

CTI LOGISTICS LIMITED

ABN 69 008 778 925

30 JUNE 2003

ANNUAL REPORT

DIRECTORY

DIRECTORS

David Robert Watson
(Executive Chairman)

Trevor John Kennedy
(Deputy Chairman - Non-Executive)

Jonathan David Elbery
(Executive)

David Anderson Mellor
(Executive)

Bruce Edmond Saxild
(Executive)

Peter James Leonhardt
(Non-Executive)

SECRETARY

David Anderson Mellor

AUDITORS

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SHARE REGISTRY

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

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DIRECTORS' REPORT

YOUR DIRECTORS PRESENT THEIR REPORT ON THE CONSOLIDATED ENTITY CONSISTING OF CTI LOGISTICS LIMITED AND THE ENTITIES IT CONTROLLED AT THE END OF, OR DURING, THE YEAR ENDED 30 JUNE 2003.

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

David Robert Watson

Mr Watson is the founder and executive chairman of the consolidated entity.

Trevor John Kennedy

Mr Kennedy is the non-executive deputy chairman of CTI Logistics Limited. He is also chairman of Oil Search Limited and Cypress Lakes Group Limited. He is a director of Qantas Airways Limited, Downer EDI Limited, FTR Holdings Limited, RG Capital Radio Limited, Qantas Superannuation Limited and June Investments Pty Limited. Mr Kennedy has also served on a number of other boards and Australian Government Authorities including the Federal Government Remuneration Tribunal. He is a member of the remuneration committee.

Jonathan David Elbery

Mr Elbery is a chartered accountant who has been with the consolidated entity since 1992. He is responsible for the consolidated entity's security, freight forwarding and customs broking operations. Mr Elbery is a member of the audit committee.

Peter James Leonhardt

Mr Leonhardt is a non-executive director of CTI Logistics Limited and has been with the consolidated entity since 1999. He is also chairman of Voyager Energy Limited, a director of Alliance Finance Limited and a former managing partner of Coopers & Lybrand. Mr Leonhardt is the chairman of the audit committee and remuneration committee.

David Anderson Mellor

Mr Mellor is a chartered accountant who has been with the consolidated entity since 1978. He is responsible for the consolidated entity's finances and accounts.

Bruce Edmond Saxild

Mr Saxild has been with the consolidated entity since 1977. He is responsible for the consolidated entity's logistics and transport operations.

Warren William Lindsay Tucker

Mr Tucker was a non-executive director of CTI Logistics Limited. He retired from the board of CTI Logistics Limited on 21 November 2002.

Principal activities of the consolidated entity

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

Dividends

The directors have declared a final dividend of 1 cent per ordinary share fully franked. This dividend is not recognised as a liability at year end as a result of the change in accounting policy for providing for dividend (refer to note 1(u)).

Review of operations and results

During the period the consolidated entity sold the freight forwarding and customs broking businesses. In the year under review consolidated revenue from ordinary activities was \$91,521,359, down 9.5% on the previous year. This year there has been an increase in courier revenue, which has been offset by the decline in warehousing and wharf related revenues, and the effect of the sale of the freight forwarding and customs broking businesses.

As previously reported at the half year, earnings were adversely affected by the write-down of an investment and a provision for share scheme loans. These two items reduced net profit attributable to shareholders by \$728,280.

Changes in the state of affairs

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

Events subsequent to balance date

Since 30 June 2003, an unconditional sale agreement has been entered into for a property held for resale, (refer to note 27).

The directors are not aware of any matter or circumstance not otherwise dealt with in this Annual Report or the financial statements that has significantly or may significantly affect the operations of the consolidated entity, the results of those operations, or the affairs of the consolidated entity in subsequent financial years.

Likely developments

The major objectives encompassed in the Business Plan of the consolidated entity are:

- (i) expansion of existing operations by aggressive marketing and by acquisition;
- (ii) establishment or acquisition of businesses in fields related to or compatible with the consolidated entity's existing core operations; and
- (iii) to maximise the profits and returns to shareholders by constant review of existing operations.

Directors' benefits

No director of the Company has, since the end of the previous financial year, received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received by directors as shown in the consolidated entity's accounts) by reason of a contract made by the Company or a controlled entity or a related body corporate with the director or with an entity of which the director is a member, or with an entity in which the director has a substantial financial interest other than those transactions detailed in Note 24.

DIRECTORS' REPORT (continued)

Directors' meetings

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

	Board of Directors	
	Number Held	Number Attended
J D Elbery	7	7
T J Kennedy	7	6
P J Leonhardt	7	7
D A Mellor	7	7
B E Saxild	7	7
W W L Tucker (retired)	5	1
D R Watson	7	6

Audit committee

	Number Held	Number Attended
J D Elbery	4	4
P J Leonhardt	4	4

Remuneration committee

	Number Held	Number Attended
T J Kennedy	1	1
P J Leonhardt	1	1

Directors' and executives' emoluments

The remuneration committee consisting of the deputy chairman and the chairman of the audit committee makes specific recommendations on remuneration packages and other terms of employment for executive directors. No element of the remuneration is based upon the company's performance. Remuneration of non-executive directors is determined by the Board within the maximum amount, approved by shareholders, from time to time. Details of the nature and amount of each element of the emoluments of each director of the Company and the consolidated entity is set out in the following table.

	Company and consolidated entity		
	Salary (including superannuation)	Motor Vehicle	Total
	\$	\$	\$
Non-executive			
T J Kennedy	25,000	-	25,000
P J Leonhardt	25,000	-	25,000
W W L Tucker (retired)	2,250	-	2,250
Executive			
J D Elbery	226,384	5,268	231,652
D A Mellor	204,900	8,978	213,878
B E Saxild	221,025	11,659	232,684
D R Watson	304,122	13,054	317,176

During the year, the executive directors (with the exclusion of the chairman) purchased ordinary shares under the Employee Share and Option Plan. The purchase price of the shares was determined under the terms of the Employee Share and Option Plan (refer note 16(iv)).

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

Particulars of directors' interests in shares of CTI Logistics Limited

	Direct Holding	Indirect Holding
J D Elbery	161,426	306,200
T J Kennedy	6,034	3,596,624
P J Leonhardt	-	53,086
D A Mellor	68,445	907,006
B E Saxild	63,626	702,471
D R Watson	3,405,190	1,964,861

Directors' and officers' indemnity insurance

The Company's directors' and officers' indemnity insurance policy indemnifies the directors named in this report in respect of their potential liability to third parties for wrongful acts committed by them in their capacity as directors (as defined in the policy). The premium paid in respect of this policy was \$14,069 (2002 - \$11,759).

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.

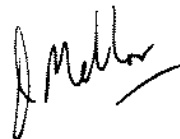
Shares under option

Unissued ordinary shares of CTI Logistics Limited under option at the date of this report are as follows:

	Number	Issue price of Shares	Expiry Date
Option	600,000	75 cents	28 February 2004

The above options are exercisable at any time on or before the expiry date. No option holder has any right under the options to participate in any other share issue of the company or of any other entity.

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



DAVID MELLOR
Director

Perth, 30 September 2003

STATEMENTS OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2003

	Notes	Consolidated		Company	
		2003	2002	2003	2002
		\$	\$	\$	\$
Revenue from ordinary activities	2	91,521,359	101,155,872	8,141,601	7,448,332
Borrowing costs expense		1,952,889	2,170,578	1,930,082	2,087,157
Other expenses from ordinary activities	3	89,114,228	97,724,736	6,187,013	5,570,864
Profit/(loss) from ordinary activities before income tax expense	3	454,242	1,260,558	24,506	(209,689)
Income tax expense/(benefit)	4	239,440	471,004	83,078	(45,223)
Net profit/(loss) attributable to members of the Company	17	214,802	789,554	(58,572)	(164,466)
		Cents	Cents		
Basic earnings per share	25	0.85	3.17		
Diluted earnings per share	25	0.85	3.17		

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

STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2003

	Notes	Consolidated		Company	
		2003	2002	2003	2002
		\$	\$	\$	\$
CURRENT ASSETS					
Cash assets	26	-	756,322	-	756,322
Receivables	5	14,957,818	21,552,325	18,031,587	22,330,744
Inventories	7	1,354,737	1,375,446	59,121	66,029
Tax assets	9	1,162,200	1,002,189	323,581	416,037
Other assets	11	4,798,039	943,855	80,100	63,116
Total Current Assets		<u>22,272,794</u>	<u>25,630,137</u>	<u>18,494,389</u>	<u>23,632,248</u>
NON-CURRENT ASSETS					
Receivables	5	1,837,155	687,000	487,155	687,000
Other financial assets	6	327,753	789,295	8,439,981	8,439,981
Property, plant and equipment	8	25,734,877	29,339,852	2,798,976	3,146,959
Tax assets	9	271,644	361,642	101,060	89,080
Intangible assets	10	3,357,114	5,193,528	-	-
Other assets	11	4,952	-	-	-
Total Non-current Assets		<u>31,533,495</u>	<u>36,371,317</u>	<u>11,827,172</u>	<u>12,363,020</u>
TOTAL ASSETS		<u>53,806,289</u>	<u>62,001,454</u>	<u>30,321,561</u>	<u>35,995,268</u>
CURRENT LIABILITIES					
Payables	12	8,817,301	10,161,659	1,373,680	920,717
Interest bearing liabilities	13	10,752,685	7,084,496	5,084,703	3,654,863
Tax liabilities	14	454,242	192,519	-	-
Provisions	15	1,923,109	1,962,590	612,261	607,044
Total Current Liabilities		<u>21,947,337</u>	<u>19,401,264</u>	<u>7,070,644</u>	<u>5,182,624</u>
NON-CURRENT LIABILITIES					
Payables	12	416,668	-	-	-
Interest bearing liabilities	13	8,180,761	19,706,014	2,821,479	10,328,914
Tax liabilities	14	1,697,926	1,701,238	2,602	-
Provisions	15	509,789	541,087	111,455	296,932
Total Non-current Liabilities		<u>10,805,144</u>	<u>21,948,339</u>	<u>2,935,536</u>	<u>10,625,846</u>
TOTAL LIABILITIES		<u>32,752,481</u>	<u>41,349,603</u>	<u>10,006,180</u>	<u>15,808,470</u>
NET ASSETS		<u>21,053,808</u>	<u>20,651,851</u>	<u>20,315,381</u>	<u>20,186,798</u>
EQUITY					
Contributed equity	16	20,044,219	19,857,064	20,044,219	19,857,064
Retained profits	17	1,009,589	794,787	271,162	329,734
TOTAL EQUITY		<u>21,053,808</u>	<u>20,651,851</u>	<u>20,315,381</u>	<u>20,186,798</u>

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

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2003

	Notes	Consolidated		Company	
		2003	2002	2003	2002
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from trade and other debtors (inclusive of goods and services tax)		108,812,105	121,784,506	4,509,524	5,504,593
Payments of accounts payable and to other suppliers and creditors and employees (inclusive of goods and services tax)		(101,343,066)	(114,024,980)	(4,200,159)	(5,832,816)
Interest received		79,626	42,254	2,025,409	2,394,087
Borrowing costs		(1,952,889)	(2,170,578)	(1,930,082)	(2,087,157)
Dividends received		3,588	3,036	225,255	3,036
Income taxes paid		(51,042)	(210,058)	-	5,621
Net cash flows from operating activities	26(i)	<u>5,548,322</u>	<u>5,424,180</u>	<u>629,947</u>	<u>(12,636)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Loan repayments received		6,000	-	5,001,531	1,882,988
Payments for property, plant and equipment		(1,261,865)	(972,765)	(78,409)	(50,880)
Payments for purchase of businesses		(52,000)	(38,609)	-	-
Proceeds from sale of businesses, property, plant & equipment		5,455,958	1,347,600	171,909	56,782
Net cash flows from investing activities		<u>4,148,093</u>	<u>336,226</u>	<u>5,095,031</u>	<u>1,888,890</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of borrowings		(10,272,673)	(5,920,599)	(6,301,236)	(2,036,447)
Dividends paid		(248,799)	-	(248,799)	-
Net cash flows from financing activities		<u>(10,521,472)</u>	<u>(5,920,599)</u>	<u>(6,550,035)</u>	<u>(2,036,447)</u>
NET INCREASE/(DECREASE) IN CASH HELD		(825,057)	(160,193)	(825,057)	(160,193)
Cash at the beginning of the financial year		756,322	916,515	756,322	916,515
CASH AT THE END OF THE FINANCIAL YEAR	26(ii)	<u>(68,735)</u>	<u>756,322</u>	<u>(68,735)</u>	<u>756,322</u>

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

a PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by CTI Logistics Limited ("Company" or "parent entity") as at 30 June 2003 and the results of all controlled entities for the year then ended. CTI Logistics Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

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

b ACQUISITION OF ASSETS

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

Goodwill is brought to account on the basis described in note 1h.

c REVENUE RECOGNITION

Sales revenue represents revenue earned from the sale of the consolidated entity's products and services, net of returns, trade allowances and duties and taxes paid. Revenue from services includes amounts charged to customers in relation to sales, excise and other duties paid on behalf of customers. Other revenue includes interest income on short term investments, dividends received from other corporations, rent, proceeds from the sale of assets and, in the case of the Company, dividends and management fees received from controlled entities.

d INVESTMENTS

The Company's interests in companies and the consolidated entity's interests in companies which are not controlled are brought to account at cost and dividends are recognised in the statements of financial performance when receivable.

e INVENTORIES

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

f PROPERTY, PLANT AND EQUIPMENT

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

Buildings	21-40 years
Plant and equipment	5-15 years
Motor vehicles	5-7 years

g LEASED ASSETS

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h GOODWILL

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

i BORROWING COSTS

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

j AMORTISATION PERIODS

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

k RECEIVABLES

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

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

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

l TRADE AND OTHER CREDITORS

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

m INTEREST BEARING LIABILITIES

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

Bills of exchange have been sold in the market at a discount to face value. The bills are recorded at face value. The discount is recorded as a prepayment and taken to interest expense over the term of the bill.

n EMPLOYEE ENTITLEMENTS

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

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

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

Employee Share and Option Plan

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

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

o FOREIGN CURRENCY

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p INCOME TAX

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

q CASH FLOWS

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

r WEB SITE COSTS

Costs in relation to web sites controlled by a controlled entity are charged as expenses in the period in which they are incurred unless they relate to the acquisition of an asset, in which case they are capitalised and amortised over their period of expected benefit. Generally, costs in relation to feasibility studies during the planning phase of a web site, and ongoing cost of maintenance during the operating phase are considered to be expenses. Costs incurred in building or enhancing a web site, to the extent that they represent probable future economic benefits controlled by the controlled entity that can be reliably measured, are capitalised as an asset and amortised over the period of the expected benefits which vary from 2 to 5 years.

s EARNINGS PER SHARE

(i) Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

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

t SEGMENT INFORMATION

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

Change in segment accounting policy

The segment accounting policy has been revised to align with the information that is prepared for reporting to management. Earnings before interest and tax for each segment have been adjusted to reallocate various costs to more fairly reflect the actual resources used by each segment. Internal service companies have been classified as unallocated and as such unallocated results includes interest expense and the cost of group administration. The comparative information has been restated to reflect this change.

The financial effect of this change was to reduce the Sales of the Manufacturing, Security and Other segment by \$574,330 (2002: \$356,899), while giving rise to corresponding adjustment to Unallocated sales. The result of the Transport and Logistics segment has increased by \$2,507,244 (2002: \$2,460,065) while the result of the Manufacturing, Security and Other segment has decreased by \$1,179,666 (2002: \$1,135,279). There has been a corresponding adjustment to Intersegment eliminations and Unallocated result.

u DIVIDENDS

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

Change in accounting policy for providing for dividends

The above policy was adopted with effect from 1 July 2002 to comply with AASB 1044 Provisions, Contingent Liabilities and Contingent Assets released in October 2001. In previous years, in addition to providing for the amount of any dividends declared, determined or publicly recommended by the directors on or before the end of the financial year but not distributed at balance date, provision was made for dividends to be paid out of retained profits at the end of the financial year where the dividend was proposed, recommended or declared between the end of the financial year and the completion of the financial report.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

An adjustment of \$248,799 was made against the consolidated and parent entity retained profits at the beginning of the financial year to reverse the amount provided at 30 June 2002 for the proposed final dividend for that year that was recommended by the directors between the end of the financial year and the completion of the financial report. This reduced the consolidated and parent entity current liabilities – provisions and total liabilities at the beginning of the financial year by \$248,799 with corresponding increases in their net assets, retained profits, total equity and the total dividends provided for or paid during the current financial year.

The restatements of consolidated and parent entity retained profits, provisions and total dividends provided for or paid during the year set out below show the information that would have been disclosed had the new accounting policy always been applied.

	Consolidated		Company	
	2003 \$ (Restated)	2002 \$ (Restated)	2003 \$ (Restated)	2002 \$ (Restated)
Restatement of retained profits				
Previously reported retained profits at the end of the previous financial year (note 17(i))	794,787	254,032	329,734	742,999
Change in accounting policy for providing for dividends	248,799	-	248,799	-
Restated retained profits at the beginning of the financial year	1,043,586	254,032	578,533	742,999
Net profit attributable to members of CTI Logistics Limited (note 17(i))	214,802	789,554	(58,572)	(164,466)
Total available for appropriation	1,258,388	1,043,586	519,961	578,533
Dividends provided for or paid	(248,799)	-	(248,799)	-
Restated retained profits at the end of the financial year	1,009,589	1,043,586	271,162	578,533
Restatement of current liabilities - provisions				
Previously reported carrying amount at the end of the financial year (note 15)	1,923,109	1,962,590	612,261	607,044
Adjustment for change in accounting policy	-	(248,799)	-	(248,799)
Restated carrying amount at the end of the financial year	1,923,109	1,713,791	612,261	358,245
Restatement of dividends provided for or paid				
Previously reported total dividends provided for or paid during the financial year (note 17(ii))	-	248,799	-	248,799
Adjustment for change in accounting policy	-	(248,799)	-	(248,799)
Restated total dividends provided for or paid during the financial year	-	-	-	-

v DERIVATIVE FINANCIAL INSTRUMENTS

The consolidated entity enters into interest rate swap agreements. This type of derivative financial instrument is not recognised in the financial statements on inception.

The net amount receivable or payable under interest rate swap agreements is progressively brought to account over the period to settlement. The amount recognised is accounted for as an adjustment to interest expense during the period and included in other debtors or other creditors at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
2. REVENUE				
Revenue from operating activities				
Sale of goods	18,719,923	20,810,982	238,396	194,092
Sale of services	77,536,445	87,887,730	-	-
Deduct excise and other duties	(8,601,142)	(11,610,406)	-	-
Management fees	-	-	3,360,224	3,033,504
Services provided to related companies	-	-	1,219,481	1,241,496
Interest charged to related companies	-	-	2,449,194	2,386,063
Rent charged to related companies	-	-	266,280	266,280
	<u>87,655,226</u>	<u>97,088,306</u>	<u>7,533,575</u>	<u>7,121,435</u>
Revenue from outside the operating activities				
Interest	79,626	42,254	10,551	8,024
Dividends	3,588	3,036	225,255	3,036
Rent	66,382	363,032	-	-
Grant	229,568	-	-	-
Proceeds from sale of				
Business, property, plant and equipment	2,759,046	3,081,711	171,909	56,782
Other investments	800	30,000	-	-
Other	727,123	547,533	200,311	259,055
	<u>3,866,133</u>	<u>4,067,566</u>	<u>608,026</u>	<u>326,897</u>
Total revenue from ordinary activities	<u>91,521,359</u>	<u>101,155,872</u>	<u>8,141,601</u>	<u>7,448,332</u>
3. OPERATING PROFIT				
(i) OPERATING EXPENSES				
a) Other expenses from ordinary activities				
Other expenses from operating activities				
Changes in inventories of finished goods and work in progress	(79,011)	(148,006)	-	-
Raw materials and consumables used	10,044,839	8,610,968	247,602	225,493
Employee benefits expense	26,332,365	26,187,721	4,055,672	3,964,705
Subcontractor expense	35,119,916	42,607,688	-	-
Depreciation of non-current assets (refer note 8)	3,756,819	3,936,395	420,407	487,844
Depreciation of property held for resale	84,210	-	-	-
Amortisation of non-current assets	457,543	494,160	-	-
Motor vehicle and transportation costs	5,776,632	5,281,794	66,751	75,778
Property costs	1,539,975	1,669,111	63,758	64,072
Provision for diminution of investment	461,580	-	-	-
Provision for restricted recovery of share scheme loans	381,000	-	381,000	-
Other expenses from operating activities	3,020,694	5,856,633	799,807	694,127
	<u>86,896,562</u>	<u>94,496,464</u>	<u>6,034,997</u>	<u>5,512,019</u>
Other expenses from outside the operating activities				
Property costs	79,955	374,020	-	-
Carrying value of businesses, property, plant and equipment sold	2,137,711	2,829,252	152,016	58,845
Carrying value of other investments sold	-	25,000	-	-
	<u>2,217,666</u>	<u>3,228,272</u>	<u>152,016</u>	<u>58,845</u>
Expenses from ordinary activities, excluding borrowing costs expense	<u>89,114,228</u>	<u>97,724,736</u>	<u>6,187,013</u>	<u>5,570,864</u>

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
3. OPERATING PROFIT (continued)				
b) Profit/(loss) from ordinary activities before income tax expense for the year includes the following specific net gains and expenses:				
Cost of sale of goods	13,174,000	16,080,973	247,602	225,493
Amortisation of goodwill	404,070	406,838	-	-
Net gain/(loss) on disposal				
Investments	800	5,000	-	-
Businesses, property, plant and equipment	621,335	252,459	19,892	(2,064)
Net additional amount provided for employee entitlements	178,020	161,231	68,539	65,807
Bad and doubtful debts expense				
- trade debtors	418,728	263,336	-	-
- share scheme loans	381,000	-	381,000	-
Rental expense relating to operating leases				
Minimum lease payments	1,587,548	1,603,082	-	31,105
	1,587,548	1,603,082	-	31,105
(ii) AUDITORS' REMUNERATION				
Amounts received, or due and receivable, by:				
The auditor of the Company for auditing and reviewing the financial statements	77,000	76,000	58,400	57,400
Other services - training courses	900	-	900	-
	900	-	900	-

4. INCOME TAX

The income tax on the operating profit/(loss) differs from the amount prima facie payable on that profit/(loss) as follows:

Prima facie income tax on the operating profit/(loss) at 30%	136,273	378,167	7,352	(62,907)
Tax effect of permanent differences which <i>Reduce tax payable due to:</i>				
Rebatable dividends	(1,076)	(911)	(67,576)	(911)
Non-assessable profits on sale of businesses, property, plant and equipment	(161,686)	-	-	-
Non-assessable profits on other	-	(5,960)	-	-
Previously unbooked tax losses brought to account	-	(55,831)	126,576	-
<i>Increase tax payable due to non-deductible:</i>				
Amortisation	127,719	148,221	-	-
Depreciation	20,205	16,913	7,131	8,588
Expenses	17,812	-	1,717	3,531
Provision	138,474	-	-	-
Prima facie tax adjusted for permanent differences	277,721	480,599	75,200	(51,699)
Under/(over) provision in prior year	(38,281)	(9,595)	7,878	6,476
Aggregate income tax expense/(benefit)	239,440	471,004	83,078	(45,223)

Tax consolidation legislation

CTI Logistics Limited and its subsidiaries are currently reviewing the impact of the tax consolidation legislation on the group. The decision to implement this legislation has not yet been finalised.

The financial effect of the possible implementation of the legislation is not expected to have a material impact on the consolidated or parent company assets, liabilities or results.

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
5. RECEIVABLES				
Current				
Trade debtors	13,203,715	17,218,027	795,576	517,003
Deduct provision for doubtful debts	596,966	690,258	-	-
	<u>12,606,749</u>	<u>16,527,769</u>	<u>795,576</u>	<u>517,003</u>
Loans to controlled entities	-	-	17,236,011	21,788,335
Deferred consideration re sale of businesses	450,000	4,509,643	-	-
Other	1,901,069	514,913	-	25,406
	<u>14,957,818</u>	<u>21,552,325</u>	<u>18,031,587</u>	<u>22,330,744</u>
Non-current				
Loans to directors (issued pursuant to the Company's Employee Share and Option Plan and secured by a lien over shares). Refer to note 24(ii).	868,155	687,000	868,155	687,000
Deduct provision for restricted recovery	381,000	-	381,000	-
	<u>487,155</u>	<u>687,000</u>	<u>487,155</u>	<u>687,000</u>
Deferred consideration re sale of a business	1,350,000	-	-	-
	<u>1,837,155</u>	<u>687,000</u>	<u>487,155</u>	<u>687,000</u>
6. OTHER FINANCIAL ASSETS				
Non-current				
Traded securities (at cost)				
Shares and other equity securities	718,708	718,670	105,840	105,840
Deduct provision for diminution	461,580	-	-	-
	<u>257,128</u>	<u>718,670</u>	<u>105,840</u>	<u>105,840</u>
Other investments				
Shares in controlled entities (refer note 21)				
At cost	-	-	8,334,141	8,334,141
Shares - at cost	70,625	70,625	-	-
	<u>70,625</u>	<u>70,625</u>	<u>8,334,141</u>	<u>8,334,141</u>
	<u>327,753</u>	<u>789,295</u>	<u>8,439,981</u>	<u>8,439,981</u>
NET FAIR VALUES				
Traded securities are listed. The aggregate net fair values of these securities are:				
Non-current	<u>236,733</u>	<u>267,433</u>	<u>61,970</u>	<u>65,108</u>
7. INVENTORIES				
Current				
Raw materials and stores (at cost)	492,360	434,059	59,121	66,029
Work in progress (at cost)	192,004	162,914	-	-
Finished goods (at cost)	670,373	778,474	-	-
	<u>1,354,737</u>	<u>1,375,446</u>	<u>59,121</u>	<u>66,029</u>

NOTES TO THE FINANCIAL STATEMENTS

	Cost		Accumulated depreciation/amortisation		Written down value	
	2003 \$	2002 \$	2003 \$	2002 \$	2003 \$	2002 \$
8. PROPERTY, PLANT AND EQUIPMENT						
Consolidated						
Freehold land						
At cost	2,488,982	3,000,396	-	-	2,488,982	3,000,396
Buildings						
At cost	8,798,470	12,364,956	1,891,209	2,209,486	6,907,261	10,155,470
Plant and equipment						
At cost	22,841,369	21,937,060	14,526,173	13,354,101	8,315,196	8,582,959
Motor vehicles						
At cost	14,515,590	13,431,016	6,517,223	5,858,443	7,998,367	7,572,573
Under finance lease	33,759	33,759	8,688	5,305	25,071	28,454
	<u>14,549,349</u>	<u>13,464,775</u>	<u>6,525,911</u>	<u>5,863,748</u>	<u>8,023,438</u>	<u>7,601,027</u>
	<u>48,678,170</u>	<u>50,767,187</u>	<u>22,943,293</u>	<u>21,427,335</u>	<u>25,734,877</u>	<u>29,339,852</u>
Company						
Freehold land						
At cost	560,973	560,973	-	-	560,973	560,973
Buildings						
At cost	1,945,838	1,945,838	435,853	376,101	1,509,985	1,569,737
Plant and equipment						
At cost	1,826,871	1,748,292	1,573,833	1,367,831	253,038	380,461
Motor vehicles						
At cost	872,641	1,153,074	397,661	517,286	474,980	635,788
	<u>5,206,323</u>	<u>5,408,177</u>	<u>2,407,347</u>	<u>2,261,218</u>	<u>2,798,976</u>	<u>3,146,959</u>

	Consolidated		Company	
	2003 \$	2002 \$	2003 \$	2002 \$

Recent valuations of land and buildings

Aggregate recent valuations of freehold land and buildings based on:

Directors' valuation - 2003	12,059,000	16,639,019	2,550,000	2,630,400
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In determining their valuation, the directors have utilised independent valuations conducted in May 2003. The basis of the valuation of land and building is market value, being the amounts for which the asset should exchange on the date of valuation between a willing buyer and a willing seller in an "arm's-length" transaction, wherein the parties had each acted knowledgeably, prudently and without compulsion.

NOTES TO THE FINANCIAL STATEMENTS

8. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliations

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

	Freehold land	Buildings	Plant and equipment At cost	Motor vehicles At cost	Finance lease	Total
	\$	\$	\$	\$	\$	\$
Consolidated						
Carrying amount at 1 July 2002	3,000,396	10,155,470	8,582,959	7,572,573	28,454	29,339,852
Reclassified as current asset held for resale	(511,414)	(3,044,857)	-	-	-	(3,556,271)
Additions	-	2,239	1,811,383	2,451,792	-	4,265,414
Disposals	-	-	(78,916)	(478,383)	-	(557,299)
Depreciation/ amortisation expense	-	(205,591)	(2,000,230)	(1,547,615)	(3,383)	(3,756,819)
Carrying amount at 30 June 2003	2,488,982	6,907,261	8,315,196	7,998,367	25,071	25,734,877

	Freehold land	Buildings	Plant and equipment At cost	Motor vehicles At cost	Finance lease	Total
	\$	\$	\$	\$	\$	\$
Company						
Carrying amount at 1 July 2002	560,973	1,569,737	380,461	635,788	-	3,146,959
Additions	-	-	78,579	145,862	-	224,441
Disposals	-	-	-	(152,017)	-	(152,017)
Depreciation/ amortisation expense	-	(59,752)	(206,002)	(154,653)	-	(420,407)
Carrying amount at 30 June 2003	560,973	1,509,985	253,038	474,980	-	2,798,976

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
9. TAX ASSETS				
Current				
Future income tax benefit	1,162,200	1,002,189	323,581	416,037
Non-current				
Future income tax benefit	271,644	361,642	101,060	89,080

The consolidated future income tax benefit for the year ended 30 June 2003 includes \$266,357 attributable to tax losses (2002 - \$459,081).

10. INTANGIBLE ASSETS

Goodwill (at cost)	5,065,075	8,166,885	-	-
Deduct accumulated amortisation	1,707,961	3,078,953	-	-
	<u>3,357,114</u>	<u>5,087,932</u>	<u>-</u>	<u>-</u>
Licences (at cost)	-	668,052	-	-
Deduct accumulated amortisation	-	562,456	-	-
	<u>-</u>	<u>105,596</u>	<u>-</u>	<u>-</u>
	<u>3,357,114</u>	<u>5,193,528</u>	<u>-</u>	<u>-</u>

11. OTHER ASSETS

Current				
Prepayments	1,252,962	943,855	80,100	63,116
Property held for resale	3,545,077	-	-	-
	<u>4,798,039</u>	<u>943,855</u>	<u>80,100</u>	<u>63,116</u>
Recent valuation of property held for resale				
Recent valuations of land and buildings based on directors' valuation - 2003	3,875,000	-	-	-

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

Non-current				
Borrowing costs	263,333	294,293	200,618	200,618
Deduct accumulated amortisation	260,345	294,293	200,618	200,618
	<u>2,988</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred costs	222,752	188,024	-	-
Deduct accumulated amortisation	220,788	188,024	-	-
	<u>1,964</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>4,952</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
12. PAYABLES				
Current				
Trade (unsecured)	8,817,301	9,717,659	1,373,680	920,717
Trade (secured)	-	444,000	-	-
	<u>8,817,301</u>	<u>10,161,659</u>	<u>1,373,680</u>	<u>920,717</u>
Non-current				
Trade (unsecured)	<u>416,668</u>	-	-	-

The trade accounts payable are secured by mortgages over certain of the consolidated entity's freehold land and buildings, and/or charges over certain assets of certain controlled entities.

13. INTEREST BEARING LIABILITIES

Current (secured)				
Bank overdrafts	68,735	-	68,735	-
Bank loans	5,225,000	3,470,000	4,855,000	3,470,000
Other loans	3,073,921	71,510	-	-
Lease liabilities	14,297	8,364	-	-
Hire purchase creditors	2,370,732	3,534,622	160,968	184,863
	<u>10,752,685</u>	<u>7,084,496</u>	<u>5,084,703</u>	<u>3,654,863</u>
Non-current (secured)				
Bank loans	2,575,000	10,430,000	2,575,000	10,060,000
Other loans	1,316,623	4,384,347	-	-
Lease liabilities	-	12,860	-	-
Hire purchase creditors	4,289,138	4,878,807	246,479	268,914
	<u>8,180,761</u>	<u>19,706,014</u>	<u>2,821,479</u>	<u>10,328,914</u>

Bank loans

Bank loans comprise of rolling bank bills. The bank loans classified as current relate to facilities with expiry dates of July 2003 and January 2004. Non-current bank loans are provided under a facility which expires November 2004. The bank bills are generally rolled for short periods with the interest rate being reviewed at the time the bills are rolled.

Other loans

Other loans comprises of two interest only mortgages over freehold land and buildings. The mortgages have expiry dates of August 2003 and February 2006. The mortgage with an expiry date of August 2003 is currently being refinanced with the same lender. The interest rates are subject to review on a three monthly basis and calculated with reference to the 90 day bank bill bid rate. The balance of other loans is a principal and interest mortgage over buildings on leasehold land with a five year amortisation plan.

Security provided

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

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
13. INTEREST BEARING LIABILITIES				
(continued)				
The carrying amounts of assets pledged as security are:				
Current				
Property held for resale	3,545,077	-	-	-
Non-current				
Receivables	1,837,155	687,000	487,155	687,000
Other financial assets	327,753	789,295	8,439,981	8,439,981
Property, plant and equipment	25,734,877	29,339,852	2,798,976	3,146,959
Intangible assets	3,357,114	5,193,528	-	-
	<u>3,357,114</u>	<u>5,193,528</u>	<u>-</u>	<u>-</u>
14. TAX LIABILITIES				
Current				
Provision for deferred income tax	454,242	192,519	-	-
Non-current				
Provision for deferred income tax	1,697,926	1,701,238	2,602	-
	<u>1,697,926</u>	<u>1,701,238</u>	<u>2,602</u>	<u>-</u>
15. PROVISIONS				
Current				
Dividend	-	248,799	-	248,799
Employee entitlements	1,923,109	1,713,791	612,261	358,245
	<u>1,923,109</u>	<u>1,962,590</u>	<u>612,261</u>	<u>607,044</u>
The carrying amount of provision for dividend at 1 July 2002 was \$248,799. This balance was adjusted to nil due to a change in accounting policy (refer note 1(u)).				
Non-current				
Employee entitlements	509,789	541,087	111,455	296,932
	<u>509,789</u>	<u>541,087</u>	<u>111,455</u>	<u>296,932</u>
Employee entitlement liabilities				
Current	1,923,109	1,713,791	612,261	358,245
Non-current	509,789	541,087	111,455	296,932
Total	<u>2,432,898</u>	<u>2,254,878</u>	<u>723,716</u>	<u>655,177</u>
Employee numbers				
Number of employees at year end	499	512	36	37
	<u>499</u>	<u>512</u>	<u>36</u>	<u>37</u>

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
16. CONTRIBUTED EQUITY				
(i) Share capital				
25,329,931 (2002 – 24,879,931) fully paid ordinary shares	20,044,219	19,857,064	20,044,219	19,857,064
2002				
(ii) Movements in issued share capital				
Balance at 1 July 2001 and at 30 June 2002			24,879,931	19,857,064
2003				
Balance at 1 July 2002			24,879,931	19,857,064
Issued ordinary shares at 41.59 cents each under the Employee Share and Option Plan (refer note 16 (iv) and 24(ii))			450,000	187,155
Balance at 30 June 2003			25,329,931	20,044,219

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

(iii) Options

750,000 options were granted to employees of CTI Logistics Limited and its controlled entities on 28 February 2001. Each option is convertible into one ordinary share at any time on or before 28 February 2004 at a fixed price of 75 cents per share. During the year 50,000 options were cancelled when employees ceased employment. The number of unissued ordinary shares under these options at 30 June 2003 is 600,000 (2002 – 650,000).

(iv) Employee Share and Option Plan

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

17. RETAINED PROFITS AND DIVIDENDS	Consolidated		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
(i) RETAINED PROFITS				
Balance at the beginning of year	794,787	254,032	329,734	742,999
Adjustment resulting from change in accounting policy for providing for dividends	248,799	-	248,799	-
Net profit/(loss) for the year	214,802	789,554	(58,572)	(164,466)
Dividends provided for or paid	(248,799)	(248,799)	(248,799)	(248,799)
Balance at the end of the year	1,009,589	794,787	271,162	329,734
(ii) DIVIDENDS				
Ordinary				
Final 2002 dividend of 1 cent per share paid on 21 November 2002, recognised as a liability at 30 June 2002 but adjusted against retained profits at the beginning of the financial year on the change in accounting policy for providing for dividends. - Franked at 30%	-	248,799	-	248,799
Total dividends provided for or paid	-	248,799	-	248,799
Dividends were paid in cash.				
Dividends not recognised at year end				
Since the end of the year the directors have declared a final dividend of 1 cent per ordinary share, fully franked at 30%. The aggregate amount of the dividend payable on 21 November 2003 out of retained profits at 30 June 2003, but not recognised as a liability at year end as a result of the change in accounting policy for providing for dividends [refer to note 1(u): change in accounting policy for providing for dividends] is \$253,299.				
Franking credits				
Franking credits available at the 30% corporate tax rate.	471,471	879,739	851	25,530

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

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

18. CONTINGENT LIABILITIES

Details and estimated maximum amounts of contingent liabilities (for which no amounts are recognised in the financial statements) arising in respect of:

Company

Guarantees by the Company in respect of leasing agreements entered into by controlled entities	-	-	8,757,115	10,861,702
--	---	---	-----------	------------

Controlled entities

Guarantees by the Company in respect of creditors and borrowings by controlled entities	-	-	16,072,135	17,809,056
	-	-	24,829,250	28,670,758

NOTES TO THE FINANCIAL STATEMENTS

18. CONTINGENT LIABILITIES (continued)

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

19. SUPERANNUATION COMMITMENTS

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

20. LEASE AND CAPITAL COMMITMENTS	Consolidated		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
Total lease expenditure contracted for at balance date but not recognised in the financial statements:				
Payable no later than one year	1,418,475	1,530,604	15,835	28,967
Payable later than one, not later than five years	1,464,391	2,132,079	8,354	19,497
Payable later than five years	349,444	114,964	-	-
	<u>3,232,310</u>	<u>3,777,647</u>	<u>24,189</u>	<u>48,464</u>
Representing				
Non-cancellable operating leases	2,490,395	2,880,826	-	-
Future finance charges on finance leases and hire purchase	741,915	896,821	24,189	48,464
Commitments not recognised in the financial statements	<u>3,232,310</u>	<u>3,777,647</u>	<u>24,189</u>	<u>48,464</u>
Analysis of non-cancellable operating lease Commitments:				
Payable no later than one year	998,766	1,032,202	-	-
Payable later than one, not later than five years	1,142,185	1,733,660	-	-
Payable later than five years	349,444	114,964	-	-
	<u>2,490,395</u>	<u>2,880,826</u>	<u>-</u>	<u>-</u>
Analysis of finance lease and hire purchase commitments:				
Payable no later than one year	3,023,606	4,041,387	176,803	213,831
Payable later than one, not later than five years	4,392,476	5,290,087	254,833	288,410
	<u>7,416,082</u>	<u>9,331,474</u>	<u>431,636</u>	<u>502,241</u>
Deduct future finance charges on finance leases and hire purchase	741,915	896,821	24,189	48,464
Recognised as a liability	<u>6,674,167</u>	<u>8,435,653</u>	<u>407,447</u>	<u>453,777</u>
Representing lease and hire purchase liabilities				
Current	2,385,029	3,542,986	160,968	184,863
Non-current	4,289,138	4,891,667	246,479	268,914
	<u>6,674,167</u>	<u>8,434,653</u>	<u>407,447</u>	<u>453,777</u>

NOTES TO THE FINANCIAL STATEMENTS

21. INVESTMENTS IN CONTROLLED ENTITIES

Name of entity	Country of incorporation	Interest of Company (Ordinary shares)	
		2003 %	2002 %
CTI Logistics Limited	Australia		
Directly controlled by CTI Logistics Limited			
Controlled entities			
Bring Transport Industries Pty Ltd	Australia	100	100
Mercury Messengers Pty Ltd	Australia	100	100
CTI Security Services Pty Ltd	Australia	100	100
CTI Transport Systems Pty Ltd	Australia	100	100
CTI Taxi Trucks Pty Ltd	Australia	100	100
CTI Security Systems Pty Ltd	Australia	100	100
CTI Fleet Management Pty Ltd (formerly International Cargo Services Pty Ltd)	Australia	100	100
CTI Freight Management Pty Ltd (formerly CTI Freight Forwarding Pty Ltd)	Australia	100	100
CTI Business Investment Company Pty Ltd	Australia	100	100
CTI Freight Systems Pty Ltd	Australia	100	100
CTI Couriers Pty Ltd	Australia	100	100
CTI Swinglift Services Pty Ltd	Australia	100	100
CTI Xpress Systems Pty Ltd	Australia	100	100
CTI Investments Pty Ltd	Australia	100	100
Consolidated Transport Industries Pty Ltd	Australia	100	100
Other controlled entities			
Directly controlled by CTI Investments Pty Ltd			
Advance Press Pty Ltd	Australia	100	100
LCL Cargo Services Pty Ltd	Australia	100	100
Blackwood Industries Pty Ltd	Australia	100	100
CTI Fulfilment Services Pty Ltd	Australia	100	100
Directly controlled by Blackwood Industries Pty Ltd			
Efal Pty Ltd	Australia	100	100
Ausplastics Pty Ltd	Australia	100	100
CTI Management Pty Ltd	Australia	100	100
CTI (NSW) Pty Ltd	Australia	100	100
Directly controlled by Consolidated Transport Industries Pty Ltd			
CTI Distribution Group Pty Ltd	Australia	100	100

All of the above companies are relieved from the requirement to prepare audited financial statements under the ASIC Class Order 98/1418 (as amended by Class Orders 98/2017, 00/0321 and 01/1087) as they and the Company are party to a Deed of Cross Guarantee under which each company guarantees the debts of the others. Entities acquired or established during the financial year have been added by an Assumption Deed contemplated by the Deed of Guarantee. The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee, they also represent the Extended Closed Group.

NOTES TO THE FINANCIAL STATEMENTS

22. SEGMENT INFORMATION

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

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

	Logistics and Transport 2003 \$	Manufacturing, Security and Other 2003 \$	Intersegment Eliminations 2003 \$	Consolidated 2003 \$
Sales to customers outside the consolidated entity	67,950,492	22,996,537	-	90,947,029
Intersegment sales	161,680	57,164	(218,844)	
Total segment revenue	<u>68,112,172</u>	<u>23,053,701</u>	<u>(218,844)</u>	-
Unallocated other revenue				<u>574,330</u>
Consolidated revenue from ordinary activities				<u><u>91,521,359</u></u>
Segment result	<u>1,747,300</u>	<u>3,177,084</u>	<u>(151,736)</u>	4,772,648
Unallocated result				
Interest expense				(1,404,613)
Provision for diminution of investments				(461,580)
Provision for restricted recovery of share scheme loans				(381,000)
Other				<u>(2,071,213)</u>
Consolidated profit from ordinary activities before income tax				454,242
Income tax expense				<u>239,440</u>
Net profit				<u><u>214,802</u></u>
Segment assets	<u>32,155,512</u>	<u>22,615,313</u>	<u>(6,897,213)</u>	47,873,612
Unallocated assets				<u>5,932,677</u>
Total assets				<u><u>53,806,289</u></u>
Segment liabilities	<u>7,483,866</u>	<u>4,500,761</u>	<u>(3,165,157)</u>	8,819,470
Unallocated liabilities				<u>23,933,011</u>
Total liabilities				<u><u>32,752,481</u></u>
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	<u>2,621,203</u>	<u>1,607,909</u>	-	4,229,112
Unallocated acquisitions				<u>161,929</u>
Total acquisitions				<u><u>4,391,041</u></u>
Depreciation and amortisation expense	<u>2,265,392</u>	<u>1,612,773</u>	-	3,878,165
Unallocated				<u>420,407</u>
Total depreciation and amortisation expense				<u><u>4,298,572</u></u>
Other non-cash expenses	<u>260,554</u>	<u>268,174</u>	-	528,728
Unallocated				<u>381,000</u>
Total other non-cash expenses				<u><u>909,728</u></u>

NOTES TO THE FINANCIAL STATEMENTS

22. SEGMENT INFORMATION (continued)

	Logistics and Transport 2002 \$	Manufacturing, Security and Other 2002 \$	Intersegment Eliminations 2002 \$	Consolidated 2002 \$
Sales to customers outside the consolidated entity	73,764,549	27,034,424		100,798,973
Intersegment sales	196,735	53,675	(250,410)	-
Total segment revenue	<u>73,961,284</u>	<u>27,088,099</u>	<u>(250,410)</u>	
Unallocated other revenue				<u>356,899</u>
Consolidated revenue from ordinary activities				<u><u>101,155,872</u></u>
Segment result	<u>3,164,119</u>	<u>2,066,263</u>	<u>(164,791)</u>	5,065,591
Unallocated result				
Interest expense				(1,595,815)
Other				<u>(2,209,218)</u>
Consolidated profit from ordinary activities before income tax				1,260,558
Income tax expense				<u>471,004</u>
Net profit				<u><u>789,554</u></u>
Segment assets	<u>33,583,505</u>	<u>28,236,911</u>	<u>(6,091,770)</u>	55,728,646
Unallocated assets				<u>6,272,806</u>
Total assets				<u><u>62,001,454</u></u>
Segment liabilities	<u>8,030,146</u>	<u>5,046,176</u>	<u>(2,235,979)</u>	10,840,343
Unallocated liabilities				<u>30,509,260</u>
Total liabilities				<u><u>41,349,603</u></u>
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	<u>2,533,884</u>	<u>592,797</u>	-	3,126,681
Unallocated acquisitions				<u>86,196</u>
Total acquisitions				<u><u>3,212,877</u></u>
Depreciation and amortisation expense	<u>2,151,164</u>	<u>1,791,546</u>	-	3,942,710
Unallocated				<u>487,845</u>
Total depreciation and amortisation expense				<u><u>4,430,555</u></u>
Other non-cash expenses	<u>180,074</u>	<u>83,260</u>	-	<u><u>263,336</u></u>

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.

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Company	
23. DIRECTORS' AND EXECUTIVES' REMUNERATION	2003	2002	2003	2002
(i) DIRECTORS' REMUNERATION	\$	\$	\$	\$
Income paid or payable, or otherwise made available to: directors of the Company in connection with the management of affairs of the Company or its controlled entities by the Company			1,047,640	981,521
directors of entities in the consolidated entity in connection with the management of affairs of those entities by the consolidated entity	1,047,640	981,521		
The number of directors of the Company included in these figures are shown below in their relevant income bands:			Company Number	
Income of			2003	2002
\$0 - \$9,999			1	-
\$10,000 - \$19,999			-	1
\$20,000 - \$29,999			2	2
\$180,000 - \$189,999			-	1
\$190,000 - \$199,999			-	1
\$210,000 - \$219,999			1	1
\$230,000 - \$239,999			2	-
\$310,000 - \$319,999			1	1
(ii) EXECUTIVES' REMUNERATION				
			Executive officers of	
	Entities in the Consolidated entity		The Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
Income received by executive officers whose income is \$100,000 or more from the Company and related parties			995,390	916,521
from entities in the consolidated entity and related parties	995,390	916,521		

NOTES TO THE FINANCIAL STATEMENTS

23. DIRECTORS' AND EXECUTIVES' REMUNERATION (continued)

Officers' Remuneration

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

The number of executive officers whose income is \$100,000 or more are shown below in their relevant income bands:

Income of	Executive officers of			
	Entities in the consolidated entity		the Company	
	2003	2002	2003	2002
	Number			
\$180,000 - \$189,999	-	1	-	1
\$190,000 - \$199,999	-	1	-	1
\$210,000 - \$219,999	1	1	1	1
\$230,000 - \$239,999	2	-	2	-
\$310,000 - \$319,999	1	1	1	1

24. RELATED PARTY INFORMATION

(i) CONTROLLING ENTITY

CTI Logistics Limited is the ultimate Australian parent entity of the consolidated entity.

(ii) DIRECTORS AND DIRECTOR-RELATED ENTITIES

The directors named in the attached Directors' Report each held office as a director of the Company during the year ended 30 June 2003.

Remuneration paid, payable or otherwise made available to the directors of entities in the consolidated entity are disclosed in Note 23.

Loans to Directors

Aggregate loans to directors of entities in the consolidated entity and their director-related entities are disclosed in Note 5.

	Consolidated		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
Loans advanced (secured) to J D Elbery, D A Mellor, B E Saxild	187,155	-	187,155	-
Loan repayments received from J D Elbery, D A Mellor, B E Saxild, D R Watson	6,000	-	6,000	-

During the year loans totalling \$187,155 were advanced to the directors as part of the Employee Share and Option Plan (refer note 16(iv) for details). The loans were extended for an original term of 10 years. The original tranche of loans has a remaining term of 5 years, while the second tranche has a remaining term of 9 years. All loans to directors are repayable from dividends and are secured by a lien over the shares.

In accordance with shareholder approval, these loans are interest free.

In the event of cessation of employment of directors, loans are repayable but CTI Logistics Limited cannot claim or demand outstanding moneys other than to the extent of proceeds realised from the disposal of shares secured under the plans. At the reporting date, the possible loss to the Consolidated Entity in the event of non-realisation of loans was \$77,655 after a provision of \$381,000. The provision was made during the year against restricted recovery. The possible loss in the event of non-realisation for 2002 was \$411,000.

NOTES TO THE FINANCIAL STATEMENTS

24. RELATED PARTY INFORMATION (continued)

(ii) DIRECTORS AND DIRECTOR-RELATED ENTITIES (continued)

Equity transactions with directors and their director-related entities

The aggregate number of shares acquired by directors of the Company and the consolidated entity and their director-related entities during the year were:

Issuing entity	Class of share	Number	
		2003	2002
CTI Logistics Limited	Ordinary shares	<u>550,000</u>	<u>5,000</u>

Directors of the Company and the consolidated entity and their director-related entities acquired 450,000 (2002 - nil) ordinary shares under the terms of the CTI Logistics Limited Employee Share and Option Plan, with the remaining shares acquired on normal market terms and conditions.

The aggregate number of shares disposed of by directors of the Company and the consolidated entity and their director-related entities during the year were:

Issuing entity	Class of share	2003	2002
CTI Logistics Limited	Ordinary shares	<u>Nil</u>	<u>Nil</u>

Directors of the Company and the consolidated entity and their director-related entities disposed of nil (2002 - nil) ordinary shares under normal market terms and conditions.

The aggregate number of shares held by directors of the Company and the consolidated entity and their director-related entities at balance date were:

Issuing entity	Class of share	2003	2002
CTI Logistics Limited	Ordinary shares	<u>10,231,592</u>	<u>9,710,059</u>

NOTES TO THE FINANCIAL STATEMENTS

24. RELATED PARTY INFORMATION (continued)

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

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

	Consolidated		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
(iv) AMOUNTS RECEIVABLE FROM AND PAYABLE TO ENTITIES IN THE WHOLLY OWNED GROUP AND OTHER RELATED PARTIES				
Aggregate amounts receivable at balance date from:				
Entities in the wholly-owned group				
Loans				
Current	-	-	5,421,011	9,973,335
Non-current	-	-	11,815,000	11,815,000
	<u>-</u>	<u>-</u>	<u>17,236,011</u>	<u>21,788,335</u>
(v) AMOUNTS ATTRIBUTABLE TO TRANSACTIONS WITH ENTITIES IN THE WHOLLY-OWNED GROUP AND OTHER RELATED PARTIES				
Operating profit before income tax for the financial year includes aggregate amounts attributable to transactions in respect of:				
Entities in the wholly-owned group				
Interest revenue	-	-	2,014,859	2,386,063
Management revenue	-	-	3,360,224	3,033,504
Dividend revenue	-	-	221,667	-
Interest expense	-	-	1,102,797	1,006,673
	<u>-</u>	<u>-</u>	<u>1,102,797</u>	<u>1,006,673</u>
(vi) OWNERSHIP INTEREST IN ENTITIES IN THE WHOLLY-OWNED GROUP				
Interests held in controlled entities are set out in Note 21.				

25. EARNINGS PER SHARE

	Consolidated	
	2003	2002
	Cents per share	
Basic earnings per share	<u>0.85</u>	<u>3.17</u>
Diluted earnings per share	<u>0.85</u>	<u>3.17</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share and diluted earnings per share	<u>25,143,767</u>	<u>24,879,931</u>
	\$	\$
Earnings used in the calculation of basic and diluted earnings per share	<u>214,802</u>	<u>789,554</u>
	Number	Number
Potential shares that are not dilutive and are not used in the calculation of diluted earnings per share:		
Options	<u>600,000</u>	<u>650,000</u>

NOTES TO THE FINANCIAL STATEMENTS

26. CASH FLOW INFORMATION	Consolidated		Company	
	2003 \$	2002 \$	2003 \$	2002 \$
(i) RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO OPERATING PROFIT AFTER INCOME TAX				
Operating profit/(loss) after income tax	214,802	789,554	(58,572)	(164,466)
Depreciation and amortisation	4,298,572	4,447,572	420,407	494,719
Provision for doubtful debts	287,708	69,253	381,000	-
Net (gain)/loss on disposal of				
Businesses, property, plant and equipment	(621,335)	(252,459)	(19,892)	2,064
Investments	(800)	(5,000)	-	-
Provision for diminution of investments	461,580	-	-	-
Decrease/(increase) in future income tax benefit	(70,012)	486,528	80,477	(39,604)
Increase/(decrease) in deferred taxes payable	258,411	(225,581)	2,602	-
Changes in assets and liabilities net of effects of acquisitions and disposals of entities				
(Increase)/decrease in trade and other debtors	2,484,447	1,000,994	(687,501)	(157,357)
(Increase)/decrease in inventories	20,709	570,759	6,908	(36,735)
(Increase)/decrease in prepayments	(309,107)	(167,077)	(16,984)	850
Increase/(decrease) in accounts payable, employee entitlements and other provisions	(1,476,651)	(1,290,363)	521,502	(112,107)
Net cash inflows from operating activities	<u>5,548,322</u>	<u>5,424,180</u>	<u>629,947</u>	<u>(12,636)</u>
(ii) RECONCILIATION OF CASH				
Cash at the end of the financial year (as shown in the consolidated statement of cashflows) is reconciled to the accounts as follows:				
Cash on hand and at bank at the end of the financial year	-	756,322	-	756,322
Less: Bank overdrafts	(68,735)	-	(68,735)	-
Balances per statement of cashflows	<u>(68,735)</u>	<u>756,322</u>	<u>(68,735)</u>	<u>756,322</u>
(iii) STANDBY ARRANGEMENTS AND CREDIT FACILITIES				
Entities in the consolidated entity have access to:				
Credit standby arrangements				
Secured bank overdraft and bill acceptance facilities, totalling				
	10,694,000	15,500,000	-	-
Amount of credit unused	<u>2,527,923</u>	<u>1,592,000</u>	<u>-</u>	<u>-</u>

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

NOTES TO THE FINANCIAL STATEMENTS

26. CASH FLOW INFORMATION (continued)

	Consolidated		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
(iv) NON-CASH FINANCING AND INVESTING ACTIVITIES				
Acquisition of plant and equipment by means of finance leases and hire purchase	3,076,569	2,154,847	146,032	25,088
Sale of businesses, plant and equipment for deferred consideration	1,800,000	1,846,111	-	-
Issue of shares under the Company's Employee Share and Option Plan	187,155	-	187,155	-

(v) DISPOSAL OF BUSINESSES

	Consolidated 2003 \$
During the financial year, the consolidated entity sold its freight forwarding and customs broking businesses.	
Proceeds received or receivable:	
Cash consideration received	450,000
Deferred consideration	1,800,000
Total consideration	<u>2,250,000</u>
Carrying value of assets disposed of:	
Plant and equipment	205,753
Intangible assets	1,435,049
Other assets	157,242
	<u>1,798,044</u>

27. SUBSEQUENT EVENTS

Subsequent to balance date, the directors have declared a final dividend of 1 cent per ordinary share fully franked.

Since the end of the financial year, an unconditional sales agreement for \$1,700,000 has been entered into for a property held for resale. The property has a carrying value at 30 June 2003 of \$1,575,407.

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

28. FINANCIAL INSTRUMENTS

Off-balance Sheet Derivative Instruments

The Company and certain of its controlled entities are parties to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates.

Interest Rate Swap Contracts

On 5 September 2002, the consolidated entity entered into an interest rate swap contract under which it was obliged to receive interest at variable rates and to pay interest at fixed rates. The contract was settled on a net basis every 90 days and the net amount receivable or payable was recorded in other debtors or other creditors.

The notional principal amount of the contract was \$3,000,000 and the termination date is 16 September 2003. The fixed interest rate was 5.23% and the variable rate was the 90 day bank bill rate as at the commencement of the quarter. The rate set for the quarter commencing 16 June 2003 was 4.78%.

NOTES TO THE FINANCIAL STATEMENTS

28. FINANCIAL INSTRUMENTS (continued)

Credit Risk Exposures

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

Interest Rate Risk Exposures

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

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

2003	Weighted average effective interest rate %	Floating interest rate \$	Fixed interest maturing in:			Total \$
			1 year or less \$	Over 1 to 5 years \$	Non-interest bearing \$	
Financial assets						
Cash		-	-	-	-	-
Receivables		-	-	-	16,794,973	16,794,973
Investments		-	-	-	327,753	327,753
		-	-	-	17,122,726	17,122,726
Financial liabilities						
Bank overdraft		68,735	-	-	-	68,735
Bank loans	5.05	7,800,000	-	-	-	7,800,000
Other loans	6.37	134,544	2,996,000	1,260,000	-	4,390,544
Trade and other creditors		-	-	-	9,233,969	9,233,969
Lease liabilities	7.50	-	14,297	-	-	14,297
Hire purchase liabilities	6.99	-	2,370,732	4,289,138	-	6,659,870
		8,003,279	5,381,029	5,549,138	9,233,969	28,167,415
Net financial assets (liabilities)		(8,003,279)	(5,381,029)	(5,549,138)	7,888,757	(11,044,689)

2002	Weighted average effective interest rate %	Floating interest rate \$	Fixed interest maturing in:			Total \$
			1 year or less \$	Over 1 to 5 years \$	Non-interest bearing \$	
Financial assets						
Cash	4.75	756,322	-	-	-	756,322
Receivables		-	-	-	22,239,325	22,239,325
Investments		-	-	-	789,295	789,295
		756,322	-	-	23,028,620	23,784,942
Financial liabilities						
Bank loans	5.02	13,900,000	-	-	-	13,900,000
Other loans	6.59	199,857	-	4,256,000	-	4,455,857
Trade and other creditors		-	-	-	10,161,659	10,161,659
Lease liabilities	7.50	-	8,364	12,860	-	21,224
Hire purchase liabilities	7.25	-	3,534,622	4,878,807	-	8,413,429
		14,099,857	3,542,986	9,147,667	10,161,659	36,952,169
Net financial assets (liabilities)		(13,343,535)	(3,542,986)	(9,147,667)	12,866,961	(13,167,227)

NOTES TO THE FINANCIAL STATEMENTS

28. FINANCIAL INSTRUMENTS (continued)

Net Fair Value of Financial Assets and Liabilities

On-balance Sheet

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

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

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

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

	2003		2002	
	Carrying amount \$	Net fair value \$	Carrying amount \$	Net fair value \$
On-balance sheet financial instruments				
Financial assets				
Cash	-	-	756,322	756,322
Trade and other debtors	16,794,973	16,662,381	22,239,325	22,103,158
Traded investments (note 6)	257,128	236,733	718,670	267,433
Other investments	70,625	12,826	70,625	70,625
	<u>17,122,726</u>	<u>16,911,940</u>	<u>23,784,942</u>	<u>23,197,538</u>
Financial liabilities				
Trade accounts payable	9,233,969	9,233,969	10,161,659	10,161,659
Bank overdraft	68,735	68,735	-	-
Bank loans	7,800,000	7,800,000	13,900,000	13,900,000
Other loans	4,390,544	4,390,544	4,455,857	4,455,857
Lease liabilities	14,297	12,506	21,224	29,490
Hire purchase liabilities	6,659,870	6,796,445	8,413,429	8,571,649
	<u>28,167,415</u>	<u>28,302,199</u>	<u>36,952,169</u>	<u>37,118,655</u>
Off-balance sheet financial instruments				
Financial assets				
Interest rate swaps	<u>(1,110)</u>	<u>(3,403)</u>	<u>-</u>	<u>-</u>

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

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

DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 3 to 31:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2003 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 21 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 21.

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



DAVID MELLOR
Director

Perth
30 September 2003

Independent audit report to the members of CTI Logistics Limited

Audit opinion

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

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of CTI Logistics Limited and the CTI Logistics Group (defined below) as at 30 June 2003, and of their performance for the year ended on that date, and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

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

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both CTI Logistics Limited (the company) and the CTI Logistics Group (the consolidated entity), for the year ended 30 June 2003. The consolidated entity comprises both the company and the entities it controlled during that year.

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

Audit approach

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

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

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

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

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

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

Independence

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



PricewaterhouseCoopers



David J Smith
Partner

Perth
30 September 2003

CORPORATE GOVERNANCE STATEMENT

The directors of CTI Logistics and its controlled entities aspire to an effective level of corporate governance considered appropriate to a consolidated entity the size of the group. The directors take ultimate responsibility for corporate governance and operate in accordance with CTI Logistics' Constitution, Australian Stock Exchange Limited Listing Rules, The Corporations Act 2001 and all other relevant legislation.

The role of the board of directors is to set policy and guide the management of the group in the best interests of all shareholders. The board's responsibilities include maintenance and creation of shareholder value, and setting corporate objectives as well as ensuring the group operates in a responsible and ethical manner both within the spirit of any relevant legislation and within the business community. The board also recognises the importance of providing a stable, non-discriminatory employment environment for the group's employees.

The board of directors throughout the financial year consisted of the executive chairman, three other executive directors and two non-executive directors. A third non-executive director, Mr W. Tucker resigned during the year. The composition of the board is considered from time to time at board meetings with a view to maintaining a board with an appropriate mix of operational and financial skills and experience. Recommendations for additional members of the board can be made by any board member.

Many day to day administrative and operational matters are dealt with by formally constituted divisional committees whose membership consists of at least one board member and senior management personnel.

The executive directors approve and set the remuneration of senior staff members within the group. A remuneration committee which comprises two non-executive directors advises the board on remuneration packages and other terms of employment for executive directors. One formal meeting of the remuneration committee was held during the financial year.

An audit committee comprising a non-executive and an executive director assist the board in fulfilling its oversight responsibilities by reviewing the financial reporting process, the system of internal control and management of financial risks, and its own code of business conduct. The audit committee also reviews the terms of engagement for the external auditors together with the scope and quality of the audit and the auditor's independence. The committee meets with the auditors at least twice a year.

In addition to formal full board meetings, the executive directors, who all live in Perth, meet on a regular basis, both formally and informally, to consider day to day operational and managerial matters that arise which do not require full board consideration.