CTI Logistics Limited

ABN 69 008 778 925

Appendix 4D
Half-year report

Half-year ended 31 December 2010

For announcement to the market

Extracts from this report for announcement to the market $A'000

Revenue	up	27.88%	to	37,345
Profit from ordinary activities after tax attributable to members	up	59.22%	to	3,642
Net profit for the period attributable to members	up	59.22%	to	3,642

Dividends		Amount per security	Franked amount per security
Final dividend	Year ended 30 June 2010	3.0 cents	3.0 cents
	Previous corresponding period	3.0 cents	3.0 cents
Interim dividend	Current period	3.0 cents	3.0 cents
	Previous corresponding period	3.0 cents	3.0 cents

+Record date for determining entitlements to the dividend	22 April 2011

NTA backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	63 cents	66 cents

Dividend

Details of dividends declared or paid during or subsequent to the period ended 31 December 2010 are as follows:

	Payment date	Amount per security	Total dividend	Franked amount per security
Final dividend – year ended 30 June 2010 (fully franked at 30%)	19 November 2010	3.0 cents	$1,230,565	3.0 cents
Interim dividend – Current period (fully franked at 30%)	6 May 2011	3.0 cents	$1,476,676	3.0 cents

The interim dividend has not been recognised as a liability at the half-year end.

The Dividend Re-investment Plan and Bonus Share Plan are currently suspended.

Controlled entities acquired or disposed of

There were no acquisitions or disposals of controlled entities during the current period.

CTI Logistics Limited

ABN 69 008 778 925

Half-year Report - 31 December 2010

Lodged with the ASX under Listing Rule 4.2A

This half year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made by CTI Logistics Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Directors' Report

YOUR DIRECTORS PRESENT THEIR REPORT ON THE GROUP CONSISTING OF CTI LOGISTICS LIMITED AND THE ENTITIES IT CONTROLLED DURING THE HALF YEAR ENDED 31 DECEMBER 2010 AND THE REVIEW REPORT THEREON.

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

David Robert Watson (Chairman)
Peter James Leonhardt
David Anderson Mellor
Bruce Edmond Saxild
Matthew David Watson

Principal activities of the group
The principal activities of the group during the half-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 interim dividend of 3 cents per ordinary share subsequent to the end of the half-year. This dividend is not recognised as a liability at half-year end. During the financial period a 3 cents fully franked final dividend for the year ended 30 June 2010 was paid to members.

Review of operations and results
Profit after tax attributable to the members of the Company was $3,642,313 compared to $2,287,626 in the previous corresponding period. Revenue from operations was $37,344,541 compared to $29,201,832. Net cash flows from operating activities was $3,745,412 up from $3,682,303 in the prior period.

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 half-year report.

Events subsequent to balance date
The directors are not aware of any other matters or circumstances not otherwise dealt with in this half-year report 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.

Lead Auditor's independence declaration
The lead auditor's independence declaration is set out on page 2 and forms part of the directors' report for the half year ended 31 December 2010.

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

DAVID MELLOR
Director

Perth
24 February 2011

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of CTI Logistics Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2010 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Brent Steedman
Partner

Perth

24 February 2011

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Condensed consolidated statement of comprehensive income for the half-year ended 31 December 2010

	2010 $	2009 $
Revenue	37,344,541	29,201,832
Other income	85,896	72,163
Changes in inventories of finished goods and work in progress	284,585	(461,249)
Raw materials and consumables used	(1,115,221)	(924,414)
Employee benefits expense	(10,122,862)	(7,980,734)
Subcontractor expense	(13,740,325)	(11,907,589)
Depreciation and amortisation expense	(1,227,331)	(1,154,967)
Motor vehicle and transportation costs	(2,433,112)	(1,369,678)
Other expenses	(3,303,937)	(2,017,234)
Results from operating activities	5,772,234	3,458,130
Finance income	28,720	10,272
Finance expense	(667,874)	(332,185)
Net finance costs	(639,154)	(321,913)
Profit before income tax	5,133,080	3,136,217
Income tax expense	(1,490,767)	(848,591)
Profit for the half-year	3,642,313	2,287,626
Other comprehensive income		
Changes in the fair value of available-for-sale financial assets	3,179	2,242
Income tax relating to changes in the fair value of available-for-sale financial assets	(954)	(673)
Other comprehensive income for the half-year, net of tax	2,225	1,569
Total comprehensive income for the half-year	3,644,538	2,289,195
	Cents	**Cents**
Earnings per share for profit attributable to the ordinary equity holders of the Company as adjusted for the 1 for 5 bonus issue on 8 December 2010		
Basic earnings per share	7.40	4.65
Diluted earnings per share	7.40	4.65

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

Condensed consolidated statement of financial position as at 31 December 2010

	31 December 2010 $	30 June 20010 $
ASSETS		
Current assets		
Cash and cash equivalents	428,467	714,825
Trade and other receivables	11,886,398	9,897,506
Inventories	1,735,589	1,486,939
Total current assets	14,050,454	12,099,270
Non-current assets		
Available-for-sale financial assets	59,983	63,517
Property, plant and equipment	31,463,947	31,870,116
Investment properties	10,055,089	10,107,235
Deferred tax assets	868,640	845,103
Intangible assets	1,630,281	1,683,690
Total non-current assets	44,077,940	44,569,661
Total assets	58,128,394	56,668,931
LIABILITIES		
Current liabilities		
Trade and other payables	7,202,500	6,693,281
Borrowings	2,145,167	189,806
Current tax liabilities	962,945	464,042
Total current liabilities	10,310,612	7,347,129
Non-current liabilities		
Borrowings	15,012,355	19,071,793
Provisions	359,386	213,491
Total non-current liabilities	15,371,741	19,285,284
Total liabilities	25,682,353	26,632,413
Net assets	32,446,041	30,036,518
EQUITY		
Contributed equity	7,292,807	7,292,807
Reserves	(11,932)	(9,707)
Retained profits	25,165,166	22,753,418
Total equity	32,446,041	30,036,518

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

Condensed consolidated statement of changes in equity for the half-year ended 31 December 2010

Consolidated	Contributed equity $	Reserves $	Retained profits $	Total equity $
Balance at 1 July 2009	7,292,807	(53,313)	20,483,655	27,723,149
Total comprehensive income for the half-year	-	1,569	2,287,626	2,289,195
Transactions with equity holders in their capacity as equity holders:				
Dividends provided for or paid	-	-	(1,230,565)	(1,230,565)
Balance at 31 December 2009	7,292,807	(51,744)	21,540,716	28,781,779
Balance at 1 July 2010	7,292,807	(9,707)	22,753,418	30,036,518
Total comprehensive income for the half-year	-	(2,225)	3,642,313	3,640,088
Transactions with equity holders in their capacity as equity holders:				
Dividends provided for or paid	-	-	(1,230,565)	(1,230,565)
Balance at 31 December 2010	7,292,807	(11,932)	25,165,166	32,446,041

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

Condensed consolidated statement of cash flows for the half-year ended 31 December 2010

	Half-year	
	2010 $	2009 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers (inclusive of goods and services tax)	39,310,192	32,114,275
Payments to suppliers and employees (inclusive of goods and services tax)	(33,950,258)	(27,230,433)
	5,359,934	4,883,842
Interest received	28,720	10,272
Dividends received	2,038	1,995
Interest paid	(459,429)	(234,719)
Income taxes paid	(1,185,851)	(979,087)
Net cash inflow from operating activities	3,745,412	3,682,303
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(782,669)	(1,809,645)
Proceeds from sale of property, plant and equipment	85,541	34,913
Net cash (outflow) from investing activities	(697,128)	(1,774,732)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	2,000,000	2,500,000
Repayment of borrowings	(4,104,077)	(2,547,591)
Dividends paid to company's shareholders	(1,230,565)	(1,230,565)
Net cash (outflow) from financing activities	(3,334,642)	(1,278,156)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(286,358)	629,415
Cash and cash equivalents at the beginning of the half-year	714,825	(157,259)
CASH AT THE END OF THE HALF-YEAR	428,467	472,156

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1. BASIS OF PREPARATION OF HALF-YEAR REPORT

This general purpose financial report for the half-year reporting period ended 31 December 2010 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made by CTI Logistics Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

(a) Impact of standards issued but not yet applied by the entity

In December 2009, the AASB issued AASB9 *Financial Instruments* which 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 has not yet decided when to adopt AASB 9.

2. 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.

The reportable segments 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 plastics products and provision of security services. Neither of these segments meets any of the quantitative thresholds for determining the reportable segments.

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

2. SEGMENT INFORMATION (continued)

(b) Information about reportable segments

The segment information provided to the group's CEO for the reportable segments for the half-year ended 31 December 2010 is as follows:

Half-year 2010	Logistics and Transport $	Property $	Other $	Total $
External revenues	31,320,169	316,009	5,708,363	37,344,541
Intra and inter-segment revenue	1,891,673	1,488,842	(3,380,515)	-
Interest expense	7,865	441,821	9,743	459,429
Depreciation and amortisation	641,986	219,282	366,063	1,227,331
Total segment profit before income tax	4,706,988	627,665	(201,573)	5,133,080
Total segment assets	17,376,248	33,345,803	7,406,343	58,128,394
Half-year 2009				
External revenues	23,804,399	285,382	5,112,051	29,201,832
Intra and inter-segment revenue	2,187,785	944,770	(3,132,555)	-
Interest expense	14,553	205,526	14,640	234,719
Depreciation and amortisation	546,204	224,124	384,639	1,154,967
Total segment profit before income tax	3,056,564	491,046	(411,393)	3,136,217
Total segment assets	13,875,762	25,248,716	7,815,729	46,940,207

3. DIVIDENDS

	2010 $	2009 $
Ordinary shares		
Dividends provided for or paid during the half-year	1,230,565	1,230,565

Dividends not recognised at the end of the half-year

In addition to the above dividends, since the end of the half-year the directors have recommended the payment of an interim 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 6 May 2011 out of retained profits at 31 December 2010, but not recognised as a liability at period end, is $1,476,676 (2009 - $1,230,565).

4. EQUITY SECURITIES

	2010 Shares	2009 Shares	2010 $	2009 $
Balance at the beginning of the half-year	41,018,830	41,018,830	7,292,807	7,292,807
Bonus issue				
Ordinary shares – 1 for 5	8,203,687	-	-	-
Balance at the end of the half-year	49,222,517	41,018,830	7,292,807	7,292,807

5. CONTINGENT LIABILITIES

There are no known contingent liabilities for the group at the end of the half-year (2009 - $nil).

6. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No events have occurred since the end of the half-year other than disclosed elsewhere in these financial statements.

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 4 to 10 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 consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and

(b) there are reasonable grounds to believe that CTI Logistics Limited will be able to pay its debts as and when they become due and payable.

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

DAVID MELLOR
Director

Perth
24 February 2011

KPMG

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

Report on the financial report

We have reviewed the accompanying half-year financial report of CTI Logistics Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2010, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes 1 to 6 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of CTI Logistics Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Conclusion

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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Brent Steedman
Partner

Perth

24 February 2011