effective from 1 January 2010)

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the group share-based payment arrangement should be measured, that is, whether it is measured as an equity- or a cash-settled transaction. The group will apply these amendments retrospectively for the financial reporting period commencing on 1 July 2010. There will be no impact on the group's financial statements.

(ii) AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132] (effective from 1 February 2010)

In October 2009 the AASB issued an amendment to AASB 132 *Financial Instruments: Presentation* which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The group will apply the amended standard from 1 July 2010. As the group has not made any such rights issues, the amendment will not have any effect on the group's financial statements.

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is likely to affect the group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The group is yet to assess its full impact. However, initial indications are that it may affect the group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. The group will apply the amended standard from 1 July 2013.

(iv) Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. The group will apply the amended standard from 1 July 2011. When the amendments are applied, the group will need to disclose any transactions between its subsidiaries and its associates. The amendment has no financial impact on the group's financial statements as the group has no associated entity.

(v) AASB Interpretation 19 Extinguishing financial liabilities with equity instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 (effective from 1 July 2010)

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The group will apply the interpretation from 1 July 2010. It has no impact on the group's financial statements as the group has not entered into any debt for equity swaps.

(vi) AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement (effective from 1 January 2011)

In December 2009, the AASB made an amendment to Interpretation 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.* The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. The group does not make any such prepayments. The amendment is therefore not expected to have any impact on the group's financial statements. The group intends to apply the amendment from 1 July 2011.

2. 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 an adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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.

Notes to the Financial Statements

3. 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.

Risk management is carried out by the director responsible for finance under the guidance of the board of directors. The board considers principles for overall risk management, as well as determining policies covering specific areas, such as mitigating interest rate and credit risks and investing excess liquidity.

(a) Market risk

(i) Foreign exchange risk
The group operates wholly in Australia and is not exposed to material foreign exchange risk arising from currency exposure.

(ii) Price risk
The group is exposed to equity securities price risk. This arises from investments held by the group and classified on the balance sheet as available-for-sale.

The group manages price risk through a diversified portfolio.

The price risk for listed and unlisted securities is immaterial in terms of the possible impact on profit or loss or total equity. It has therefore not been included in a sensitivity analysis.

The group is not exposed to commodity price risk.

(iii) Cash flow and fair value interest rate risk
The group's interest rate risk arises from 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. At the year end, 1.3% (2009 – 6%) of borrowings were at fixed rates.

(iv) Borrowings and cash and cash equivalents
At the reporting date the group had the following borrowings and cash and cash equivalents.

	CONSOLIDATED			
	Weighted average interest rate %	2010 $	Weighted average interest rate %	2009 $
Bank overdrafts, bank loans and other loans	5.14	19,000,000	3.79	10,455,984
Cash and cash equivalents	3.67	714,825	4.79	2,725
Hire purchase liabilities	7.90	261,599	7.90	678,262

An analysis by maturities is provided in (c) below.

The group manages interest rate risk by assessing the appropriateness of fixed or floating rate debt when funding is required.

Group sensitivity
The group's main interest rate risk arises from loans and cash and cash equivalents. At 30 June 2010, if the interest rates had changed by -/+ 100 basis points from the year-end rates with all other variables held constant, post-tax profit for the year would have been higher/lower by $133,000 (2009 – change of 100bps: $73,192 higher/lower) for loans and lower/higher by $5,004 (2009 – change of 100bps: $19 lower/higher) for cash and cash equivalents, mainly as a result of lower/higher interest expense from borrowings and lower/higher interest income from cash and cash equivalents.

Notes to the Financial Statements

3. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

The group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The group has no significant concentrations of credit risk. 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.

There is no independent rating of individual customers. Financial institutions have credit ratings of AA* and higher at 30 June 2010. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Receivables balances are monitored on an ongoing basis.

*Standard and Poor credit rating.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as follows:

	CONSOLIDATED	
	2010 $	2009 $
Cash and cash equivalents	714,825	2,725
Trade receivables	9,231,686	7,932,338
Other receivables	107,040	517,125
	10,053,551	8,452,188

Trade receivables are non-interest bearing and terms of trade are 30 days from month end. At 30 June 2010, 1.04% (2009 – 6.50%) of trade receivables of the group exceed 30 days but are not considered impaired.

Other receivables are non-interest bearing and have repayment terms exceeding 30 days but are not considered impaired.

The ageing of receivables that are past due but not impaired at the reporting date is as follows:

	PAST DUE BUT NOT IMPAIRED		
	30–60 days $	>60 days $	Total $
2010			
Consolidated			
Trade receivables	231,277	96,365	327,642
Other receivables	–	29,944	29,944
Total	231,277	126,309	357,586
2009			
Consolidated			
Trade receivables	238,319	280,460	518,779
Other receivables	–	131,443	131,443
Total	238,319	411,903	650,222

At the reporting date the group has impaired trade receivables of $87,541 (2009 – $132,758) (refer note 10). The individually impaired receivables mainly relate to customers which are in unexpectedly difficult economic situations and they were fully provided for at reporting date.

Notes to the Financial Statements

3. FINANCIAL RISK MANAGEMENT (continued)

	CONSOLIDATED	
	2010	2009
	$	$
(b) Credit risk (continued)		
The ageing of these receivables is as follows:		
1 to 30 days	–	233
30 to 60 days	–	1,149
Over 60 days	87,541	131,376
Total	87,541	132,758

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. The group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of current financial assets and liabilities. 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 with a variety of counterparties. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets.

Financing arrangements

The group had access to the following undrawn borrowing facilities at the reporting date:

	CONSOLIDATED	
	2010	2009
	$	$
Floating rate		
– Expiring within one year (bank overdrafts and bill facility)	500,000	540,016
– Expiring beyond one year (bill facility)	3,300,000	2,800,000
	3,800,000	3,340,016

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.

Notes to the Financial Statements

3. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

Maturities of financial liabilities

The table below sets out the group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Consolidated	MATURITY 1 year or less $	 1 to 2 years $	 2 to 3 years $	 Total contractual cash flows $	 Carrying amount $
2010					
Non-interest bearing	6,693,281	–	–	6,693,281	6,693,281
Variable rate	976,000	976,000	19,568,459	21,520,459	19,000,000
Fixed rate	203,632	73,941	–	277,573	261,599
Total	7,872,913	1,049,941	19,568,459	28,491,313	25,954,880
2009					
Non-interest bearing	6,665,102	–	–	6,665,102	6,665,102
Variable rate	2,644,483	5,172,205	3,080,887	10,897,575	10,455,984
Fixed rate	452,607	202,744	73,940	729,291	678,262
Total	9,762,192	5,374,949	3,154,827	18,291,968	17,799,348

(d) Fair value estimation

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

As of 1 July 2009, CTI Logistics Limited has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1),

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following tables present the group's assets measured and recognised at fair value at 30 June 2010. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

Consolidated	Level 1 $
2010	
Available-for-sale financial assets	
Equity securities	63,517

Notes to the Financial Statements

4. SEGMENT INFORMATION

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the group's CEO.

The group's CEO considers the business from a product and services perspective and has identified two reportable segments: logistics and transport and property segments.

The reportable segments operate solely in Australia and are involved in the following operations:

Logistics and transport services – includes the provision of courier, taxi truck, parcel distribution, fleet management, warehousing and distribution and document storage services.

Property – rental of owner-occupied and investment property.

"Other" segments include the manufacturing of plastic products and provision of security services. Neither of these segments meets any of the quantitative thresholds for determining the reportable segments.

The group does not have a single external customer which represents greater than 10% of the entity's revenue.

The group's CEO assesses the performance of the operating segments based on segment profit before income tax.

(b) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1(c) and accounting standard AASB 8 *Operating Segments.*

(i) 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.

(ii) Segment assets and liabilities

Segment assets are allocated based on the operations of the segment and the physical location of the asset. Segment liabilities are allocated based on the operations of the segment.

(iii) Unallocated amounts

Unallocated amounts are made up of the Parent company and amounts that cannot be allocated to specific segments in respect of revenue, profit, assets and liabilities.

Notes to the Financial Statements

4. SEGMENT INFORMATION (continued)

(c) Information about reportable segments

The segment information provided to the group's CEO for the reportable segments for the year ended 30 June 2010 is as follows:

Consolidated	Logistics and Transport $	Property $	Other $	Total $
2010				
Reportable segment revenue				
Sales to external customers	49,193,730	588,767	10,180,664	59,963,161
Intra and inter-segment revenue	3,797,997	1,889,541	213,684	5,901,222
Total segment revenue	52,991,727	2,478,308	10,394,348	65,864,383
Interest expense	25,475	505,011	7,493	537,979
Depreciation and amortisation	1,143,790	445,231	437,185	2,026,206
Reportable segment profit before income tax	6,417,280	775,231	683,190	7,875,701
Reportable segment assets	15,561,270	33,411,670	5,042,122	54,015,062
Reportable segment liabilities	3,641,313	18,275,188	2,176,430	24,092,931
2009				
Reportable segment revenue				
Sales to external customers	38,289,400	575,204	10,768,877	49,633,481
Intra and inter-segment revenue	5,118,174	1,849,341	205,104	7,172,619
Total segment revenue	43,407,574	2,424,545	10,973,981	56,806,100
Interest expense	29,211	447,385	26,273	502,869
Depreciation and amortisation	701,461	466,809	738,864	1,907,134
Reportable segment profit before Income tax	5,348,725	1,082,807	462,150	6,893,682
Reportable segment assets	13,199,427	24,895,512	6,210,383	44,305,322
Reportable segment liabilities	2,763,339	8,049,929	2,342,712	13,155,980

Notes to the Financial Statements

4. SEGMENT INFORMATION (continued)

	Notes	CONSOLIDATED 2010 $	2009 $
(d) Reconciliations of reportable segment revenues, profit, assets and liabilities and other material items			
Revenues			
Total revenue for reportable segments		55,470,035	45,832,119
Other revenue		10,394,348	10,973,981
Total segment revenue		65,864,383	56,806,100
Elimination of intra-segment and inter-segment revenue		(5,901,221)	(7,172,619)
Unallocated revenue		763,351	821,159
Consolidated revenue	5	60,726,513	50,454,640
Profit			
Total profit for reportable segments		7,192,511	6,431,532
Other profit		683,190	462,150
Unallocated amounts		(1,219,624)	(1,049,776)
Share of net profit of joint venture partnership		–	34,217
Consolidated profit before income tax		6,656,077	5,878,123
Assets			
Total assets for reportable segments		48,972,940	38,094,939
Other assets		5,042,122	6,210,383
Unallocated amounts		2,653,869	1,952,270
Consolidated total assets		56,668,931	46,257,592
Liabilities			
Total liabilities for reportable segments		21,916,501	10,813,268
Other liabilities		2,176,430	2,342,712
Unallocated amounts		2,539,482	5,378,463
Consolidated total liabilities		26,632,413	18,534,443
Other material items			
Interest Income			
Unallocated amounts		27,962	36,193
Consolidated interest income	5	27,962	36,193
Interest expense			
Total for reportable segments		530,486	476,596
Other and unallocated amounts		20,759	74,454
Consolidated interest expense		551,245	551,050
Depreciation and amortisation			
Total for reportable segments		1,589,021	1,168,270
Other and unallocated amounts		711,849	960,443
Consolidated depreciation and amortisation	7	2,300,870	2,128,713

The reports provided to the CEO with respect to reconciliation of reportable segment revenues, profit, assets and liabilities are measured in a manner consistent with that of the financial statements.

Notes to the Financial Statements

5. REVENUE

	CONSOLIDATED 2010 $	2009 $
Revenue from operations		
Sales revenue		
Sale of goods	5,181,832	5,979,000
Services	54,924,088	43,860,379
	60,105,920	49,839,379
Other revenue		
Interest	27,962	36,193
Dividends	3,992	3,864
Rent	588,639	575,204
	620,593	615,261
	60,726,513	50,454,640

6. OTHER INCOME

	2010 $	2009 $
Net gain on disposal of:		
– plant and equipment	18,538	42,541
– available-for-sale financial assets	1,258	–
Other	119,487	179,296
	139,283	221,837

7. EXPENSES

Profit before income tax includes the following specific expenses:

	2010 $	2009 $
Defined contribution superannuation expense	1,424,192	1,434,711
Depreciation		
Buildings	435,188	430,371
Plant and equipment	1,658,951	1,544,410
Total depreciation	2,094,139	1,974,781
Amortisation		
Security lines	82,252	142,222
Software	77,641	–
Trade names and customer relationships	46,838	11,710
	206,731	153,932
Finance costs		
Interest and finance charges paid/payable	827,368	717,988
Rental expense relating to operating leases		
Minimum lease payments	82,200	52,793
Transfer from other comprehensive income to profit and loss due to prolonged decline in value of available-for-sale financial assets	58,870	–

Notes to the Financial Statements

8. INCOME TAX EXPENSE

	CONSOLIDATED 2010 $	2009 $
(a) Income tax expense		
Current tax	1,908,770	1,801,381
Deferred tax	22,190	(80,932)
Over provided in prior years	(5,776)	(9,324)
Income tax expense	1,925,184	1,711,125
Deferred income tax (benefit) expense included in income tax expense comprises:		
Increase in deferred tax assets (note 15)	(20,250)	(80,503)
Increase (decrease) in deferred tax liabilities (note 20)	42,440	(429)
	22,190	(80,932)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	6,656,077	5,878,123
Tax at the Australian rate of 30% (2009 – 30%)	1,996,823	1,763,437
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Depreciation and amortisation	24,561	20,187
Sundry items	12,363	8,221
Investment allowance	(101,628)	(70,237)
Rebatable dividends	(1,159)	(1,159)
	1,930,960	1,720,449
Over provision in prior years	(5,776)	(9,324)
Income tax expense	1,925,184	1,711,125
(c) Amounts recognised directly 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 – Debited (credited) directly to equity (note 15)	1,028	(4,154)

Tax consolidation legislation

CTI Logistics Limited and the controlled entities implemented the tax consolidation legislation as of 1 July 2003. The accounting policy relating to this 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	
	2010 $	2009 $
Cash at bank and in hand	714,825	2,725

(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 as follows:

	2010 $	2009 $
Balances as above	714,825	2,725
Bank overdraft (note 18)	–	(159,984)
Balances per statement of cash flows	714,825	(157,259)

(b) Cash at bank and on hand

Cash at bank earns interest at varying rates between nil and 4.35% per annum (2009 – nil and 2.85% per annum).

10. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	2010 $	2009 $
Trade receivables	9,319,227	8,065,096
Provision for impairment of receivables (note (a))	(87,541)	(132,758)
	9,231,686	7,932,338
Other receivables	107,040	517,125
Prepayments	558,780	615,157
	665,820	1,132,282
	9,897,506	9,064,620

(a) Provision for impairment of trade receivables

Movements in the provision for impairment of receivables are as follows:

	2010 $	2009 $
Balance 1 July	132,758	127,876
Provision for impairment recognised during the year	28,822	49,388
Receivables written off during the year as uncollectable	(40,157)	(14,161)
Unused amount reversed	(33,882)	(30,345)
Balance 30 June	87,541	132,758

The creation and release of the provision for impaired receivables has been included in 'other expenses' in profit and loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering cash.

Information concerning impaired trade receivables is set out in note 3.

Notes to the Financial Statements

10. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES (continued)

(b) Past due but not impaired

Information concerning trade receivables that were past due but not impaired is set out in note 3.

(c) 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.

(d) Fair value and credit risk

Due to the short term-term nature of these receivables, their carrying amount is assumed to approximate their fair value. Information concerning the credit risk of receivables is set out in note 3.

(e) Interest rate risk

Trade receivables are interest free, unsecured and have no fixed terms of repayment (refer note 3).

11. CURRENT ASSETS – INVENTORIES

	CONSOLIDATED	
	2010 $	2009 $
Raw materials – at cost	319,164	212,594
Work in progress – at cost	34,125	63,601
Finished goods – at cost	1,133,650	1,850,274
	1,486,939	2,126,469

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

	2010 $	2009 $
Listed securities		
Equity securities at fair value	63,517	60,427

Notes to the Financial Statements

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

Consolidated	Freehold land $	Freehold buildings $	Plant and equipment $	Motor vehicles $	Total $
1 July 2008					
Cost	2,238,982	12,007,904	13,744,579	6,247,945	34,239,410
Accumulated depreciation	–	(3,336,807)	(10,174,712)	(3,332,826)	(16,844,345)
Net book amount	2,238,982	8,671,097	3,569,867	2,915,119	17,395,065
Year ended 30 June 2009					
Opening net book amount	2,238,982	8,671,097	3,569,867	2,915,119	17,395,065
Additions	1,667,027	1,694,731	2,177,053	1,077,882	6,616,693
Acquisition of business	–	–	366,761*	–	366,761
Transfers	–	151,249	(151,249)	–	–
Disposals	–	–	(743)	(225,498)	(226,241)
Depreciation charge	–	(348,468)	(929,713)	(597,073)	(1,875,254)
Closing net book amount	3,906,009	10,168,609	5,031,976	3,170,430	22,277,024
At 30 June 2009					
Cost	3,906,009	13,944,616	15,807,863	6,536,751	40,195,239
Accumulated depreciation	–	(3,776,007)	(10,775,887)	(3,366,321)	(17,918,215)
Net book amount	3,906,009	10,168,609	5,031,976	3,170,430	22,277,024
Year ended 30 June 2010					
Opening net book amount	3,906,009	10,168,609	5,031,976	3,170,430	22,277,024
Additions	8,348,003	19,274	1,593,172	1,719,051	11,679,500
Disposals	–	–	(5,270)	(95,625)	(100,895)
Depreciation charge	–	(326,562)	(1,047,808)	(611,143)	(1,985,513)
Closing net book amount	12,254,012	9,861,321	5,572,070	4,182,713	31,870,116
At 30 June 2010					
Cost	12,254,012	13,963,890	16,176,707	7,737,990	50,132,599
Accumulated depreciation	–	(4,102,569)	(10,604,637)	(3,555,277)	(18,262,483)
Net book amount	12,254,012	9,861,321	5,572,070	4,182,713	31,870,116

*determined on a provisional basis now confirmed in current year (refer note 35(c)).

(a) Valuations

Freehold land and buildings were valued by the directors at 30 June 2010 as $49,889,168 (2009 – Directors' valuation $41,163,847). The basis of valuation 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 2010 valuations were made by the directors as at 30 June 2010.

(b) Non-current assets pledged as security

Refer to note 19(b) for information on non-current assets pledged as security.

Notes to the Financial Statements

14. NON-CURRENT ASSETS – INVESTMENT PROPERTIES

Consolidated	Freehold land $	Freehold buildings $	Total $
1 July 2008			
Cost	8,138,384	2,968,844	11,107,228
Accumulated depreciation	–	(791,840)	(791,840)
Net book amount	8,138,384	2,177,004	10,315,388
Year ended 30 June 2009			
Opening net book amount	8,138,384	2,177,004	10,315,388
Depreciation charge	–	(99,527)	(99,527)
Closing net book amount	8,138,384	2,077,477	10,215,861
At 30 June 2009			
Cost	8,138,384	2,968,844	11,107,228
Accumulated depreciation	–	(891,367)	(891,367)
Net book amount	8,138,384	2,077,477	10,215,861
Year ended 30 June 2010			
Opening net book amount	8,138,384	2,077,477	10,215,861
Depreciation charge	–	(108,626)	(108,626)
Closing net book amount	8,138,384	1,968,851	10,107,235
At 30 June 2010			
Cost	8,138,384	2,968,844	11,107,228
Accumulated depreciation	–	(999,993)	(999,993)
Net book amount	8,138,384	1,968,851	10,107,235

(a) Valuations

Freehold land and buildings were valued by the directors at 30 June 2010 as $16,451,724 (2009 – Directors' valuation $16,545,364). 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 2010 valuations were made by the directors as at 30 June 2010.

	CONSOLIDATED 2010 $	2009 $
(b) Amounts recognised in profit and loss for investment properties		
Rental income	535,822	496,775
Direct operating expenses from property that generated rental income	(138,271)	(132,650)
	397,551	364,125

Notes to the Financial Statements

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

(c) Non-current assets pledged as security

Refer to note 19(b) for information on non-current assets pledged as security.

(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 group has investment properties that are leased to tenants on monthly operating leases or fixed terms not exceeding two years.

Commitments in relation to these leases that are contracted for at reporting date but not recognised as assets are: receivable within one year – $425,931 (2009 – $422,440), receivable later than one year but not later than three years – $235,556 (2009 – $152,256).

15. NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	CONSOLIDATED	
	2010 $	2009 $
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Doubtful debts	26,263	39,827
Employee benefits	616,221	554,265
Depreciation and amortisation	556,285	614,085
Other	108,929	56,423
	1,307,698	1,264,600
Amounts recognised directly in equity		
Available-for-sale financial assets	(1,028)	22,848
	1,306,670	1,287,448
Set-off of deferred tax liabilities (note 20)	(461,567)	(419,127)
Net deferred tax assets	845,103	868,321
Deferred tax assets to be recovered within 12 months	676,441	605,137
Deferred tax assets to be recovered after more than 12 months	630,229	682,311
	1,306,670	1,287,448
Opening balance at 1 July	1,287,448	1,202,791
Credited to profit and loss (note 8)	20,250	80,503
(Debited) Credited to equity	(1,028)	4,154
Closing balance at 30 June	1,306,670	1,287,448

Notes to the Financial Statements

16. NON-CURRENT ASSETS – INTANGIBLE ASSETS

Consolidated	Goodwill $	Trade names $	Customer relationships $	Security lines $	Software $	Total $
At 1 July 2008						
Cost	275,893	–	–	1,391,167	209,253	1,876,313
Accumulated amortisation	–	–	–	(1,163,837)	(90,978)	(1,254,815)
Net book amount	275,893	–	–	227,330	118,275	621,498
Year ended 30 June 2009						
Opening net book amount	275,893	–	–	227,330	118,275	621,498
Additions	–	–	–	14,660	59,138	73,798
Acquisition of business	798,989*	180,225*	121,567*	–	–	1,100,781
Amortisation charge	–	(5,632)	(6,078)	(142,222)	–	(153,932)
Closing net book amount	1,074,882	174,593	115,489	99,768	177,413	1,642,145
At 30 June 2009						
Cost	1,074,882	180,225	121,567	1,405,827	268,391	3,050,892
Accumulated amortisation	–	(5,632)	(6,078)	(1,306,059)	(90,978)	(1,408,747)
Net book amount	1,074,882	174,593	115,489	99,768	177,413	1,642,145
Year ended 30 June 2010						
Opening net book amount	1,074,882	174,593	115,489	99,768	177,413	1,642,145
Additions	–	–	–	6,449	31,039	37,488
Acquisition of business	210,788	–	–	–	–	210,788
Amortisation charge	–	(24,313)	(22,525)	(82,252)	(77,641)	(206,731)
Closing net book amount	1,285,670	150,280	92,964	23,965	130,811	1,683,690
At 30 June 2010						
Cost	1,285,670	180,225	121,567	1,412,276	299,430	3,299,168
Accumulated amortisation	–	(29,945)	(28,603)	(1,388,311)	(168,619)	(1,615,478)
Net book amount	1,285,670	150,280	92,964	23,965	130,811	1,683,690

*determined on a provisional basis now confirmed in the current year (refer note 35).

Security lines are amortised in accordance with Note 1(p). Amortisation of $82,252 (2009 – $142,222) is included in depreciation and amortisation expense in profit and loss.

16. NON-CURRENT ASSETS – INTANGIBLE ASSETS (continued)

Impairment tests for 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 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 $	Other $	Total $
2010	1,153,859	131,811	1,285,670
2009	943,071*	131,811	1,074,882

*Includes goodwill of $798,989 determined on a provisional basis now confirmed in the current year.

The recoverable amount of a CGU is determined based on value-in-use calculations which are based on budgets. These calculations use cash flow projections based on current sustainable earnings and financial budgets approved by management. Cash flows indicate that the carrying amounts are substantially recoverable and that there is no impairment.

Key assumptions used for value-in-use calculations

Growth rate of 3.5% (2009 – 3.5%) based on the inflation rate is used to extrapolate cash flows beyond budget periods and post tax discount rate of 10.5% (2009 – 10.5%), (equivalent pre-tax rate 15% (2009 – 15%)), is used to discount the forecast future attributable post-tax cash flows when performing the value-in-use calculations. The same post-tax discount rates were applied in 2009 and 2010. The pre-tax discount rates between 2009 and 2010 reflect changes in the anticipated timing of future cash flows.

17. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2010 $	2009 $
Trade payables	4,852,698	5,041,214
Other payables	1,840,583	1,623,888
	6,693,281	6,665,102

18. CURRENT LIABILITIES – BORROWINGS

Secured		
Bank loans	–	2,300,000
Hire purchase liabilities (note 27)	189,806	416,662
Bank overdraft	–	159,984
Total current interest-bearing liabilities	189,806	2,876,646

(a) Interest rate risk exposures

Details of the group's exposure to interest rate changes on interest-bearing liabilities are set out in note 3.

(b) Fair value disclosures

Details of the fair value of interest-bearing liabilities for the group are set out in note 19.

(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 19.

Notes to the Financial Statements

19. NON-CURRENT LIABILITIES – BORROWINGS

	CONSOLIDATED	
	2010 $	2009 $
Secured		
Bank loans	19,000,000	5,000,000
Hire purchase liabilities (note 27)	71,793	261,600
Other loans	–	2,996,000
Total secured non-current interest-bearing borrowings	19,071,793	8,257,600

(a) Total secured liabilities

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

	2010 $	2009 $
Secured		
Bank overdraft and bank loans	19,000,000	7,459,984
Hire purchase liabilities	261,599	678,262
Other loans	–	2,996,000
Total secured liabilities	19,261,599	11,134,246

(b) Assets pledged as security

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

Hire purchase liabilities are effectively secured as the rights to the assets recognised in the financial statements revert to the financier 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	
	2010 $	2009 $
Current		
Floating charge		
Cash and cash equivalents	714,825	2,725
Receivables	9,897,506	9,064,620
Inventories	1,486,939	2,126,469
Total current assets pledged as security	12,099,270	11,193,814
Non-current		
First mortgage		
Freehold land and buildings	18,238,530	10,106,281
Investment properties	2,328,015	2,409,641
	20,566,545	12,515,922
Floating charge		
Available-for-sale financial assets	63,517	60,427
Plant, equipment and motor vehicles	9,754,783	8,202,406
Freehold land and buildings	3,876,803	3,968,337
Investment properties	7,779,220	7,806,220
Intangible assets	1,683,690	1,642,145
	23,158,013	21,679,535
Total non-current assets pledged as security	43,724,558	34,195,457
Total assets pledged as security	55,823,828	45,389,271

Notes to the Financial Statements

19. NON-CURRENT LIABILITIES – BORROWINGS (continued)

	CONSOLIDATED 2010 $	CONSOLIDATED 2009 $
(c) Financing arrangements		
Unrestricted access was available at balance date to the following lines of credit:		
Credit standby arrangements		
Total facilities		
Bank overdrafts	500,000	500,000
Secured bill acceptance facility	22,300,000	10,300,000
	22,800,000	10,800,000
Used at balance date		
Bank overdrafts	–	159,984
Secured bill acceptance facility	19,000,000	7,300,000
	19,000,000	7,459,984
Bank loan facilities		
Total facilities	22,800,000	10,800,000
Used at balance date	(19,000,000)	(7,459,984)
Unused at balance date	3,800,000	3,340,016

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 4.82% – 5.68% per annum on the bill facilities, 10.80% per annum on overdraft (2009 – bill facilities (3.22% – 3.59%), overdraft – 9.25%).

(d) Interest rate risk exposure

Information concerning interest rate risk is set out in note 3.

(e) Fair value

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

Consolidated	2010 Carrying amount $	2010 Fair value $	2009 Carrying amount $	2009 Fair value $
On-balance sheet				
Non-traded financial liabilities				
Bank overdraft	–	–	159,984	159,984
Bank loans	19,000,000	19,000,000	7,300,000	7,300,000
Other loans	–	–	2,996,000	2,996,000
Hire purchase liabilities	261,599	271,620	678,262	692,181
Total secured liabilities	19,261,599	19,271,620	11,134,246	11,148,165

Notes to the Financial Statements

20. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	CONSOLIDATED 2010 $	CONSOLIDATED 2009 $
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Depreciation	461,567	419,127
Set-off of deferred tax assets (note 15)	(461,567)	(419,127)
Net deferred tax liabilities	–	–
Deferred tax liabilities to be settled within 12 months	62,807	49,452
Deferred tax liabilities to be settled after more than 12 months	398,760	369,675
	461,567	419,127
Movements		
Opening balance at 1 July	419,127	419,556
Credited (debited) to profit and loss (note 8)	42,440	(429)
Closing balance at 30 June	461,567	419,127

21. NON-CURRENT LIABILITIES – PROVISIONS

	2010 $	2009 $
Employee benefits	213,491	223,664

22. CONTRIBUTED EQUITY

	CONSOLIDATED 2010 Number of shares	CONSOLIDATED 2010 $	CONSOLIDATED 2009 Number of shares	CONSOLIDATED 2009 $
(a) Share capital				
Ordinary shares (fully paid)	41,018,830	7,292,807	41,018,830	7,292,807
Total contributed equity	41,018,830	7,292,807	41,018,830	7,292,807

(b) Movements in ordinary share capital:

Date	Details	Number of shares	$
1 July 2008	Balance	34,182,421	7,292,807
	Bonus issue		
	Ordinary shares – 1 for 5	6,836,409	–
30 June 2009 and 30 June 2010	Balance	41,018,830	7,292,807

22. CONTRIBUTED EQUITY (continued)

(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) Capital risk management

The group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the group monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings' and 'trade and other payables' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

During 2010, the group's strategy was to reduce its gearing ratio until better opportunities become available. However, during the year the group seized the opportunity to acquire a parcel of vacant land for development into a logistics complex similar to others already owned. The gearing ratios at 30 June 2010 and 30 June 2009 were as follows:

		CONSOLIDATED	
	Notes	2010 $	2009 $
Total payables and borrowings	17,18,19	25,954,880	17,799,348
Less: cash and cash equivalents	9	(714,825)	(2,725)
Net debt		25,240,055	17,796,623
Total equity		30,036,518	27,723,149
Total capital		55,276,573	45,519,772
Gearing ratio		46%	39%

The increase in the gearing ratio during 2010 resulted primarily from an increase in borrowings during the year.

Notes to the Financial Statements

23. RESERVES AND RETAINED PROFITS

	CONSOLIDATED 2010 $	CONSOLIDATED 2009 $
(a) Reserves		
Available-for-sale investments revaluation reserve	(9,707)	(53,313)
Movements in available-for-sale investments revaluation reserve were as follows:		
Balance 1 July	(53,313)	(43,621)
Revaluation, net of tax	2,397	(9,692)
Transfer to profit and loss due to prolonged decline in value, net of tax	41,209	–
Balance 30 June	(9,707)	(53,313)
(b) Retained profits		
Movements in retained profits were as follows:		
Balance 1 July	20,483,655	18,556,540
Profit for the year	4,730,893	4,166,998
Dividends	(2,461,130)	(2,239,883)
Balance 30 June	22,753,418	20,483,655

(c) Nature and purpose of reserves

Available-for-sale investments revaluation reserve

Changes in the fair value 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.

Notes to the Financial Statements

24. DIVIDENDS

	CONSOLIDATED	
	2010 $	2009 $
(a) Ordinary shares		
Final dividend for the year ended 30 June 2009 of 3 cents (2008 – 3 cents) per fully paid share, paid on 20 November 2009 (2008 – 14 November 2008) 30% franked dividend (2008 – 30% franked) based on tax paid @ 30% (2008 – 30%)	1,230,565	1,009,318
Interim dividend for the year ended 30 June 2010 of 3 cents (2009 – 3 cents) per fully paid share, paid on 3 May 2010 (2009 – 22 May 2009) 30% franked dividend (2009 – 30% franked) based on tax paid @ 30% (2009 – 30%)	1,230,565	1,230,565

(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, (2009 – 3 cents) fully franked based on tax paid at 30% (2009 – 30%). The aggregate amount of the proposed dividend expected to be paid on 19 November 2010 out of retained profits at 30 June 2010, but not recognised as a liability at year end, is $1,230,565 (2009 – $1,230,565).

(c) Franked dividends

The franked portion of the final dividend recommended after 30 June 2010 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 2010.

	CONSOLIDATED	
	2010 $	2009 $
Franking credits available for subsequent financial years based on a tax rate of 30% (2009 – 30%)	7,040,299	6,213,546

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 $527,385 (2009 – $527,385).

Notes to the Financial Statements

25. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

The following directors were considered to be the key management personnel of CTI Logistics Limited during the financial year ended 30 June 2010:

(i) Chairman – executive
D R Watson

(ii) Executive directors
D A Mellor
B E Saxild

(iii) Non-executive directors
P J Leonhardt
M D Watson (appointed 23.02.10)

Having regard to the size and structure of the group, the nature of its operations, and the close involvement of the three executive directors, the directors have adopted the view that there are no other key management personnel apart from the three executive directors.

Detailed remuneration disclosures are provided in sections A-D of the remuneration report on pages 6 to 7.

	CONSOLIDATED 2010 $	CONSOLIDATED 2009 $
(b) Key management personnel compensation		
Short-term	1,128,743	981,617
Post-employment	150,875	280,580
	1,279,618	1,262,197

(c) Equity instrument disclosures relating to key management personnel

The number 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
2010				
P J Leonhardt	311,109	–	50,000	361,109
D A Mellor	4,103,359	–	–	4,103,359
B E Saxild	3,292,768	–	–	3,292,768
D R Watson	20,481,780	–	–	20,481,780
M D Watson (appointed 23.02.10)	–	–	225,356	225,356
2009				
P J Leonhardt	259,258	-	51,851	311,109
D A Mellor	3,419,469	-	683,890	4,103,359
B E Saxild	2,720,809	-	571,959	3,292,768
D R Watson	17,048,494	-	3,433,286	20,481,780

Notes to the Financial Statements

25. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(d) Employee Share Plan

The financing for the shares issued under the Employee Share Plan has been repaid in full from dividends in the prior year.

	Balance at the start of the year $	Interest paid or payable for the year $	Payments received $	Balance at the end of the year $	Number in the group at the end of the year
2010	–	–	–	–	–
2009	16,155	–	16,155	–	–

26. 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	
	2010 $	2009 $
(a) Assurance services		
Audit services		
PricewaterhouseCoopers Australian firm		
Audit and review of financial reports	102,000	100,380

27. COMMITMENTS

	2010 $	2009 $
(a) Capital commitments		
Capital expenditure contracted for at the reporting date but not recognised as liabilities:		
Property, plant and equipment:		
Payable within one year	298,445	1,397,796
(b) Lease commitments: group company as lessee		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities:		
Payable:		
Within one year	120,469	119,053
Later than one year but not later than five years	99,904	219,484
	220,373	338,537
Representing:		
Non-cancellable operating leases	204,399	286,619
Future finance charges on hire purchases	15,974	51,918
Commitments not recognised in the financial statements	220,373	338,537

Notes to the Financial Statements

27. COMMITMENTS (continued)

	CONSOLIDATED	
	2010 $	2009 $
(b) Lease commitments: group company as lessee (continued)		
(i) Operating leases		
The group leases an office and warehouse under a non-cancellable operating lease expiring within two years. The lease has varying terms, escalation clauses and renewal rights.		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	106,643	82,220
Later than one year but not later than five years	97,756	204,399
	204,399	286,619
(ii) Hire purchase commitments		
Commitments in relation to hire purchase are payable as follows:		
Within one year	203,633	453,495
Later than one year but not later than five years	73,940	276,685
Minimum payments	277,573	730,180
Future finance charges	(15,974)	(51,918)
Recognised as a liability	261,599	678,262
Representing:		
Current	189,806	416,662
Non-current	71,793	261,600
Total hire purchase liabilities	261,599	678,262

28. 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 29.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 25.

(d) Transactions with related parties

There were no transactions with related parties during the year (2009 – $nil).

Notes to the Financial Statements

29. 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)	
Name of entity	2010 %	2009 %
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		
Lafe (WA) Pty Ltd	100	100
Western Logistics Pty Ltd (formerly 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		
Foxline Logistics Pty Ltd	100	100

These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission. For further information refer to note 30.

Notes to the Financial Statements

30. 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.

31. INTERESTS IN JOINT VENTURES

A controlled entity had 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.

On 31 March 2009 the joint venture partners agreed to cease trading as CTI Foxline Joint Venture.

Information relating to the joint venture partnership for the 9 months to 31 March 2009 is set out below:

	CONSOLIDATED	
	31 March 2010 $	31 March 2009 $
Carrying amount of investment in joint venture partnership	–	205,204
Share of partnership's assets and liabilities		
Current assets	–	397,730
Non-current assets	–	11,975
Total assets	–	409,705
Current liabilities	–	194,146
Non-current liabilities	–	10,355
Total liabilities	–	204,501
Net assets	–	205,204

	CONSOLIDATED	
	9 months to 31 March 2010 $	9 months to 31 March 2009 $
Share of partnership's revenue, expenses and results		
Revenues	–	2,033,433
Expenses	–	1,999,216
Profit before income tax	–	34,217

Notes to the Financial Statements

32. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	CONSOLIDATED	
	2010 $	2009 $
Profit for the year	4,730,893	4,166,998
Depreciation and amortisation	2,300,870	2,128,713
Provision for doubtful debts	(45,217)	4,882
Net gain on:		
– sale of non-current assets	(18,538)	(42,541)
– sale of available-for-sale financial assets	(1,258)	–
Transfer from other comprehensive income to profit and loss due to prolonged decline in value of available-for-sale financial assets	41,209	–
Share of profits of joint venture partnership not received as dividends or distributions	–	(34,217)
Change in operating assets and liabilities		
(Increase) decrease in trade and other debtors	(787,669)	142,640
Decrease in inventories	639,530	241,620
Decrease in provision for income taxes payable	(47,389)	(103,218)
Decrease (increase) in provision for deferred tax assets	22,190	(85,086)
Increase in trade creditors, employee benefits and other provisions	(51,610)	(540,404)
Net cash inflow from operating activities	6,783,011	5,879,387

33. NON-CASH INVESTING AND FINANCING ACTIVITIES

Acquisition of plant and equipment by means of hire purchase	–	407,000

34. EARNINGS PER SHARE

	CONSOLIDATED	
	2010	2009
	CENTS PER SHARE	
(a) Basic earnings per share		
Profit attributable to the ordinary equity holders of the Company	11.54	10.16
(b) Diluted earnings per share		
Profit attributable to the ordinary equity holders of the Company	11.54	10.16

	2010 $	2009 $
(c) Reconciliations of earnings used in calculating earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share	4,730,893	4,166,998

Notes to the Financial Statements

34. EARNINGS PER SHARE (continued)

	CONSOLIDATED	
	2010 Number	2009 Number
(d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	41,018,830	41,018,830

35. BUSINESS COMBINATION

(a) Description

On 1 April 2009 a controlled entity acquired 100% ownership of the business of Foxnet Taxi Trucks.

The business combination was determined on a provisional basis at 30 June 2009 as the fair value of the net assets acquired could not be accurately measured as the final cost of the combination could not be determined at 30 June 2009.

Details of the fair value* of the assets and liabilities acquired and goodwill are as follows:

	2009 Preliminary $	2010 Adjustments $	2010 Final $
Purchase consideration (refer to (b) below):			
Cash paid	1,414,379	141,174	1,555,553
Direct costs related to the acquisition	8,042	69,614	77,656
Total purchase consideration	1,422,421*	210,788	1,633,209
Fair value of net identifiable assets acquired (refer to (c) below)	(623,432)*	–	(623,432)
Goodwill (refer to (c) below)	798,989	210,788	1,009,777

*determined on a provisional basis now confirmed in the current year.

Acquisition-related costs of $69,614 are considered part of the acquisition and included in the consideration.

(b) Purchase consideration

	2009 Preliminary $	2010 Adjustments $	2010 Final $
Outflow of cash to acquire business, net of cash acquired			
Cash consideration	1,467,542	210,788	1,678,330
Less: Balances acquired – Provision for employee benefits	(45,121)	–	(45,121)
Outflow of cash	1,422,421	210,788	1,633,209

Contingent consideration

As certain predetermined margins were achieved by the business in the current year, additional consideration of $141,174 was paid (2009 – contingent consideration – $425,000).

Notes to the Financial Statements

35. BUSINESS COMBINATION (continued)

(c) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	2009 Preliminary Acquiree's carrying amount $	2009 Preliminary Fair value $	2010 Final Acquiree's carrying amount $	2010 Final Fair value $
Plant and equipment	366,761	366,761	366,761	366,761
Intangible assets: trade names	–	180,225	–	180,225
Intangible assets: customer relationships	–	121,567	–	121,567
Provision for employee benefits	(45,121)	(45,121)	(45,121)	(45,121)
Net identifiable assets acquired	321,640	623,432*	321,640	623,432

*determined on a provisional basis and now confirmed in the current year.

The goodwill is attributable to the workforce, synergies, mutual client base and profitability of the acquired business. The fair value of intangible assets acquired was based on discounted cash flow models.

There were no acquisitions in the current year.

36. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2010 $	2009 $
Balance sheet		
Current assets	14,672,271	8,385,745
Total assets	26,150,272	19,771,932
Current liabilities	2,190,594	4,675,660
Total liabilities	9,280,547	9,768,670
Net asssets	16,869,725	10,003,262
Equity		
Issued capital	7,292,807	7,292,807
Reserves – Available-for-sale financial assets	(1,460)	(41,290)
Retained profits	9,578,378	2,751,745
Total equity	16,869,725	10,003,262
Profit for the year	9,287,763	1,987,858
Total comprehensive income for the year	9,327,593	1,979,404

36. PARENT ENTITY FINANCIAL INFORMATION (continued)

	2010 $	2009 $
(b) Guarantees entered into by the parent entity		
Carrying amount included in		
– current liabilities	177,164	350,856
– non-current liabilities	12,071,793	3,244,958
	12,248,957	3,595,814

The parent entity has provided financial guarantees in respect of loans and hire purchase commitments of subsidiaries amounting to $12,248,957 (2009 – $3,595,814). The loans are secured by registered mortgages over the freehold properties of the subsidiaries.

In addition, there are cross guarantees given by CTI Logistics Limited, as described in note 30.

No deficiencies of assets exist in any of these entities.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2010 (30 June 2009 – $nil). For information about guarantees given by the parent entity, refer note (b).

(d) Contractual commitments for the acquisition of property, plant or equipment

The parent entity had no contractual commitments for the acquisition of property, plant or equipment at 30 June 2010 (30 June 2009 – $nil).

37. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 26 August 2010, the directors announced that all shareholders registered on 1 December 2010 will receive an extra one share for every five shares held on that date. The financial effect of this transaction has not been brought to account at 30 June 2010.

Apart from the above event or as disclosed elsewhere in these financial statements, no other events have occurred since the end of the financial year that provide additional evidence of conditions that existed at the end of the financial year or that reveal for the first time a condition that existed at the end of the financial year.

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 group's financial position as at 30 June 2010 and of its performance 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 29 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 30.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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, WA
23 September 2010

Independent Audit Report

PRICEWATERHOUSECOOPERS

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Independent auditor's report to the members of CTI Logistics Limited

Report on the financial report

We have audited the accompanying financial report of CTI Logistics Limited (the company), which comprises the balance sheet as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the CTI Logistics Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

Independent Audit Report

PRICEWATERHOUSECOOPERS

Independent auditor's report to the members of CTI Logistics Limited (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of CTI Logistics Limited is in accordance with the *Corporations Act 2001*, including:

 (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

 (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

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

Independent Audit Report

PRICEWATERHOUSECOOPERS

Independent auditor's report to the members of CTI Logistics Limited (continued)

Report on the Remuneration Report

We have audited the remuneration report included in pages 4 to 7 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of CTI Logistics Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Pierre Dreyer
Partner

Perth
23 September 2010

Corporate Governance Statement

The Australian Securities Exchange Corporate Governance Council has published a number of 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.

The Company's directors are fully cognisant of the Corporate Governance Principles and Best Practice Recommendations published by the ASX Corporate Governance Council ("CGC") and have adopted those recommendations where they are appropriate to the Company's circumstances.

Under the Australian Securities 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.

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 three 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 directors' letters of appointment were not issued on commencement and are not considered necessary at this time.

Board Composition

The board comprises five directors including three 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.

Non-executive director Peter Leonhardt 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 judgment.

Corporate Governance Statement

The directors have a broad range of qualifications, experience and expertise. 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.

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

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 at 5 yearly intervals. The board is satisfied with the external auditor's competence and independence.

In accordance with the Australian Securities 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.

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.

The Company does not have written policies for compliance with Australian Securities Exchange Listing Rules disclosure requirements, but as the three executive directors are necessarily involved in the day to day operations of the group businesses, all matters arising at board meetings, audit committee meetings and the executive director's meetings (a sub-committee of the board of directors) are considered and any matters that may require disclosure are vetted and authorised by the board prior to disclosure.

Corporate Governance Statement

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.

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.

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

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

Risk Recognition and Management

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

The board has overseen with the management of each business unit the drawing up of a risk management plan. Management has submitted reports to the board on the areas of risk, the impacts and risk categorisation affecting the business units.

A robust system for identifying, monitoring and mitigating material risk throughout the group has been established and each business unit can access the system on-line. It is reviewed annually and updated immediately a change is identified.

The audit committee 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 chief financial officer performs and delegates certain internal audit procedures on a rotational basis throughout the year.

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

The Australian Securities 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.

Corporate Governance Statement

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. Remuneration of directors is periodically benchmarked against similar small listed companies. Directors' emoluments are set out in the remuneration report on pages 6 to 7 of the annual report.

Although the Company has an Employee Share and Option Plan the Company does not currently reward employees via equity based remuneration.

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 relatively 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 30 SEPTEMBER 2010

	NUMBER OF SHARES	PERCENTAGE
David R Watson	12,543,533	30.58
David Watson Nominees Pty Ltd	1,947,563	4.75
Parmelia Pty Ltd	1,919,714	4.68
HSBC Custody Nominees (Australia) Limited	1,645,321	4.01
DAM Nominees Pty Ltd	1,598,414	3.90
Bruce E Saxild and Michelle P Saxild	1,562,016	3.81
Aberdeen Management Pty Ltd	1,422,964	3.47
W W Nominees Pty Ltd	1,309,946	3.19
Catherine R Watson	1,266,310	3.09
Dixson Trust Pty Ltd	1,171,274	2.86
Beda Nominees Pty Ltd	1,125,899	2.74
Fortunegreen Pty Ltd	1,074,000	2.62
Peachtree Pty Ltd	755,406	1.84
William Grove	546,644	1.33
Australian Marketing Services Pty Ltd	496,980	1.21
National Nominees Limited	484,639	1.18
Walter J Hall and Hilary M Hall	431,941	1.05
David A Mellor	383,265	0.94
Brian G Vernon and Myrna R Dewar	321,600	0.78
Bruce E Saxild	241,056	0.59
	32,248,485	78.62

SUBSTANTIAL SHAREHOLDERS AS AT 30 SEPTEMBER 2010

The Company's register of substantial shareholders recorded the following information as at 30 September 2010.

	NUMBER OF SHARES	PERCENTAGE
David R Watson	20,187,972	49.22
David A Mellor	4,103,359	10.00
Bruce E Saxild	2,934,558	7.15

DISTRIBUTION OF EQUITY SECURITIES AS AT 30 SEPTEMBER 2010

(i) Distribution schedule of holdings

			NUMBER OF SHAREHOLDERS ORDINARY SHARES
1	-	1,000	71
1,001	-	5000	104
5,001	-	10,000	74
10,001	-	100,000	166
100,001 and over			44
			459

(ii) There were 34 shareholders holding less than a marketable parcel of ordinary shares.
(iii) There were a total of 41,018,830 ordinary shares on issue.

VOTING RIGHTS

Ordinary shares carry voting rights of one vote per share.

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