



# ***CTI Logistics Limited***

ACN 008 778 925

**ANNUAL REPORT 2012**

# Contents

|       |                                                |
|-------|------------------------------------------------|
| 2     | Directory                                      |
| 3     | Chairman's Statement                           |
| 4-7   | Directors' Report                              |
| 8     | Lead Auditor's Independence Declaration        |
| 9     | Consolidated Statement of Comprehensive Income |
| 10    | Consolidated Statement of Financial Position   |
| 11    | Consolidated Statement of Changes in Equity    |
| 12    | Consolidated Statement of Cash Flows           |
| 13-51 | Notes to the Financial Statements              |
| 52    | Directors' Declaration                         |
| 53-55 | Independent Auditor's Report                   |
| 56-59 | Corporate Governance Statement                 |
| 60    | Shareholder Information                        |

# Directory

## DIRECTORS

David Robert Watson  
(Executive Chairman)

David Anderson Mellor  
(Executive)

Bruce Edmond Saxild  
(Executive)

Peter James Leonhardt  
(Non-Executive)

Matthew David Watson  
(Non-Executive)

## SECRETARY

David Anderson Mellor

## AUDITORS

KPMG  
235 St Georges Terrace  
Perth WA 6000  
Telephone (08) 9263 7171

## SHARE REGISTRY

Computershare Investor Services Pty Ltd  
Level 2, 45 St Georges Terrace  
Perth WA 6000  
Telephone (08) 9323 2000

## REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

1 Drummond Place  
West Perth WA 6005  
Telephone (08) 9422 1100  
Facsimile (08) 9227 8000  
E-mail [corporate@ctilogistics.com](mailto:corporate@ctilogistics.com)  
Web [www.ctilogistics.com](http://www.ctilogistics.com)

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

The financial report is presented in the Australian currency.

The financial report was authorised for issue by the directors on 30 August 2012. The directors have the power to amend and reissue the financial report.

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

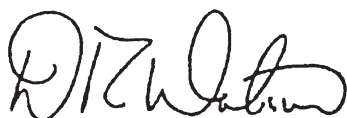
# Chairman's Statement

In our twenty-fifth year as a listed public company, we have reported a profit after tax of \$7,332,490, up 18.2% on the previous year, on revenue of \$96,751,645 which was up 33.5%. Earnings per share, on the share capital adjusted for the June 2012 one for five share issue, was 12.4 cents.

Shareholders were paid an interim dividend of 3 cents per share, and will be paid a final dividend of 3.5 cents on the recently expanded capital. This translates to a 20% increase in dividend payment over the previous year. Shareholders are also entering the new financial year with a 20% increase in the number of shares held.

Aside from the acquisition of Action Couriers, the 2011-2012 financial year was a year of organic growth for the Company. The increased revenue was mainly minerals and energy related, servicing key Australian and overseas contractors to large projects including Gorgon in the North-West of Western Australia, and the momentum of that growth has carried forward into the new financial year. We plan to leverage off those same contractors in the long term, to provide logistical support services on other projects as they are developed throughout Western Australia. The new Hazelmere facility is targeted for Stage 1 completion by Christmas and occupation of the strategic site early next year will facilitate further growth.

Finally, and as always, on behalf of the board I would like to thank all members of management, staff and sub-contractors for their dedication, enthusiasm, commitment and efforts over the past year.



DAVID WATSON  
Executive Chairman

# Directors' Report

YOUR DIRECTORS PRESENT THEIR REPORT ON THE GROUP CONSISTING OF CTI LOGISTICS LIMITED AND THE ENTITIES IT CONTROLLED AT THE END OF, OR DURING, THE YEAR ENDED 30 JUNE 2012.

## Directors

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

### David Robert Watson (Executive Chairman)

Mr Watson is the founder, executive chairman and chief executive officer of the group. Mr Watson is a member of the remuneration committee. Mr Watson has not held any other directorships in listed companies over the past 4 years.

### David Anderson Mellor (Executive Director)

Mr Mellor is a Chartered Accountant who has been with the group since 1978. He is responsible for the group's finances and accounts. Mr Mellor has not held any other directorships in listed companies over the past 4 years.

### Bruce Edmond Saxild (Executive Director)

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

### Peter James Leonhardt (Non-Executive Director)

Mr Leonhardt is a non-executive director of CTI Logistics Limited and has been with the group since 1999. During the past 4 years Mr Leonhardt has also served as a director of Centrepont Alliance Limited (May 2002 to June 2009), and Carnarvon Petroleum Limited (March 2005 and continuing). Mr Leonhardt is a former managing partner of Coopers & Lybrand (now PricewaterhouseCoopers). Mr Leonhardt is the chairman of the audit committee and the remuneration committee.

### Matthew David Watson (Non-Executive Director)

Mr Watson is a non-executive director of CTI Logistics Limited and has been with the group since 2010. He has a Post Graduate Diploma of Business Information Systems and is a Chartered Management Accountant (CIMA). He is a member of the audit committee (appointed 29 August 2011). Mr Watson has not held any other directorships in listed companies since his appointment.

## Principal activities of the group

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

## Dividends

Dividends paid or declared by the Company to members since the end of the previous financial year were:

|                                          | Cents<br>per share | Total<br>amount<br>Franked | Date of<br>payment |
|------------------------------------------|--------------------|----------------------------|--------------------|
| <b>Declared and paid during the year</b> |                    |                            |                    |
| Interim 2012 ordinary                    | 3                  | \$1,476,676                | 2 May 2012         |
| Final 2011 ordinary                      | 3                  | \$1,476,675                | 18 November 2011   |

## Declared after end of year

After the balance sheet date the directors have declared the following dividend.

The dividend has not been provided and there are no income tax consequences.

|                     |     |             |                  |
|---------------------|-----|-------------|------------------|
| Final 2012 ordinary | 3.5 | \$2,067,341 | 16 November 2012 |
|---------------------|-----|-------------|------------------|

The financial effect of this post year dividend has not been brought to account in the financial statements for the year ended 30 June 2012 and will be recognised in subsequent financial reports.

## Review of operations and results

Profit after tax from operations was \$7,332,490 compared to \$6,204,964 in the previous corresponding period. Revenue from operations was \$96,751,645 compared to \$72,499,159 in the previous corresponding period. The increase in revenue in the logistics and transport segment is primarily reflected in the acquisition of Action Couriers and the continued development and ramping up of the minerals and energy sector. Net cash inflows from operating activities were \$7,265,822 up from \$7,210,116 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 report.

## Events subsequent to balance date

The directors are not aware of any other matters or circumstances 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.

# Directors' Report

## Likely developments

The major objectives encompassed in the Business Plan of the group are:

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

## Company secretary

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

## Directors' meetings

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

### Board of Directors

|               | Number Held | Number Attended |
|---------------|-------------|-----------------|
| P J Leonhardt | 8           | 8               |
| D A Mellor    | 8           | 8               |
| B E Saxild    | 8           | 8               |
| D R Watson    | 8           | 8               |
| M D Watson    | 8           | 8               |

### Audit committee

|                                          | Number Held | Number Attended |
|------------------------------------------|-------------|-----------------|
| P J Leonhardt                            | 3           | 3               |
| B E Saxild                               | 3           | 3               |
| M D Watson<br>(appointed 29 August 2011) | 3           | 3               |

### Remuneration committee

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

## Corporate governance statement

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

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

The relevant interest of each director in the shares issued by the Company as notified by the directors to the ASX in accordance with S205G(1) of the *Corporations Act 2001*, at the date of this report is as follows:

|               | Direct Holding | Indirect Holding |
|---------------|----------------|------------------|
| P J Leonhardt | –              | 527,836          |
| D A Mellor    | 522,080        | 5,696,348        |
| B E Saxild    | 347,120        | 4,574,462        |
| D R Watson    | 18,062,683     | 11,431,069       |
| M D Watson    | 324,512        | –                |

## Directors' and officers' indemnity insurance

The Company's directors' and officers' indemnity insurance policy indemnifies the directors named in this report in respect of their potential liability to third parties for wrongful acts committed by them in their capacity as directors (as defined in the policy). The disclosure of the premium paid in respect of the insurance policy is prohibited under the terms of the policy.

The Company has entered into an agreement with their current auditors, KPMG, indemnifying them against any claims by third parties arising from their report on the Annual Financial Report, except where the liability arises out of conduct involving a lack of good faith.

## Environmental regulation

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

## Non-audit services

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

Details of the amounts paid or payable to the auditor, KPMG, for audit services provided during the year are set out in Note 26 of the financial statements. There were no non-audit services provided during the year. The directors are satisfied the auditor did not therefore compromise the auditor independence requirements of the *Corporations Act 2001*.

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

# Directors' Report

## Remuneration report – audited

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

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

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

### A. Principles used to determine the nature and amount of remuneration

#### Executive directors

The remuneration committee makes specific recommendations on remuneration packages and other terms of employment for executive directors. Remuneration is set to competitively reflect market conditions for comparable roles. There are no guaranteed base pay increases each year, no element of the remuneration is based upon the Company's performance and no bonus schemes operated during the financial year.

#### Non-executive directors

Remuneration of non-executive directors is determined by the board within the maximum amount of \$300,000, approved by shareholders at the annual general meeting on 26 November 2009.

### B. Details of remuneration

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

|               | SHORT-TERM                 |                              | POST-EMPLOYMENT     |                         |           |
|---------------|----------------------------|------------------------------|---------------------|-------------------------|-----------|
|               | CASH<br>SALARY<br>AND FEES | NON-<br>MONETARY<br>BENEFITS | SUPER-<br>ANNUATION | SHARE-BASED<br>PAYMENTS | TOTAL     |
|               | \$                         | \$                           | \$                  | \$                      | \$        |
| 2012          |                            |                              |                     |                         |           |
| P J Leonhardt | 49,600                     | –                            | –                   | –                       | 49,600    |
| D A Mellor    | 383,539                    | 17,740                       | 50,000              | 39,987                  | 491,266   |
| B E Saxild    | 416,651                    | 18,596                       | 50,000              | 39,986                  | 525,233   |
| D R Watson    | 413,414                    | 11,372                       | 50,000              | –                       | 474,786   |
| M D Watson    | 28,514                     | –                            | 2,566               | –                       | 31,080    |
| Total         | 1,291,718                  | 47,708                       | 152,566             | 79,973                  | 1,571,965 |

### 2011

|               |           |        |         |   |           |
|---------------|-----------|--------|---------|---|-----------|
| P J Leonhardt | 47,880    | –      | –       | – | 47,880    |
| D A Mellor    | 337,743   | 7,440  | 50,000  | – | 395,183   |
| B E Saxild    | 379,742   | 18,536 | 50,000  | – | 448,278   |
| D R Watson    | 413,414   | 11,776 | 50,000  | – | 475,190   |
| M D Watson    | 27,523    | –      | 2,477   | – | 30,000    |
| Total         | 1,206,302 | 37,752 | 152,477 | – | 1,396,531 |

# Directors' Report

## Remuneration report – audited (continued)

### C. Service agreements

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

### D. Additional information

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

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

### Employee Share Plan

As approved at the Company's Annual General Meeting, the Company made share based payments to Mr Mellor and Mr Saxild under the Company's Employee Share Plan (ESP). Details of the share issue made to them under the ESP are set out below:

| ESP grants to key executives                                                  | D A Mellor<br>Number | B E Saxild<br>Number |
|-------------------------------------------------------------------------------|----------------------|----------------------|
| Number of shares issued under the ESP                                         | 150,000              | 150,000              |
| Issue price of ESP shares                                                     | \$1.13               | \$1.13               |
| Date of issue                                                                 | 29 November 2011     | 29 November 2011     |
| Amount of Company loan in respect of ESP shares outstanding at reporting date | \$165,000            | \$165,000            |
| Fair value recognised as remuneration during the year                         | \$39,987             | \$39,986             |

The issue price of the shares is determined under the ESP.

The shares may be purchased with the assistance of an interest-free, limited recourse loan for a term of 10 years and is repayable by dividends. The shares are priced using a Black-Scholes pricing model to determine the fair value and are amortised over the 2 year vesting period through the statement of comprehensive income.

This report is made in accordance with a resolution of the directors on 30 August 2012.



DAVID MELLOR  
Director

Perth, WA  
30 August 2012



# Lead Auditor's Independence Declaration



## *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 audit for the financial year ended 30 June 2012 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPme

KPMG

B + S

Brent Steedman  
Partner

Perth

30 August 2012

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

# Consolidated Statement of Comprehensive Income for the Year Ended 30 June 2012

|                                                                                                                                                    | Notes | CONSOLIDATED |              |
|----------------------------------------------------------------------------------------------------------------------------------------------------|-------|--------------|--------------|
|                                                                                                                                                    |       | 2012<br>\$   | 2011<br>\$   |
| Revenue from operations                                                                                                                            | 5     | 96,751,645   | 72,499,159   |
| Other income                                                                                                                                       | 6     | 335,561      | 348,998      |
| Changes in inventories of finished goods and work in progress                                                                                      |       | 926,179      | 284,195      |
| Raw materials and consumables used                                                                                                                 |       | (4,200,414)  | (1,883,149)  |
| Employee benefits expense                                                                                                                          |       | (26,508,253) | (20,013,268) |
| Subcontractor expense                                                                                                                              |       | (35,402,317) | (27,491,597) |
| Depreciation and amortisation expense                                                                                                              | 7     | (3,023,478)  | (2,544,163)  |
| Motor vehicle and transport costs                                                                                                                  |       | (7,058,976)  | (4,706,802)  |
| Property costs                                                                                                                                     |       | (3,560,419)  | (1,592,781)  |
| Other expenses                                                                                                                                     |       | (6,101,412)  | (4,859,287)  |
| Results from operating activities                                                                                                                  |       | 12,158,116   | 10,041,305   |
| Finance income                                                                                                                                     |       | 61,748       | 58,196       |
| Finance expenses                                                                                                                                   | 7     | (1,432,632)  | (1,274,743)  |
| Net finance costs                                                                                                                                  |       | (1,370,884)  | (1,216,547)  |
| Profit before income tax                                                                                                                           |       | 10,787,232   | 8,824,758    |
| Income tax expense                                                                                                                                 | 8     | (3,454,742)  | (2,619,794)  |
| Profit for the year                                                                                                                                | 23    | 7,332,490    | 6,204,964    |
| Other comprehensive income                                                                                                                         |       |              |              |
| Changes in the fair value of available-for-sale financial assets<br>(net of income tax)                                                            |       | 2,295        | (2,494)      |
| Other comprehensive income for the year                                                                                                            |       | 2,295        | (2,494)      |
| Total comprehensive income for the year                                                                                                            |       | 7,334,785    | 6,202,470    |
| Earnings per share for profit attributable to the ordinary equity holders<br>of the Company as adjusted for the 1 for 5 bonus issue on 5 June 2012 |       | Cents        | Cents        |
| Basic earnings per share                                                                                                                           | 32a   | 12.41        | 10.50        |
| Diluted earnings per share                                                                                                                         | 32b   | 12.38        | 10.50        |

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

# Consolidated Statement of Financial Position as at 30 June 2012

|                                      |       | CONSOLIDATED      |                   |
|--------------------------------------|-------|-------------------|-------------------|
|                                      | Notes | 2012<br>\$        | 2011<br>\$        |
| <b>ASSETS</b>                        |       |                   |                   |
| <b>Current assets</b>                |       |                   |                   |
| Cash and cash equivalents            | 9     | 1,407,492         | 693,789           |
| Trade and other receivables          | 10    | 17,354,887        | 11,562,849        |
| Inventories                          | 11    | 2,733,503         | 2,260,041         |
| <b>TOTAL CURRENT ASSETS</b>          |       | <b>21,495,882</b> | <b>14,516,679</b> |
| <b>Non-current assets</b>            |       |                   |                   |
| Other receivables                    | 12a   | 39,600            | –                 |
| Available-for-sale financial assets  | 12b   | 62,877            | 59,599            |
| Property, plant and equipment        | 13    | 35,714,360        | 33,091,026        |
| Investment properties                | 14    | 9,889,986         | 9,998,611         |
| Deferred tax assets                  | 15    | 922,675           | 900,891           |
| Intangible assets                    | 16    | 4,826,909         | 1,565,682         |
| <b>TOTAL NON-CURRENT ASSETS</b>      |       | <b>51,456,407</b> | <b>45,615,809</b> |
| <b>TOTAL ASSETS</b>                  |       | <b>72,952,289</b> | <b>60,132,488</b> |
| <b>LIABILITIES</b>                   |       |                   |                   |
| <b>Current liabilities</b>           |       |                   |                   |
| Trade and other payables             | 17    | 8,275,330         | 5,328,347         |
| Borrowings                           | 18    | 1,812             | 69,981            |
| Current tax liabilities              |       | 1,236,017         | 903,677           |
| Provisions                           | 21    | 2,167,592         | 1,890,839         |
| <b>TOTAL CURRENT LIABILITIES</b>     |       | <b>11,680,751</b> | <b>8,192,844</b>  |
| <b>Non-current liabilities</b>       |       |                   |                   |
| Borrowings                           | 19    | 22,600,000        | 18,001,812        |
| Provisions                           | 21    | 472,722           | 406,084           |
| <b>TOTAL NON-CURRENT LIABILITIES</b> |       | <b>23,072,722</b> | <b>18,407,896</b> |
| <b>TOTAL LIABILITIES</b>             |       | <b>34,753,473</b> | <b>26,600,740</b> |
| <b>NET ASSETS</b>                    |       | <b>38,198,816</b> | <b>33,531,748</b> |
| <b>EQUITY</b>                        |       |                   |                   |
| Contributed equity                   | 22    | 7,292,807         | 7,292,807         |
| Reserves                             | 23a   | 275,728           | (12,201)          |
| Retained profits                     | 23b   | 30,630,281        | 26,251,142        |
| <b>TOTAL EQUITY</b>                  |       | <b>38,198,816</b> | <b>33,531,748</b> |

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

# Consolidated Statement of Changes in Equity for the Year Ended 30 June 2012

| Consolidated                                                             | Notes | Contributed<br>Equity<br>\$ | Reserves<br>\$ | Retained<br>Profits<br>\$ | Total<br>Equity<br>\$ |
|--------------------------------------------------------------------------|-------|-----------------------------|----------------|---------------------------|-----------------------|
| Balance at 1 July 2010                                                   |       | 7,292,807                   | (9,707)        | 22,753,418                | 30,036,518            |
| Total comprehensive income for the year                                  |       | –                           | (2,494)        | 6,204,964                 | 6,202,470             |
| Transactions with equity holders in their capacity<br>as equity holders: |       |                             |                |                           |                       |
| Dividends provided for or paid                                           | 24    | –                           | –              | (2,707,240)               | (2,707,240)           |
| Balance at 30 June 2011                                                  |       | 7,292,807                   | (12,201)       | 26,251,142                | 33,531,748            |
| Total comprehensive income for the year                                  |       | –                           | 2,295          | 7,332,490                 | 7,334,785             |
| Transactions with equity holders in their capacity<br>as equity holders: |       |                             |                |                           |                       |
| Share-based payment transactions                                         | 35    | –                           | 285,634        | –                         | 285,634               |
| Dividends provided for or paid                                           | 24    | –                           | –              | (2,953,351)               | (2,953,351)           |
| Balance at 30 June 2012                                                  |       | 7,292,807                   | 275,728        | 30,630,281                | 38,198,816            |

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

# Consolidated Statement of Cash Flows for the Year Ended 30 June 2012

|                                                                           |       | CONSOLIDATED       |                    |
|---------------------------------------------------------------------------|-------|--------------------|--------------------|
|                                                                           | Notes | 2012<br>\$         | 2011<br>\$         |
| <b>Cash flows from operating activities</b>                               |       |                    |                    |
| Receipts from customers (inclusive of goods and services tax)             |       | 100,604,742        | 78,334,696         |
| Payments to suppliers and employees (inclusive of goods and services tax) |       | (89,353,409)       | (68,095,853)       |
| Dividends received                                                        |       | 4,139              | 4,023              |
| Interest received                                                         |       | 61,748             | 58,196             |
| Interest paid                                                             |       | (906,227)          | (856,118)          |
| Income tax refund received                                                |       | 180,965            | 171,453            |
| Income taxes paid                                                         |       | (3,326,136)        | (2,406,281)        |
| <b>Net cash inflow from operating activities</b>                          | 31    | <b>7,265,822</b>   | <b>7,210,116</b>   |
| <b>Cash flows from investing activities</b>                               |       |                    |                    |
| Payments for property, plant and equipment                                |       | (5,105,213)        | (3,681,906)        |
| Payments for intangibles – security lines                                 |       | (11,783)           | (19,528)           |
| Payments for intangibles – software                                       |       | (99,484)           | (5,980)            |
| Payments for purchase of business                                         | 34    | (3,200,000)        | –                  |
| Proceeds from sale of property, plant and equipment                       |       | 287,693            | 373,310            |
| <b>Net cash outflow from investing activities</b>                         |       | <b>(8,128,787)</b> | <b>(3,334,104)</b> |
| <b>Cash flows from financing activities</b>                               |       |                    |                    |
| Proceeds from borrowings                                                  |       | 4,600,000          | 500,000            |
| Repayment of borrowings                                                   |       | (69,981)           | (1,689,808)        |
| Dividend paid to Company's shareholders                                   |       | (2,953,351)        | (2,707,240)        |
| <b>Net cash inflow (outflow) from financing activities</b>                |       | <b>1,576,668</b>   | <b>(3,897,048)</b> |
| <b>Net increase (decrease) in cash and cash equivalents</b>               |       | <b>713,703</b>     | <b>(21,036)</b>    |
| <b>Cash and cash equivalents at the beginning of the financial year</b>   |       | <b>693,789</b>     | <b>714,825</b>     |
| <b>Cash and cash equivalents at the end of the financial year</b>         | 9     | <b>1,407,492</b>   | <b>693,789</b>     |

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

# Notes to the Financial Statements

## REPORTING ENTITY

CTI Logistics Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is 1 Drummond Place, West Perth, Western Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2012 comprise the Company and its subsidiaries (together referred to as the "group" and individually as "group entities"). The group primarily is involved in the provision of logistics and transport services, rental of property, manufacturing of plastic products and provision of security services.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (a) BASIS OF PREPARATION OF FINANCIAL REPORT

This general purpose financial report has been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board and the *Corporations Act 2001*.

Certain comparative amounts have been re-classified to conform with current year presentation.

#### *Compliance with IFRS*

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

The consolidated financial statements were authorised for issue by the board of directors on 30 August 2012.

#### *Historical cost convention*

These financial statements have been prepared under the historical cost convention except for available-for-sale financial assets which are measured at fair value.

#### *Functional and presentation currency*

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

## (b) PRINCIPLES OF CONSOLIDATION

### *(i) Subsidiaries*

The financial statements incorporate the assets and liabilities of all entities controlled by CTI Logistics Limited ("Company") as at 30 June 2012 and the results of all subsidiaries for the period the Company controlled them during the year then ended. CTI Logistics Limited and its subsidiaries together are referred to in these financial statements as the "group".

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

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

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

Intercompany transactions, balances and unrealised gains on transactions within the group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

# Notes to the Financial Statements

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) SEGMENT REPORTING

#### *Determination and presentation of operating segments*

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components. All operating segments' operating results are reviewed regularly by the group's executive chairman ("CEO") to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly parent company and items that cannot be allocated to specific segments in respect of revenue, profit, assets and liabilities.

### (d) FOREIGN CURRENCY TRANSLATION

#### *Transactions and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are restated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

### (e) REVENUE RECOGNITION

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

#### *(i) Logistics and transport*

A sale is recorded when the goods or services have been delivered to or collected by a customer in accordance with the arrangements made with the group.

#### *(ii) Security, manufacturing and other*

A sale is recorded when goods have been despatched to a customer pursuant to a sales order and the associated risks of ownership have transferred to the customer. A sale is recorded for services when the service has been performed.

#### *(iii) Interest income*

Interest income is recognised on a time proportion basis using the effective interest method.

#### *(iv) Dividends*

Dividends are recognised as revenue when the right to receive payment is established.

#### *(v) Other revenue*

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

### (f) INCOME TAX

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

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

# Notes to the Financial Statements

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (f) INCOME TAX (continued)

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

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

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

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

#### *Tax consolidation*

CTI Logistics Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

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

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

### (g) LEASES

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

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

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



# Notes to the Financial Statements

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) BUSINESS COMBINATIONS

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

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

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

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

### (i) IMPAIRMENT OF ASSETS

#### *Non-derivative financial assets*

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

#### *(i) Assets carried at amortised cost*

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Impairment testing of trade receivables is described in note 1(k).

#### *(ii) Assets classified as available-for-sale*

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

# Notes to the Financial Statements

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (i) IMPAIRMENT OF ASSETS (continued)

#### *Non-financial assets*

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

Value-in-use calculations are described in note 16.

### (j) CASH AND CASH EQUIVALENTS

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

### (k) TRADE RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

### (l) INVENTORIES

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

# Notes to the Financial Statements

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (m) INVESTMENTS AND OTHER FINANCIAL ASSETS

#### *Classification*

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

#### *(i) Loans and receivables*

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

#### *(ii) Available-for-sale financial assets*

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

#### *Recognition and derecognition*

Purchases and sales of financial assets are recognised on trade-date – the date on which the group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit and loss as gains and losses from investment securities.

#### *Measurement*

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the group's right to receive payments is established. Interest income from these financial assets is included in the net gains/(losses).

Changes in the fair value of monetary securities classified as available-for-sale are recognised in other comprehensive income.

#### *Impairment*

Impairment testing of financial assets is described in note 1(i).

# Notes to the Financial Statements

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (n) PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in profit or loss under other income and other expenses.

### (o) INVESTMENT PROPERTY

Investment property, principally comprising freehold land and buildings, is held for long-term rental yields and is not occupied by the group. Investment property other than freehold land is held at historical cost less depreciation. Investment property includes properties that are under construction for future use as investment property and is carried at historical cost. Investment buildings are depreciated using the straight line method over their estimated useful lives of 10 to 40 years.

### (p) INTANGIBLE ASSETS

#### (i) Goodwill

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

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

#### (ii) Security Lines

Security lines have a finite useful life and are carried at cost less accumulated amortisation and impairment losses.

#### (iii) Software

Costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software.

#### (iv) Trade names

Trade names have a finite useful life and are carried at cost less accumulated amortisation and impairment losses.

#### (v) Customer relationships

Customer relationships acquired as part of a business combination are recognised separately from goodwill. The customer relationships are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses.

# Notes to the Financial Statements

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (p) INTANGIBLE ASSETS (continued)

#### *Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill is recognised in profit or loss as incurred.

#### *Amortisation*

Amortisation is calculated over the cost of the asset less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

|                        |             |
|------------------------|-------------|
| Security lines         | 5-7 years   |
| Software               | 2.5-4 years |
| Trade names            | 8 years     |
| Customer relationships | 5 years     |

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

### (q) TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are paid based on the terms of trade which are usually 30 to 60 days from the date of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

### (r) BORROWINGS

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

The group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

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

### (s) BORROWING COSTS

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

### (t) PROVISIONS

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

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

# Notes to the Financial Statements

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (u) EMPLOYEE BENEFITS

#### (i) Short-term obligations

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

#### (ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### (iii) Retirement benefit obligations

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

#### (iv) Bonus

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

#### (v) Share-based payment transactions

An Employee Share Plan ("ESP") allows certain group employees to acquire shares of the Company. The grant date fair value of the shares granted to employees is recognised as an employee expense with a corresponding increase in equity, over the period during which the employees become unconditionally entitled to the shares. The fair value of the shares granted is measured using a Black-Scholes pricing model, taking into account the terms and conditions upon which the shares were granted. The amount recognised as an expense is adjusted to reflect the actual number of shares that vest. Employees have been granted a limited recourse 10 year interest-free loan in which to acquire the shares. The loan has not been recognised as the Company only has recourse to the value of the shares.

### (v) CONTRIBUTED EQUITY

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

### (w) DIVIDENDS

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

### (x) EARNINGS PER SHARE

#### (i) Basic earnings per share

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

#### (ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

# Notes to the Financial Statements

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (y) GOODS AND SERVICES TAX (GST)

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

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

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

### (z) PARENT ENTITY FINANCIAL INFORMATION

The financial information for the parent entity, CTI Logistics Limited, disclosed in note 33 has been prepared on the same basis as the consolidated financial statements, except as set out below.

#### (i) Investments in subsidiaries

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

#### (ii) Tax consolidation legislation

CTI Logistics Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

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

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

The entities have also entered into tax sharing and funding agreements. Under the terms of these agreements, the controlled entities will reimburse the Company for any current tax payable by the Company arising in respect of their activities and the Company will reimburse the controlled entities for any tax refund due to the Company arising in respect of their activities. The reimbursements are payable by the Company and will limit the joint and several liability of the controlled entities in the case of default by the Company.

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

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

#### (iii) Financial guarantees

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

### (aa) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2011, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the group, except AASB 9 *Financial Instruments*, which becomes mandatory for the group's 2014 consolidated financial statements and could change the classification and measurement of financial assets. The group does not plan to adopt this standard early and the extent of the impact has not been determined.

# Notes to the Financial Statements

## 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

### *Estimated impairment of goodwill*

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(i). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations as described in note 16.

## 3. FINANCIAL RISK MANAGEMENT

### *Overview*

The group has exposure to the following risks from their use of financial instruments:

- (i) *Credit risk*
- (ii) *Liquidity risk*
- (iii) *Market risk*

This note presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk, and the group's management of capital.

### *Risk management framework*

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

The group's risk management policies are established to identify and analyse the risks faced by the group. These policies are reviewed regularly to reflect changes in market conditions and the group's activities.

### (a) *Market risk*

#### (i) *Foreign exchange risk*

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

#### (ii) *Price risk*

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

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

The group is not exposed to commodity price risk.

#### (iii) *Cash flow and fair value interest rate risk*

The group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. At the year end, 0.01% (2011 – 0.4%) of borrowings were at fixed rates.



# Notes to the Financial Statements

## 3. FINANCIAL RISK MANAGEMENT (continued)

### (a) Market risk (continued)

#### (iv) Borrowings and cash and cash equivalents

At the reporting date the group had the following borrowings and cash and cash equivalents.

|                                             | Weighted<br>average<br>interest<br>rate<br>% | 2012<br>\$ | Weighted<br>average<br>interest<br>rate<br>% | 2011<br>\$ |
|---------------------------------------------|----------------------------------------------|------------|----------------------------------------------|------------|
| Bank overdrafts, bank loans and other loans | 4.08                                         | 22,600,000 | 4.97                                         | 18,000,000 |
| Cash and cash equivalents                   | 4.34                                         | 1,407,492  | 4.66                                         | 693,789    |
| Hire purchase liabilities                   | 8.30                                         | 1,812      | 8.30                                         | 71,793     |

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

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

#### Group sensitivity

The group's main interest rate risk arises from loans and cash and cash equivalents. At 30 June 2012, if the interest rates had changed by +/- 100 basis points from the year-end rates with all other variables held constant, post-tax profit for the year would have been higher/lower by \$ 158,200 (2011 – change of 100bps: \$122,567 higher/lower) for loans and higher/lower by \$9,852 (2011 – change of 100bps: \$4,858 higher/lower) for cash and cash equivalents, mainly as a result of higher/lower interest expense from borrowings and higher/lower interest income from cash and cash equivalents.

### (b) Credit risk

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

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

There is no independent rating of individual customers. Financial institutions have credit ratings of AA\* and higher at 30 June 2012. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Customers that are graded as "high risk" are placed on a restricted customer list and monitored on a weekly basis. Receivables balances are monitored on an ongoing basis.

\*Standard and Poor credit rating

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

|                           | CONSOLIDATED |            |
|---------------------------|--------------|------------|
|                           | 2012<br>\$   | 2011<br>\$ |
| Cash and cash equivalents | 1,407,492    | 693,789    |
| Trade receivables         | 16,425,462   | 10,443,823 |
| Other receivables         | 369,448      | 413,891    |
|                           | 18,202,402   | 11,551,503 |

# Notes to the Financial Statements

## 3. FINANCIAL RISK MANAGEMENT (continued)

### (b) Credit risk (continued)

Trade receivables are non-interest bearing and terms of trade are 30 days from month end. At 30 June 2012, 5.74 % (2011 – 4.21%) of trade receivables of the group exceed 30 days but are not considered impaired.

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

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

|                     | PAST DUE BUT NOT IMPAIRED |                |             |
|---------------------|---------------------------|----------------|-------------|
|                     | 30-60 days<br>\$          | >60 days<br>\$ | Total<br>\$ |
| <b>2012</b>         |                           |                |             |
| <b>Consolidated</b> |                           |                |             |
| Trade receivables   | 750,453                   | 192,093        | 942,546     |
| Total               | 750,453                   | 192,093        | 942,546     |
| <b>2011</b>         |                           |                |             |
| <b>Consolidated</b> |                           |                |             |
| Trade receivables   | 286,615                   | 153,077        | 439,692     |
| Other receivables   | –                         | 13,229         | 13,229      |
| Total               | 286,615                   | 166,306        | 452,921     |

At the reporting date the group has impaired trade receivables of \$108,815 (2011 – \$113,521) (refer note 10). The individually impaired receivables mainly relate to customers which are in unexpectedly difficult economic situations and they were fully provided for at reporting date.

The ageing of the impaired receivables is as follows:

|               | CONSOLIDATED |            |
|---------------|--------------|------------|
|               | 2012<br>\$   | 2011<br>\$ |
| 1 to 30 days  | 19,882       | 3,930      |
| 30 to 60 days | 7,838        | 9,139      |
| Over 60 days  | 81,095       | 100,452    |
| Total         | 108,815      | 113,521    |

### *Provision for impairment of trade receivables*

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

|                                                          |          |          |
|----------------------------------------------------------|----------|----------|
| Balance 1 July                                           | 113,521  | 87,541   |
| Provision for impairment recognised during the year      | 58,614   | 51,247   |
| Receivables written off during the year as uncollectable | (20,785) | (2,288)  |
| Unused amount reversed                                   | (42,535) | (22,979) |
| Balance 30 June                                          | 108,815  | 113,521  |

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

# Notes to the Financial Statements

## 3. FINANCIAL RISK MANAGEMENT (continued)

### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. The group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of current financial assets and liabilities. Due to the dynamic nature of the underlying businesses, the board of directors aims at maintaining flexibility in funding by keeping committed credit lines available with a variety of counterparties. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets.

#### Financing arrangements

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

|                                            | CONSOLIDATED      |                  |
|--------------------------------------------|-------------------|------------------|
|                                            | 2012<br>\$        | 2011<br>\$       |
| Floating rate                              |                   |                  |
| – Expiring within one year (bill facility) | 2,350,000         | 2,350,000        |
| – Expiring beyond one year (bill facility) | 9,200,000         | 1,800,000        |
|                                            | <u>11,550,000</u> | <u>4,150,000</u> |

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

#### Maturities of financial liabilities

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

|                      | MATURITY                |                       |                       |                                          |                          |
|----------------------|-------------------------|-----------------------|-----------------------|------------------------------------------|--------------------------|
|                      | 1 year<br>or less<br>\$ | 1 to<br>2 years<br>\$ | 2 to<br>3 years<br>\$ | Total<br>contractual<br>cash flows<br>\$ | Carrying<br>amount<br>\$ |
| Consolidated         |                         |                       |                       |                                          |                          |
| 2012                 |                         |                       |                       |                                          |                          |
| Non-interest bearing | 8,275,330               | –                     | –                     | 8,275,330                                | 8,275,330                |
| Variable rate        | 921,260                 | 921,260               | 23,234,803            | 25,077,323                               | 22,600,000               |
| Fixed rate           | 1,859                   | –                     | –                     | 1,859                                    | 1,812                    |
| Total                | <u>9,198,449</u>        | <u>921,260</u>        | <u>23,234,803</u>     | <u>33,354,512</u>                        | <u>30,877,142</u>        |
| 2011                 |                         |                       |                       |                                          |                          |
| Non-interest bearing | 5,328,347               | –                     | –                     | 5,328,347                                | 5,328,347                |
| Variable rate        | 893,900                 | 18,520,287            | –                     | 19,414,187                               | 18,000,000               |
| Fixed rate           | 72,081                  | 1,859                 | –                     | 73,940                                   | 71,793                   |
| Total                | <u>6,294,328</u>        | <u>18,522,146</u>     | <u>–</u>              | <u>24,816,474</u>                        | <u>23,400,140</u>        |

# Notes to the Financial Statements

## 3. FINANCIAL RISK MANAGEMENT (continued)

### (d) Fair value estimation

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

The following tables present the group's assets measured and recognised at fair value at 30 June 2012.

|                                     | CONSOLIDATED          |                       |
|-------------------------------------|-----------------------|-----------------------|
|                                     | 2012<br>Level 1<br>\$ | 2011<br>Level 1<br>\$ |
| Available-for-sale financial assets |                       |                       |
| Equity securities                   | 62,877                | 59,599                |

#### Capital risk management

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

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

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

During 2012, the group's gearing ratio increased due to an acquisition and commencement of a building project. The gearing ratios at 30 June 2012 and 30 June 2011 were as follows:

|                                 | Notes    | CONSOLIDATED |            |
|---------------------------------|----------|--------------|------------|
|                                 |          | 2012<br>\$   | 2011<br>\$ |
| Total payables and borrowings   | 17,18,19 | 30,877,142   | 23,400,140 |
| Less: cash and cash equivalents | 9        | (1,407,492)  | (693,789)  |
| Net debt                        |          | 29,469,650   | 22,706,351 |
| Total equity                    |          | 38,198,816   | 33,531,748 |
| Total capital                   |          | 67,668,466   | 56,238,099 |
| Gearing ratio                   |          | 44%          | 40%        |

# Notes to the Financial Statements

## 4. SEGMENT INFORMATION

### (a) Description of segments

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

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

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

- Logistics and transport services – includes the provision of courier, taxi truck, parcel distribution, fleet management, warehousing and distribution and document storage services.
- Property – rental of owner-occupied and investment property.

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

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

The group's CEO assesses the performance of the operating segments based on segment profit before income tax, as included in internal management reports. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

### (b) Accounting policies

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

#### *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.

#### *Segment assets and liabilities*

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

#### *Unallocated amounts*

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

# Notes to the Financial Statements

## 4. SEGMENT INFORMATION (continued)

### (c) Information about reportable segments

The segment information provided to the group's CEO for the reportable segments for the year ended 30 June 2012 is as follows:

|                                             | Logistics<br>and Transport<br>\$ | Property<br>\$ | Other<br>\$ | Total<br>\$ |
|---------------------------------------------|----------------------------------|----------------|-------------|-------------|
| <b>2012</b>                                 |                                  |                |             |             |
| <b>Reportable segment revenue</b>           |                                  |                |             |             |
| Sales to external customers                 | 85,474,346                       | 760,716        | 9,746,165   | 95,981,227  |
| Intra and inter-segment revenue             | 5,064,554                        | 3,249,067      | 46,875      | 8,360,496   |
| Total segment revenue                       | 90,538,900                       | 4,009,783      | 9,793,040   | 104,341,723 |
| Interest expense                            | 105,492                          | 777,424        | –           | 882,916     |
| Depreciation and amortisation               | 1,883,336                        | 437,396        | 408,876     | 2,729,608   |
| Reportable segment profit before income tax | 10,480,169                       | 1,740,640      | 520,377     | 12,741,186  |
| Reportable segment assets                   | 27,578,398                       | 35,862,077     | 5,985,266   | 69,425,741  |
| Reportable segment liabilities              | 8,975,502                        | 20,017,404     | 2,337,924   | 31,330,830  |
| <b>2011</b>                                 |                                  |                |             |             |
| <b>Reportable segment revenue</b>           |                                  |                |             |             |
| Sales to external customers                 | 60,586,089                       | 657,612        | 10,506,754  | 71,750,455  |
| Intra and inter-segment revenue             | 3,886,381                        | 2,977,684      | 22,100      | 6,886,165   |
| Total segment revenue                       | 64,472,470                       | 3,635,296      | 10,528,854  | 78,636,620  |
| Interest expense                            | 16,030                           | 817,543        | 183         | 833,756     |
| Depreciation and amortisation               | 1,375,424                        | 438,889        | 447,945     | 2,262,258   |
| Reportable segment profit before income tax | 7,849,768                        | 1,357,592      | 1,017,781   | 10,225,141  |
| Reportable segment assets                   | 18,509,999                       | 33,432,474     | 5,555,627   | 57,498,100  |
| Reportable segment liabilities              | 3,461,712                        | 18,078,045     | 2,289,597   | 23,829,354  |

# Notes to the Financial Statements

## 4. SEGMENT INFORMATION (continued)

|                                                                                                             |       | CONSOLIDATED |             |
|-------------------------------------------------------------------------------------------------------------|-------|--------------|-------------|
|                                                                                                             | Notes | 2012<br>\$   | 2011<br>\$  |
| (d) Reconciliations of reportable segment revenues, profit, assets and liabilities and other material items |       |              |             |
| <b>Revenues</b>                                                                                             |       |              |             |
| Total segment revenue for reportable segments                                                               |       | 104,341,723  | 78,636,620  |
| Elimination of intra-segment and inter-segment revenue                                                      |       | (8,360,496)  | (6,886,165) |
| Unallocated revenue                                                                                         |       | 770,418      | 748,704     |
| Consolidated revenue                                                                                        | 5     | 96,751,645   | 72,499,159  |
| <b>Profit</b>                                                                                               |       |              |             |
| Total profit before tax for reportable segments                                                             |       | 12,741,186   | 10,225,141  |
| Unallocated amounts                                                                                         |       | (1,953,954)  | (1,400,383) |
| Consolidated profit before income tax                                                                       |       | 10,787,232   | 8,824,758   |
| <b>Assets</b>                                                                                               |       |              |             |
| Total assets for reportable segments                                                                        |       | 69,425,741   | 57,498,100  |
| Unallocated amounts                                                                                         |       | 3,526,548    | 2,634,388   |
| Consolidated total assets                                                                                   |       | 72,952,289   | 60,132,488  |
| <b>Liabilities</b>                                                                                          |       |              |             |
| Total liabilities for reportable segments                                                                   |       | 31,330,830   | 23,829,354  |
| Unallocated amounts                                                                                         |       | 3,422,643    | 2,771,386   |
| Consolidated total liabilities                                                                              |       | 34,753,473   | 26,600,740  |
| <b>Other material items</b>                                                                                 |       |              |             |
| <b>Interest Income</b>                                                                                      |       |              |             |
| Unallocated amounts                                                                                         |       | 61,748       | 58,196      |
| Consolidated interest income                                                                                |       | 61,748       | 58,196      |
| <b>Interest expense</b>                                                                                     |       |              |             |
| Total for reportable segments                                                                               |       | 882,916      | 833,756     |
| Unallocated amounts                                                                                         |       | 23,311       | 22,362      |
| Consolidated interest expense                                                                               |       | 906,227      | 856,118     |
| <b>Depreciation and amortisation</b>                                                                        |       |              |             |
| Total for reportable segments                                                                               |       | 2,729,608    | 2,262,258   |
| Unallocated amounts                                                                                         |       | 293,870      | 281,905     |
| Consolidated depreciation and amortisation                                                                  | 7     | 3,023,478    | 2,544,163   |

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

# Notes to the Financial Statements

## 5. REVENUE

|                         | CONSOLIDATED      |                   |
|-------------------------|-------------------|-------------------|
|                         | 2012<br>\$        | 2011<br>\$        |
| Revenue from operations |                   |                   |
| Sales revenue           |                   |                   |
| Sale of goods           | 5,411,022         | 6,217,891         |
| Services                | 90,576,043        | 65,619,792        |
|                         | <u>95,987,065</u> | <u>71,837,683</u> |
| Other revenue           |                   |                   |
| Dividends               | 4,139             | 4,023             |
| Rent                    | 760,441           | 657,453           |
|                         | <u>764,580</u>    | <u>661,476</u>    |
|                         | <u>96,751,645</u> | <u>72,499,159</u> |

## 6. OTHER INCOME

|                          |                |                |
|--------------------------|----------------|----------------|
| Net gain on disposal of: |                |                |
| – plant and equipment    | 120,636        | 204,340        |
| Other                    | 214,925        | 144,658        |
|                          | <u>335,561</u> | <u>348,998</u> |

## 7. EXPENSES

Profit before income tax includes the following specific expenses:

|                                                    |                  |                  |
|----------------------------------------------------|------------------|------------------|
| Defined contribution superannuation expense        | 1,904,746        | 1,620,471        |
| <i>Depreciation</i>                                |                  |                  |
| Buildings                                          | 430,566          | 429,465          |
| Plant and equipment                                | 2,210,712        | 1,971,182        |
| Total depreciation                                 | <u>2,641,278</u> | <u>2,400,647</u> |
| <i>Amortisation</i>                                |                  |                  |
| Security lines                                     | 10,079           | 12,831           |
| Software                                           | 73,932           | 83,847           |
| Trade name and customer relationships              | 298,189          | 46,838           |
|                                                    | <u>382,200</u>   | <u>143,516</u>   |
| <i>Finance expenses</i>                            |                  |                  |
| Interest                                           | 906,227          | 856,118          |
| Finance charges                                    | 526,405          | 418,625          |
|                                                    | <u>1,432,632</u> | <u>1,274,743</u> |
| <i>Rental expense relating to operating leases</i> |                  |                  |
| Minimum lease payments                             | 1,685,105        | 631,938          |



# Notes to the Financial Statements

## 8. INCOME TAX EXPENSE

|                                                                                                                                                        | CONSOLIDATED |            |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|------------|
|                                                                                                                                                        | 2012<br>\$   | 2011<br>\$ |
| (a) <b>Income tax expense</b>                                                                                                                          |              |            |
| Current tax                                                                                                                                            | 3,518,726    | 2,736,581  |
| Deferred tax                                                                                                                                           | (22,768)     | (54,719)   |
| Over provided in prior years                                                                                                                           | (41,216)     | (62,068)   |
| Income tax expense                                                                                                                                     | 3,454,742    | 2,619,794  |
| Deferred income tax (benefit) included in income tax expense comprises:                                                                                |              |            |
| Increase in deferred tax assets (note 15)                                                                                                              | (3,975)      | (51,526)   |
| Decrease in deferred tax liabilities (note 20)                                                                                                         | (18,793)     | (3,193)    |
|                                                                                                                                                        | (22,768)     | (54,719)   |
| (b) <b>Numerical reconciliation of income tax expense to prima facie tax payable</b>                                                                   |              |            |
| Profit before income tax expense                                                                                                                       | 10,787,232   | 8,824,758  |
| Tax at the Australian rate of 30% (2011 – 30%)                                                                                                         | 3,236,170    | 2,647,427  |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income:                                                                |              |            |
| Depreciation and amortisation                                                                                                                          | 112,567      | 23,002     |
| Sundry items                                                                                                                                           | 7,773        | 13,089     |
| Share-based payment                                                                                                                                    | 85,690       | –          |
| Acquisition related cost                                                                                                                               | 55,414       | –          |
| Rebatable dividends                                                                                                                                    | (1,656)      | (1,656)    |
|                                                                                                                                                        | 3,495,958    | 2,681,862  |
| Over provision in prior years                                                                                                                          | (41,216)     | (62,068)   |
| Income tax expense                                                                                                                                     | 3,454,742    | 2,619,794  |
| (c) <b>Amounts recognised directly in equity</b>                                                                                                       |              |            |
| Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity |              |            |
| Net deferred tax – debited (credited) directly to equity (note 15)                                                                                     | 984          | (1,069)    |

## 9. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

Cash at bank and in hand at the end of the financial year as shown in the statement of cash flows

|           |         |
|-----------|---------|
| 1,407,492 | 693,789 |
|-----------|---------|

Cash at bank earns interest at varying rates between nil and 4.75% per annum (2011 – nil and 4.60% per annum).

# Notes to the Financial Statements

## 10. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

|                                                     | CONSOLIDATED      |                   |
|-----------------------------------------------------|-------------------|-------------------|
|                                                     | 2012<br>\$        | 2011<br>\$        |
| Trade receivables                                   | 16,534,277        | 10,557,344        |
| Provision for impairment of receivables (note 3(b)) | (108,815)         | (113,521)         |
|                                                     | <u>16,425,462</u> | <u>10,443,823</u> |
| Other receivables                                   | 369,448           | 413,891           |
| Prepayments                                         | 559,977           | 705,135           |
|                                                     | <u>929,425</u>    | <u>1,119,026</u>  |
|                                                     | <u>17,354,887</u> | <u>11,562,849</u> |

- (a) **Provision for impairment of trade receivables**  
Information about the movements in the provision for impairment of receivables and impaired trade receivables are set out in note 3.
- (b) **Past due but not impaired**  
Information concerning trade receivables that were past due but not impaired is set out in note 3.
- (c) **Other receivables**  
These amounts generally arise from transactions outside the usual operating activities of the group. Interest is not normally charged and collateral is not normally obtained.
- (d) **Fair value and credit risk**  
Due to the short term-term nature of these receivables, their carrying amount is assumed to approximate their fair value. Information concerning the credit risk of receivables is set out in note 3.
- (e) **Interest rate risk**  
Trade receivables are interest free, unsecured and have no fixed terms of repayment (refer note 3).

## 11. CURRENT ASSETS – INVENTORIES

|                            | CONSOLIDATED     |                  |
|----------------------------|------------------|------------------|
|                            | 2012<br>\$       | 2011<br>\$       |
| Raw materials – at cost    | 355,355          | 808,070          |
| Work in progress – at cost | 138,620          | 47,937           |
| Finished goods – at cost   | 2,239,528        | 1,404,034        |
|                            | <u>2,733,503</u> | <u>2,260,041</u> |

## 12. NON-CURRENT ASSETS

|                                                |        |        |
|------------------------------------------------|--------|--------|
| (a) <b>OTHER RECEIVABLES</b>                   |        |        |
| Other receivable                               | 39,600 | –      |
| (b) <b>AVAILABLE-FOR-SALE FINANCIAL ASSETS</b> |        |        |
| Listed securities                              |        |        |
| Equity securities at fair value                | 62,877 | 59,599 |

# Notes to the Financial Statements

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

| Consolidated                                          | Freehold<br>land<br>\$ | Freehold<br>buildings<br>\$ | Plant and<br>equipment<br>\$ | Motor<br>vehicles<br>\$ | Total<br>\$  |
|-------------------------------------------------------|------------------------|-----------------------------|------------------------------|-------------------------|--------------|
| <b>1 July 2010</b>                                    |                        |                             |                              |                         |              |
| Cost                                                  | 12,254,012             | 13,963,890                  | 16,176,707                   | 7,737,990               | 50,132,599   |
| Accumulated depreciation                              | –                      | (4,102,569)                 | (10,604,637)                 | (3,555,277)             | (18,262,483) |
| Net book amount                                       | 12,254,012             | 9,861,321                   | 5,572,070                    | 4,182,713               | 31,870,116   |
| <b>Year ended 30 June 2011</b>                        |                        |                             |                              |                         |              |
| Opening net book amount                               | 12,254,012             | 9,861,321                   | 5,572,070                    | 4,182,713               | 31,870,116   |
| Additions                                             | –                      | 204,722                     | 1,461,005                    | 2,016,176               | 3,681,903    |
| Disposals                                             | –                      | –                           | (4,947)                      | (164,023)               | (168,970)    |
| Depreciation charge                                   | –                      | (320,841)                   | (1,221,716)                  | (749,466)               | (2,292,023)  |
| Closing net book amount                               | 12,254,012             | 9,745,202                   | 5,806,412                    | 5,285,400               | 33,091,026   |
| <b>At 30 June 2011</b>                                |                        |                             |                              |                         |              |
| Cost                                                  | 12,254,012             | 14,168,612                  | 17,499,790                   | 8,655,791               | 52,578,205   |
| Accumulated depreciation                              | –                      | (4,423,410)                 | (11,693,378)                 | (3,370,391)             | (19,487,179) |
| Net book amount                                       | 12,254,012             | 9,745,202                   | 5,806,412                    | 5,285,400               | 33,091,026   |
| <b>Year ended 30 June 2012</b>                        |                        |                             |                              |                         |              |
| Opening net book amount                               | 12,254,012             | 9,745,202                   | 5,806,412                    | 5,285,400               | 33,091,026   |
| Additions                                             | –                      | 2,718,860                   | 1,705,246                    | 681,107                 | 5,105,213    |
| Acquired through business combination – refer note 34 | –                      | –                           | 217,840                      | –                       | 217,840      |
| Disposals                                             | –                      | –                           | (22,429)                     | (144,637)               | (167,066)    |
| Depreciation charge                                   | –                      | (321,941)                   | (1,343,675)                  | (867,037)               | (2,532,653)  |
| Closing net book amount                               | 12,254,012             | 12,142,121                  | 6,363,394                    | 4,954,833               | 35,714,360   |
| <b>At 30 June 2012</b>                                |                        |                             |                              |                         |              |
| Cost                                                  | 12,254,012             | 15,679,019                  | 17,663,801                   | 8,772,105               | 54,368,937   |
| Accumulated depreciation                              | –                      | (3,536,898)                 | (11,300,407)                 | (3,817,272)             | (18,654,577) |
| Net book amount                                       | 12,254,012             | 12,142,121                  | 6,363,394                    | 4,954,833               | 35,714,360   |

### (a) Valuations

Freehold land and buildings were valued by the directors at 30 June 2012 at \$53,088,219 (2011 – directors' valuation \$49,737,297). The basis of valuation of land and buildings is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition.

### (b) Non-current assets pledged as security

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

# Notes to the Financial Statements

## 14. NON-CURRENT ASSETS – INVESTMENT PROPERTIES

| Consolidated                   | Freehold<br>land<br>\$ | Freehold<br>buildings<br>\$ | Total<br>\$ |
|--------------------------------|------------------------|-----------------------------|-------------|
| <b>1 July 2010</b>             |                        |                             |             |
| Cost                           | 8,138,384              | 2,968,844                   | 11,107,228  |
| Accumulated depreciation       | –                      | (999,993)                   | (999,993)   |
| Net book amount                | 8,138,384              | 1,968,851                   | 10,107,235  |
| <b>Year ended 30 June 2011</b> |                        |                             |             |
| Opening net book amount        | 8,138,384              | 1,968,851                   | 10,107,235  |
| Depreciation charge            | –                      | (108,624)                   | (108,624)   |
| Closing net book amount        | 8,138,384              | 1,860,227                   | 9,998,611   |
| <b>At 30 June 2011</b>         |                        |                             |             |
| Cost                           | 8,138,384              | 2,968,844                   | 11,107,228  |
| Accumulated depreciation       | –                      | (1,108,617)                 | (1,108,617) |
| Net book amount                | 8,138,384              | 1,860,227                   | 9,998,611   |
| <b>Year ended 30 June 2012</b> |                        |                             |             |
| Opening net book amount        | 8,138,384              | 1,860,227                   | 9,998,611   |
| Depreciation charge            | –                      | (108,625)                   | (108,625)   |
| Closing net book amount        | 8,138,384              | 1,751,602                   | 9,889,986   |
| <b>At 30 June 2012</b>         |                        |                             |             |
| Cost                           | 8,138,384              | 2,968,844                   | 11,107,228  |
| Accumulated depreciation       | –                      | (1,217,242)                 | (1,217,242) |
| Net book amount                | 8,138,384              | 1,751,602                   | 9,889,986   |

### (a) Valuations

Freehold land and buildings were valued by the directors at 30 June 2012 at \$15,765,220 (2011 – directors' valuation \$16,132,220). The basis of the valuation of investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

### (b) Amounts recognised in profit or loss for investment properties:

|                                                                      | CONSOLIDATED |            |
|----------------------------------------------------------------------|--------------|------------|
|                                                                      | 2012<br>\$   | 2011<br>\$ |
| Rental income                                                        | 650,397      | 603,414    |
| Direct operating expenses from property that generated rental income | (239,949)    | (165,780)  |
|                                                                      | 410,448      | 437,634    |

# Notes to the Financial Statements

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

### (c) Non-current assets pledged as security

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

### (d) Contractual obligations

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

### (e) Leasing arrangements

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

Commitments in relation to these leases that are contracted for at reporting date but not recognised as assets are: receivable within one year – \$482,194 (2011 – \$553,599), receivable later than one year but not later than five years – \$639,685 (2011 – \$897,451).

## 15. NON-CURRENT ASSETS – DEFERRED TAX ASSETS

|                                                               | CONSOLIDATED |            |
|---------------------------------------------------------------|--------------|------------|
|                                                               | 2012<br>\$   | 2011<br>\$ |
| The balance comprises temporary differences attributable to:  |              |            |
| <i>Amounts recognised in profit or loss</i>                   |              |            |
| Doubtful debts                                                | 32,645       | 34,056     |
| Employee benefits                                             | 792,094      | 689,077    |
| Depreciation and amortisation                                 | 436,970      | 539,453    |
| Other                                                         | 101,531      | 95,610     |
|                                                               | 1,363,240    | 1,358,196  |
| <i>Amounts recognised directly in equity</i>                  |              |            |
| Available-for-sale financial assets                           | (984)        | 1,069      |
|                                                               | 1,362,256    | 1,359,265  |
| Set-off of deferred tax liabilities (note 20)                 | (439,581)    | (458,374)  |
| Net deferred tax assets                                       | 922,675      | 900,891    |
| Deferred tax assets to be recovered within 12 months          | 752,851      | 685,646    |
| Deferred tax assets to be recovered after more than 12 months | 609,405      | 673,619    |
|                                                               | 1,362,256    | 1,359,265  |
| Opening balance at 1 July                                     | 1,359,265    | 1,306,670  |
| Credited to profit and loss (note 8)                          | 3,975        | 51,526     |
| (Debited) credited to equity                                  | (984)        | 1,069      |
| Closing balance at 30 June                                    | 1,362,256    | 1,359,265  |

# Notes to the Financial Statements

## 16. NON-CURRENT ASSETS – INTANGIBLE ASSETS

| Consolidated                                          | Goodwill<br>\$ | Trade<br>names<br>\$ | Customer<br>relationships<br>\$ | Security<br>lines<br>\$ | Software<br>\$ | Consolidated<br>Total<br>\$ |
|-------------------------------------------------------|----------------|----------------------|---------------------------------|-------------------------|----------------|-----------------------------|
| <b>At 1 July 2010</b>                                 |                |                      |                                 |                         |                |                             |
| Cost                                                  | 1,285,670      | 180,225              | 121,567                         | 1,412,276               | 299,430        | 3,299,168                   |
| Accumulated amortisation                              | –              | (29,945)             | (28,603)                        | (1,388,311)             | (168,619)      | (1,615,478)                 |
| Net book amount                                       | 1,285,670      | 150,280              | 92,964                          | 23,965                  | 130,811        | 1,683,690                   |
| <b>Year ended 30 June 2011</b>                        |                |                      |                                 |                         |                |                             |
| Opening net book amount                               | 1,285,670      | 150,280              | 92,964                          | 23,965                  | 130,811        | 1,683,690                   |
| Additions                                             | –              | –                    | –                               | 19,528                  | 5,980          | 25,508                      |
| Amortisation charge                                   | –              | (24,313)             | (22,525)                        | (12,831)                | (83,847)       | (143,516)                   |
| Closing net book amount                               | 1,285,670      | 125,967              | 70,439                          | 30,662                  | 52,944         | 1,565,682                   |
| <b>At 30 June 2011</b>                                |                |                      |                                 |                         |                |                             |
| Cost                                                  | 1,285,670      | 180,225              | 121,567                         | 1,431,804               | 305,410        | 3,324,676                   |
| Accumulated amortisation                              | –              | (54,258)             | (51,128)                        | (1,401,142)             | (252,466)      | (1,758,994)                 |
| Net book amount                                       | 1,285,670      | 125,967              | 70,439                          | 30,662                  | 52,944         | 1,565,682                   |
| <b>Year ended 30 June 2012</b>                        |                |                      |                                 |                         |                |                             |
| Opening net book amount                               | 1,285,670      | 125,967              | 70,439                          | 30,662                  | 52,944         | 1,565,682                   |
| Additions                                             | –              | –                    | –                               | 11,783                  | 99,484         | 111,267                     |
| Acquired through business combination – refer note 34 | 2,064,872      | 256,720              | 1,210,568                       | –                       | –              | 3,532,160                   |
| Amortisation charge                                   | –              | (53,727)             | (244,462)                       | (10,079)                | (73,932)       | (382,200)                   |
| Closing net book amount                               | 3,350,542      | 328,960              | 1,036,545                       | 32,366                  | 78,496         | 4,826,909                   |
| <b>At 30 June 2012</b>                                |                |                      |                                 |                         |                |                             |
| Cost                                                  | 3,350,542      | 436,945              | 1,332,135                       | 1,443,587               | 404,894        | 6,968,103                   |
| Accumulated amortisation                              | –              | (107,985)            | (295,590)                       | (1,411,221)             | (326,398)      | (2,141,194)                 |
| Net book amount                                       | 3,350,542      | 328,960              | 1,036,545                       | 32,366                  | 78,496         | 4,826,909                   |

# Notes to the Financial Statements

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

### Impairment tests for goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets acquired. Goodwill is allocated to the group's cash-generating units (CGUs) identified according to business segment.

The segment-level summary of goodwill allocation is presented below.

|      | Logistics<br>and Transport<br>\$ | Property<br>\$ | Other<br>\$ | Total<br>\$ |
|------|----------------------------------|----------------|-------------|-------------|
| 2012 | 3,218,731                        | –              | 131,811     | 3,350,542   |
| 2011 | 1,153,859                        | –              | 131,811     | 1,285,670   |

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

### Key assumptions used for value-in-use calculations

Growth rate of 3.5% (2011–3.5%) based on the inflation rate is used to extrapolate cash flows beyond budget periods and post tax discount rate of 10.5% (2011–10.5%), (equivalent pre-tax rate 15% (2011 – 15%)), is used to discount the forecast future attributable post-tax cash flows when performing the value-in-use calculations. The same post-tax and pre-tax discount rates were applied in 2011 and 2012.

## 17. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

|                          | CONSOLIDATED |            |
|--------------------------|--------------|------------|
|                          | 2012<br>\$   | 2011<br>\$ |
| Trade and other payables | 8,095,130    | 5,328,347  |
| Trade payable (secured)  | 180,200      | –          |
|                          | 8,275,330    | 5,328,347  |

## 18. CURRENT LIABILITIES – BORROWINGS

### Secured

|                                     |       |        |
|-------------------------------------|-------|--------|
| Hire purchase liabilities (note 27) | 1,812 | 69,981 |
|-------------------------------------|-------|--------|

### (a) Interest rate risk exposures

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

### (b) Fair value disclosures

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

### (c) Security

Details of the security relating to each of the secured liabilities and further information on the bank overdrafts and bank loans are set out in note 19.

# Notes to the Financial Statements

## 19. NON-CURRENT LIABILITIES – BORROWINGS

|                                                                                                                                                                                                        | CONSOLIDATED |            |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|------------|
|                                                                                                                                                                                                        | 2012<br>\$   | 2011<br>\$ |
| <b>Secured</b>                                                                                                                                                                                         |              |            |
| Bank loans                                                                                                                                                                                             | 22,600,000   | 18,000,000 |
| Hire purchase liabilities (note 27)                                                                                                                                                                    | –            | 1,812      |
| Total secured non-current interest-bearing borrowings                                                                                                                                                  | 22,600,000   | 18,001,812 |
| (a) <b>Total secured liabilities</b>                                                                                                                                                                   |              |            |
| The total secured liabilities (current and non-current) are as follows:                                                                                                                                |              |            |
| <b>Secured</b>                                                                                                                                                                                         |              |            |
| Trade payable                                                                                                                                                                                          | 180,200      | –          |
| Bank loans                                                                                                                                                                                             | 22,600,000   | 18,000,000 |
| Hire purchase liabilities                                                                                                                                                                              | 1,812        | 71,793     |
| Total secured liabilities                                                                                                                                                                              | 22,782,012   | 18,071,793 |
| (b) <b>Assets pledged as security</b>                                                                                                                                                                  |              |            |
| Bank overdrafts and bank loans are secured by mortgages over the group's freehold land and buildings, investment properties and fixed and floating charges over the remaining group assets.            |              |            |
| Hire purchase liabilities are effectively secured as the rights to the assets recognised in the financial statements revert to the financier in the event of default.                                  |              |            |
| The other loans are secured mortgages over certain group freehold land and buildings. The carrying amounts of assets pledged as security for current and non-current interest-bearing liabilities are: |              |            |
|                                                                                                                                                                                                        | CONSOLIDATED |            |
|                                                                                                                                                                                                        | 2012<br>\$   | 2011<br>\$ |
| <b>Current</b>                                                                                                                                                                                         |              |            |
| <i>Floating charge</i>                                                                                                                                                                                 |              |            |
| Cash and cash equivalents                                                                                                                                                                              | 1,407,492    | 693,789    |
| Receivables                                                                                                                                                                                            | 16,794,910   | 10,857,714 |
| Inventories                                                                                                                                                                                            | 2,733,503    | 2,260,041  |
| Total current assets pledged as security                                                                                                                                                               | 20,935,905   | 13,811,544 |
| <b>Non-current</b>                                                                                                                                                                                     |              |            |
| <i>First mortgage</i>                                                                                                                                                                                  |              |            |
| Freehold land and buildings                                                                                                                                                                            | 20,695,975   | 18,213,910 |
| Investment properties                                                                                                                                                                                  | 2,164,765    | 2,246,391  |
|                                                                                                                                                                                                        | 22,860,740   | 20,460,301 |
| <i>Floating charge</i>                                                                                                                                                                                 |              |            |
| Receivables                                                                                                                                                                                            | 39,600       | –          |
| Available-for-sale financial assets                                                                                                                                                                    | 62,877       | 59,599     |
| Plant, equipment and motor vehicles                                                                                                                                                                    | 11,318,227   | 11,091,812 |
| Freehold land and buildings                                                                                                                                                                            | 3,700,158    | 3,785,304  |
| Investment properties                                                                                                                                                                                  | 7,725,221    | 7,752,220  |
| Intangible assets                                                                                                                                                                                      | 110,862      | 83,606     |
|                                                                                                                                                                                                        | 22,956,945   | 22,772,541 |
| Total non-current assets pledged as security                                                                                                                                                           | 45,817,685   | 43,232,842 |
| Total assets pledged as security                                                                                                                                                                       | 66,753,590   | 57,044,386 |



# Notes to the Financial Statements

## 19. NON-CURRENT LIABILITIES – BORROWINGS (continued)

|                                                                                     |  | CONSOLIDATED      |                   |
|-------------------------------------------------------------------------------------|--|-------------------|-------------------|
|                                                                                     |  | 2012              | 2011              |
|                                                                                     |  | \$                | \$                |
| (c) Financing arrangements                                                          |  |                   |                   |
| Unrestricted access was available at balance date to the following lines of credit: |  |                   |                   |
| Credit standby arrangements                                                         |  |                   |                   |
| Total facilities                                                                    |  |                   |                   |
| Bank overdrafts                                                                     |  | 300,000           | 500,000           |
| Secured financial guarantee and documentary credit                                  |  | 950,000           | 650,000           |
| Secured bill acceptance facility                                                    |  | 33,850,000        | 21,650,000        |
|                                                                                     |  | <u>35,100,000</u> | <u>22,800,000</u> |
| Used at balance date                                                                |  |                   |                   |
| Secured bill acceptance facility                                                    |  | 22,600,000        | 18,000,000        |
| Secured financial guarantee and documentary credit facility                         |  | 822,997           | –                 |
|                                                                                     |  | <u>23,422,997</u> | <u>18,000,000</u> |
| Bank loan facility                                                                  |  |                   |                   |
| Total facility                                                                      |  | 35,100,000        | 22,800,000        |
| Used at balance date                                                                |  | (23,422,997)      | (18,000,000)      |
| Unused at balance date                                                              |  | <u>11,677,003</u> | <u>4,800,000</u>  |

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

The current interest rates are 3.53%-4.84% per annum on the bill facilities, 10.24% per annum on overdraft (2011 – bill facilities (4.66%-6.26%), overdraft – 11.19%).

### (d) Interest rate risk exposure

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

### (e) Fair value

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

| Consolidated                     | 2012              |                   | 2011              |                   |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                  | Carrying amount   | Fair value        | Carrying amount   | Fair value        |
|                                  | \$                | \$                | \$                | \$                |
| On-balance sheet                 |                   |                   |                   |                   |
| Non-traded financial liabilities |                   |                   |                   |                   |
| Bank loans                       | 22,600,000        | 22,600,000        | 18,000,000        | 18,000,000        |
| Hire purchase liabilities        | 1,812             | 1,859             | 71,793            | 73,985            |
| Total secured liabilities        | <u>22,601,812</u> | <u>22,601,859</u> | <u>18,071,793</u> | <u>18,073,985</u> |

# Notes to the Financial Statements

## 20. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

|                                                                  | CONSOLIDATED |            |
|------------------------------------------------------------------|--------------|------------|
|                                                                  | 2012<br>\$   | 2011<br>\$ |
| The balance comprises temporary differences attributable to:     |              |            |
| <i>Amounts recognised in profit or loss</i>                      |              |            |
| Depreciation                                                     | 439,581      | 458,374    |
| Set-off of deferred tax assets (note 15)                         | (439,581)    | (458,374)  |
| Net deferred tax liabilities                                     | –            | –          |
| Deferred tax liabilities to be settled within 12 months          | 55,004       | 67,646     |
| Deferred tax liabilities to be settled after more than 12 months | 384,577      | 390,728    |
|                                                                  | 439,581      | 458,374    |
| <i>Movements</i>                                                 |              |            |
| Opening balance at 1 July                                        | 458,374      | 461,567    |
| (Credited) to profit and loss (note 8)                           | (18,793)     | (3,193)    |
| Closing balance at 30 June                                       | 439,581      | 458,374    |

## 21. NON-CURRENT LIABILITIES – PROVISIONS

|                          |           |           |
|--------------------------|-----------|-----------|
| <i>Employee benefits</i> |           |           |
| Current                  | 2,167,592 | 1,890,839 |
| Non-current              | 472,722   | 406,084   |
|                          | 2,640,314 | 2,296,923 |

## 22. CONTRIBUTED EQUITY

|                              | CONSOLIDATED        |           |
|------------------------------|---------------------|-----------|
|                              | Number<br>of shares | \$        |
| (a) <i>Share capital</i>     |                     |           |
| Ordinary shares (fully paid) |                     |           |
| At 30 June 2011              |                     |           |
| Opening balance              | 41,018,830          | 7,292,807 |
| Bonus issue – 1 for 5        | 8,203,687           | –         |
| Closing balance              | 49,222,517          | 7,292,807 |
| At 30 June 2012              |                     |           |
| Opening balance              | 49,222,517          | 7,292,807 |
| Bonus issue – 1 for 5        | 9,844,382           | –         |
| Closing balance              | 59,066,899          | 7,292,807 |

On 5 June 2012 the Company make a bonus issue of 1 new ordinary share for every 5 ordinary shares held to all shareholders in proportion to their shareholding.

At 30 June 2012 there were 1,260,000 contingently issuable shares relating to shares issued under the Company's Employee Share Plan (refer to note 35).

# Notes to the Financial Statements

## 22. CONTRIBUTED EQUITY (continued)

### (b) Ordinary shares

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

## 23. RESERVES AND RETAINED PROFITS

|                                                           |  | CONSOLIDATED      |                   |
|-----------------------------------------------------------|--|-------------------|-------------------|
|                                                           |  | 2012<br>\$        | 2011<br>\$        |
| (a) Reserves                                              |  |                   |                   |
| Available-for-sale investments revaluation reserve        |  | (9,906)           | (12,201)          |
| Share-based payment reserve                               |  | 285,634           | –                 |
|                                                           |  | <u>275,728</u>    | <u>(12,201)</u>   |
| Movements:                                                |  |                   |                   |
| <i>Available-for-sale investments revaluation reserve</i> |  |                   |                   |
| Balance 1 July                                            |  | (12,201)          | (9,707)           |
| Revaluation, net of tax                                   |  | 2,295             | (2,494)           |
| Balance 30 June                                           |  | <u>(9,906)</u>    | <u>(12,201)</u>   |
| <i>Share-based payment reserve</i>                        |  |                   |                   |
| Balance 1 July                                            |  | –                 | –                 |
| Share-based payment transactions                          |  | 285,634           | –                 |
| Balance 30 June                                           |  | <u>285,634</u>    | <u>–</u>          |
| (b) Retained profits                                      |  |                   |                   |
| Movement in retained profits were as follows:             |  |                   |                   |
| Balance 1 July                                            |  | 26,251,142        | 22,753,418        |
| Profit for the year                                       |  | 7,332,490         | 6,204,964         |
| Dividends                                                 |  | (2,953,351)       | (2,707,240)       |
| Balance 30 June                                           |  | <u>30,630,281</u> | <u>26,251,142</u> |

### (c) Nature and purpose of reserves

#### *Available-for-sale investments revaluation reserve*

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

#### *Share-based payment reserve*

The share-based payment reserve comprises the expenses incurred from the issue of the Company's shares under the Employee Share Plan. Refer to note 35 and note 1(u).

# Notes to the Financial Statements

## 24. DIVIDENDS

|     |                                                                                                                                                                                                                                                                                                                                                                                                                   | PARENT ENTITY |            |
|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|------------|
|     |                                                                                                                                                                                                                                                                                                                                                                                                                   | 2012<br>\$    | 2011<br>\$ |
| (a) | Ordinary shares                                                                                                                                                                                                                                                                                                                                                                                                   |               |            |
|     | Final dividend for the year ended 30 June 2011 of 3 cents (2010 – 3 cents) per fully paid share, paid on 18 November 2011 (2010 – 19 November 2010) Fully franked dividend (2010 – fully franked) based on tax paid @ 30% (2010 – 30%)                                                                                                                                                                            | 1,476,675     | 1,230,565  |
|     | Interim dividend for the year ended 30 June 2012 of 3 cents (2011 – 3 cents) per fully paid share, paid on 2 May 2012 (2011 – 6 May 2011) Fully franked dividend (2011 – fully franked) based on tax paid @ 30% (2011 – 30%)                                                                                                                                                                                      | 1,476,676     | 1,476,675  |
| (b) | Dividends not recognised at the end of the reporting period                                                                                                                                                                                                                                                                                                                                                       |               |            |
|     | In addition to the above dividends, since year end the directors have declared the payment of a final dividend of 3.5 cents per fully paid ordinary share, (2011 – 3 cents) fully franked based on tax paid at 30% (2011 – 30%). The aggregate amount of the proposed dividend expected to be paid on 16 November 2012 out of retained profits at 30 June 2012, but not recognised as a liability at year end, is | 2,067,341     | 1,476,675  |

|     |                                                                                                                                                                                                                              | CONSOLIDATED |            |
|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|------------|
|     |                                                                                                                                                                                                                              | 2012<br>\$   | 2011<br>\$ |
| (c) | Franked dividends                                                                                                                                                                                                            |              |            |
|     | The franked portion of the final dividend recommended after 30 June 2012 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2012. |              |            |
|     | Franking credits available for subsequent financial years based on a tax rate of 30% (2011 – 30%)                                                                                                                            | 10,767,666   | 8,579,315  |

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

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

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

The impact on the franking account of the dividend declared by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of \$886,003 (2011 – \$632,861).

# Notes to the Financial Statements

## 25. KEY MANAGEMENT PERSONNEL DISCLOSURES

### (a) Directors

The following directors were considered to be the key management personnel of CTI Logistics Limited during the financial year ended 30 June 2012:

(i) *Chairman – executive*  
D R Watson

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

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

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

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

Apart from the details disclosed in this note, no director has entered into a material contract with the group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

|                                                  | CONSOLIDATED     |                  |
|--------------------------------------------------|------------------|------------------|
|                                                  | 2012<br>\$       | 2011<br>\$       |
| (b) <b>Key management personnel compensation</b> |                  |                  |
| Short-term                                       | 1,339,426        | 1,244,054        |
| Post-employment                                  | 152,566          | 152,477          |
| Share-based payments                             | 79,973           | –                |
|                                                  | <u>1,571,965</u> | <u>1,396,531</u> |

### (c) Equity instrument disclosures relating to key management personnel

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

|               | Balance at the<br>start of the year | Received during<br>the year as a result<br>of bonus issue* | Other changes<br>during the year | Balance at the<br>end of the year |
|---------------|-------------------------------------|------------------------------------------------------------|----------------------------------|-----------------------------------|
| 2012          |                                     |                                                            |                                  |                                   |
| P J Leonhardt | 439,864                             | 87,972                                                     | –                                | 527,836                           |
| D A Mellor    | 5,032,027                           | 1,036,401                                                  | 150,000                          | 6,218,428                         |
| B E Saxild    | 3,951,320                           | 820,262                                                    | 150,000                          | 4,921,582                         |
| D R Watson    | 24,578,132                          | 4,915,620                                                  | –                                | 29,493,752                        |
| M D Watson    | 270,427                             | 54,085                                                     | –                                | 324,512                           |

\* Refer note 22 regarding bonus issue.

# Notes to the Financial Statements

## 25. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

### (c) Equity instrument disclosures relating to key management personnel (continued)

|               | Balance at the<br>start of the year | Received during<br>the year as a result<br>of bonus issue* | Other changes<br>during the year | Balance at the<br>end of the year |
|---------------|-------------------------------------|------------------------------------------------------------|----------------------------------|-----------------------------------|
| 2011          |                                     |                                                            |                                  |                                   |
| P J Leonhardt | 361,109                             | 73,310                                                     | 5,445                            | 439,864                           |
| D A Mellor    | 4,103,359                           | 838,668                                                    | 90,000                           | 5,032,027                         |
| B E Saxild    | 3,292,768                           | 658,552                                                    | –                                | 3,951,320                         |
| D R Watson    | 20,481,780                          | 4,096,352                                                  | –                                | 24,578,132                        |
| M D Watson    | 225,356                             | 45,071                                                     | –                                | 270,427                           |

\*Refer note 22 regarding bonus issue.

## 26. REMUNERATION OF AUDITORS

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

|                                       | CONSOLIDATED |            |
|---------------------------------------|--------------|------------|
|                                       | 2012<br>\$   | 2011<br>\$ |
| (a) Assurance services                |              |            |
| Audit services                        |              |            |
| KPMG Australia                        |              |            |
| Audit and review of financial reports | 92,000       | 88,000     |

## 27. COMMITMENTS

### (a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities:

Property, plant and equipment:

Payable within one year

7,133,028

–

### (b) Lease commitments: group company as lessee

Commitments in relation to leases contracted for at the reporting date are as follows:

#### (i) Operating leases

The group leases offices and warehouses under non-cancellable operating leases.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within one year

3,728,735

1,078,507

Later than one year but not later than five years

6,100,446

5,146,683

9,829,181

6,225,190

# Notes to the Financial Statements

## 27. COMMITMENTS (continued)

|                                                                  | CONSOLIDATED |            |
|------------------------------------------------------------------|--------------|------------|
|                                                                  | 2012<br>\$   | 2011<br>\$ |
| (b) Lease commitments: group company as lessee (continued)       |              |            |
| (ii) <i>Hire purchase commitments</i>                            |              |            |
| Commitments in relation to hire purchase are payable as follows: |              |            |
| Within one year                                                  | 1,859        | 72,081     |
| Later than one year but not later than five years                | –            | 1,859      |
| Minimum payments                                                 | 1,859        | 73,940     |
| Future finance charges                                           | (47)         | (2,147)    |
| Recognised as a liability                                        | 1,812        | 71,793     |
| Representing:                                                    |              |            |
| Current                                                          | 1,812        | 69,981     |
| Non-current                                                      | –            | 1,812      |
| Total hire purchase liabilities                                  | 1,812        | 71,793     |

## 28. RELATED PARTY TRANSACTIONS

- (a) **Parent entity**  
CTI Logistics Limited is the ultimate Australian parent entity of the group and head entity of the tax consolidated group.
- (b) **Subsidiaries**  
Interests in subsidiaries are set out in note 29.
- (c) **Key management personnel**  
Disclosures relating to key management personnel are set out in note 25.
- (d) **Transactions with related parties**  
There were no transactions with related parties during the year (2011 – \$nil).

# Notes to the Financial Statements

## 29. SUBSIDIARIES

All subsidiaries are incorporated in Australia.

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

| Name of entity                                                                      | Country of Incorporation | EQUITY HOLDING<br>(ORDINARY SHARES) |           |
|-------------------------------------------------------------------------------------|--------------------------|-------------------------------------|-----------|
|                                                                                     |                          | 2012<br>%                           | 2011<br>% |
| CTI Logistics Limited                                                               | Australia                |                                     |           |
| <b>Directly controlled by CTI Logistics Limited</b>                                 |                          |                                     |           |
| <b>Controlled entities</b>                                                          |                          |                                     |           |
| Bring Transport Industries Pty Ltd                                                  | Australia                | 100                                 | 100       |
| Mercury Messengers Pty Ltd                                                          | Australia                | 100                                 | 100       |
| CTI Security Services Pty Ltd                                                       | Australia                | 100                                 | 100       |
| CTI Transport Systems Pty Ltd                                                       | Australia                | 100                                 | 100       |
| CTI Taxi Trucks Pty Ltd                                                             | Australia                | 100                                 | 100       |
| CTI Security Systems Pty Ltd                                                        | Australia                | 100                                 | 100       |
| CTI Fleet Management Pty                                                            | Australia                | 100                                 | 100       |
| CTI Freight Management Pty Ltd                                                      | Australia                | 100                                 | 100       |
| Action Logistics (WA) Pty Ltd<br>(formerly 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       |
| <b>Other controlled entities</b>                                                    |                          |                                     |           |
| <b>Directly controlled by CTI Investments Pty Ltd</b>                               |                          |                                     |           |
| Lafe (WA) Pty Ltd                                                                   | Australia                | 100                                 | 100       |
| Western Logistics Pty Ltd                                                           | Australia                | 100                                 | 100       |
| Blackwood Industries Pty Ltd                                                        | Australia                | 100                                 | 100       |
| Australian Fulfilment Services Pty Ltd                                              | Australia                | 100                                 | 100       |
| <b>Directly controlled by Blackwood Industries Pty Ltd</b>                          |                          |                                     |           |
| Efal Pty Ltd                                                                        | Australia                | 100                                 | 100       |
| Ausplastics Pty Ltd                                                                 | Australia                | 100                                 | 100       |
| CTI Records Management Pty Ltd                                                      | Australia                | 100                                 | 100       |
| CTI Waste Management Pty Ltd                                                        | Australia                | 100                                 | 100       |
| <b>Directly controlled by Consolidated Transport Industries Pty Ltd</b>             |                          |                                     |           |
| Foxline Logistics Pty Ltd                                                           | Australia                | 100                                 | 100       |

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



# Notes to the Financial Statements

## 30. DEED OF CROSS GUARANTEE

CTI Logistics Limited and its wholly-owned entities are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission. The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee, they also represent the Extended Closed Group.

The consolidated results of the Company and all the parties to the Deed are the same as the consolidated results of the group.

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

|                                                                     | CONSOLIDATED |             |
|---------------------------------------------------------------------|--------------|-------------|
|                                                                     | 2012         | 2011        |
|                                                                     | \$           | \$          |
| Profit for the year                                                 | 7,332,490    | 6,204,964   |
| Depreciation and amortisation                                       | 3,023,478    | 2,544,163   |
| Provision for doubtful debts                                        | (4,706)      | 25,980      |
| Net gain on sale of non-current assets                              | (120,636)    | (204,340)   |
| Share-based payment amortisation                                    | 285,634      | –           |
| <i>Change in operating assets and liabilities</i>                   |              |             |
| Increase in trade and other debtors                                 | (5,826,932)  | (1,691,323) |
| Increase in inventories                                             | (473,462)    | (773,102)   |
| Increase in provision for income taxes payable                      | 332,340      | 439,635     |
| Increase in provision for deferred tax assets                       | (21,784)     | (54,719)    |
| Increase in trade creditors, employee benefits and other provisions | 2,739,400    | 718,858     |
| Net cash inflow from operating activities                           | 7,265,822    | 7,210,116   |

## 32. EARNINGS PER SHARE

|                                                                                                                                                                    | CONSOLIDATED    |            |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|------------|
|                                                                                                                                                                    | 2012            | 2011       |
|                                                                                                                                                                    | CENTS PER SHARE |            |
| (a) Basic earnings per share                                                                                                                                       |                 |            |
| Basic earnings per share attributable to the ordinary equity holders of the Company as adjusted for the 1 for 5 bonus issue on 5 June 2012.                        | 12.41           | 10.50      |
|                                                                                                                                                                    |                 |            |
|                                                                                                                                                                    | \$              | \$         |
| Profit attributable to ordinary shareholders used in calculating basic earnings per share.                                                                         | 7,332,490       | 6,204,964  |
|                                                                                                                                                                    |                 |            |
|                                                                                                                                                                    | Number          | Number     |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share as adjusted for the 1 for 5 bonus issue on 5 June 2012. | 59,066,899      | 59,066,899 |

# Notes to the Financial Statements

## 32. EARNINGS PER SHARE (continued)

### (b) Diluted earnings per share

Diluted earnings per share attributable to the ordinary equity holders of the Company as adjusted for the 1 for 5 bonus issue on 5 June 2012.

Profit attributable to ordinary shareholders used in calculating diluted earnings per share.

*Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share.*

Weighted average number of shares (basic) as adjusted for the 1 for 5 bonus issue on 5 June 2012

The effect of the vesting of contingently issuable shares

Weighted average number of shares (diluted)

### CONSOLIDATED 2012 2011 CENTS PER SHARE

|            |            |
|------------|------------|
| 12.38      | 10.50      |
| \$         | \$         |
| 7,332,490  | 6,204,964  |
| Number     | Number     |
| 59,066,899 | 59,066,899 |
| 169,102    | –          |
| 59,236,001 | 59,066,899 |

The average market value of the Company's shares for the purposes of calculating the dilutive effect of the vesting of contingently issuable shares was based on quoted market prices for the period during which the contingently issuable shares were outstanding.

## 33. PARENT ENTITY FINANCIAL INFORMATION

### (a) Summary financial information

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

#### Balance sheet

Current assets

Total assets

Current liabilities

Total liabilities

#### Net assets

#### Shareholders' equity

Issued capital

Reserves

Retained earnings

Loss for the year

Total comprehensive income

|            |            |
|------------|------------|
| 2012<br>\$ | 2011<br>\$ |
| 8,852,196  | 12,275,451 |
| 20,327,701 | 23,603,092 |
| 2,935,923  | 2,576,417  |
| 10,848,314 | 10,194,830 |
| 9,479,387  | 13,408,262 |
| 7,292,807  | 7,292,807  |
| 288,409    | (4,940)    |
| 1,898,171  | 6,120,395  |
| 9,479,387  | 13,408,262 |
| 1,268,873  | 750,742    |
| 1,261,158  | 754,224    |

# Notes to the Financial Statements

## 33. PARENT ENTITY FINANCIAL INFORMATION (continued)

|                                                  | 2012<br>\$        | 2011<br>\$        |
|--------------------------------------------------|-------------------|-------------------|
| (b) Guarantees entered into by the parent entity |                   |                   |
| Carrying amount included in                      |                   |                   |
| – current liabilities                            | 1,812             | 69,981            |
| – non-current liabilities                        | 14,800,000        | 10,501,812        |
|                                                  | <u>14,801,812</u> | <u>10,571,793</u> |

The parent entity has provided financial guarantees in respect of loans and hire purchase commitments of subsidiaries amounting to \$14,801,812 (2011 – \$10,571,793). The loans are secured by registered mortgages over the freehold properties of the subsidiaries.

In addition, there are cross guarantees given by CTI Logistics Limited, as described in note 30. No deficiencies of assets exist in any of these entities.

### (c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2012 (30 June 2011 – \$nil). For information about guarantees given by the parent entity, refer note (b).

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

The parent entity had no contractual commitments for the acquisition of property, plant or equipment at 30 June 2012 (30 June 2011 – \$nil).

## 34. BUSINESS COMBINATION

On 15 August 2011, CTI Business Investment Company Pty Ltd, a controlled entity, acquired 100% ownership of the business of Action Couriers and Taxi Trucks (Action).

Details of the purchase consideration, assets acquired and goodwill are as follows:

|                              | \$               |
|------------------------------|------------------|
| Purchase consideration       |                  |
| Cash paid                    | 3,200,000        |
| Contingent consideration     | <u>550,000*</u>  |
| Total purchase consideration | <u>3,750,000</u> |

### \*Contingent consideration

In the event that certain predetermined margins are achieved by the business, additional consideration of up to \$550,000 may be payable in cash.

|                                                                      | Fair Value<br>\$ |
|----------------------------------------------------------------------|------------------|
| Assets acquired                                                      |                  |
| The assets recognised as a result of the acquisition are as follows: |                  |
| Plant and equipment                                                  | 217,840          |
| Intangible assets: trade name                                        | 256,720          |
| Intangible assets: customer relationships                            | <u>1,210,568</u> |
| Total identifiable assets                                            | <u>1,685,128</u> |

# Notes to the Financial Statements

## 34. BUSINESS COMBINATION (continued)

### Goodwill

Goodwill has been recognised as a result of the acquisition as follows:

|                                        | \$               |
|----------------------------------------|------------------|
| Total consideration                    | 3,750,000        |
| Less fair value of identifiable assets | (1,685,128)      |
| Goodwill                               | <u>2,064,872</u> |

The goodwill is attributable to the workforce, synergies, mutual client base and profitability of the acquired business. The fair value of trade name and customer relationships acquired are based on discounted cash flow models.

Acquisition related costs of \$184,712 are included in other expenses in profit or loss.

### Revenue and profit contribution

The acquired business contributed revenues of \$7,941,569 and net profit after tax of \$294,590 to the group for the period from 15 August 2011 to 30 June 2012. If the acquisition had occurred on 1 July 2011, estimated revenue and profit for the year ended 30 June 2012 would have been \$9,076,078 and \$336,674 respectively.

## 35. SHARE-BASED PAYMENT PLAN

### Employee Share Plan

During the year the Company offered certain directors and senior employees the opportunity to purchase shares in the Company under the Employee Share Plan (ESP). The shares may be purchased with the assistance of an interest-free, limited recourse loan for a term of 10 years and is repayable by dividends.

### Measurement of fair values

The fair value of the shares granted under the ESP was measured based on the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility.

The inputs used in the measurement of the fair values at grant date of the share-based payment plan were as follows.

|                                                       | EMPLOYEE SHARE PLAN                 |                          |
|-------------------------------------------------------|-------------------------------------|--------------------------|
|                                                       | Key management<br>personnel<br>2012 | Senior employees<br>2012 |
| Fair value at grant date                              | \$0.93                              | \$0.81                   |
| Share price at grant date                             | \$1.13                              | \$1.07                   |
| Exercise price                                        | \$1.13                              | \$1.07                   |
| Expected volatility (weighted average)                | 57%                                 | 57%                      |
| Term                                                  | 10 years                            | 10 years                 |
| Risk-free interest rate                               | 3.4%                                | 3.4%                     |
| Fair value recognised as remuneration during the year | \$79,973                            | \$205,661                |

There were no shares issued under the ESP in the prior year.

## 36. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No other events have occurred since the end of the financial year that provide additional evidence of conditions that existed at the end of the financial year or that reveal for the first time a condition that existed at the end of the financial year.

# Directors' Declaration

In the opinion of the directors of CTI Logistics Limited ('the Company'):

- (a) the consolidated financial statements and notes that are set out on pages 13 to 51 and the remuneration report on pages 6 to 7 in the Directors' Report, are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the group's financial position as at 30 June 2012 and of its performance, for the financial year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 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.

There are reasonable grounds to believe that the Company and the group entities identified in note 29 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.

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

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

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



DAVID MELLOR  
Director

Perth, WA  
30 August 2012

# Independent Auditor's Report



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

### Report on the financial report

We have audited the accompanying financial report of CTI Logistics Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2012, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 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 year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

#### *Auditor's responsibility*

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

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

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

# Independent Auditor's Report



We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

## *Independence*

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

## *Auditor's opinion*

In our opinion:

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

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

# Independent Auditor's Report



## Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

### *Auditor's opinion*

In our opinion, the remuneration report of CTI Logistics Limited for the year ended 30 June 2012, complies with Section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink, appearing to read 'KPMG'.

KPMG

A handwritten signature in black ink, appearing to read 'B + S'.

Brent Steedman  
*Partner*

Perth

30 August 2012



# Corporate Governance Statement

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

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

Under the Australian Securities Exchange Listing Rules companies are required to provide a statement disclosing the extent to which they have followed all the recommendations and identify the recommendations that have not been followed and give reasons for not following them.

## Role of the Board

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

The board's primary objective is to oversee the group's business activities and management for the benefit of all stakeholders by:

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

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

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

## Board Composition

The board comprises five directors including three executive directors. Due to the small size of the Company and its operations, and to avoid additional layers of management, the executive directors are necessarily involved in the day to day operations of the group businesses.

The board has, and will continue to consider the appointment of additional non-executive directors. A nomination committee is not considered necessary due to the small number of directors on the board and the relative infrequency of board changes.

Non-executive director Peter Leonhardt is an independent director.

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

The directors have a broad range of qualifications, experience and expertise. Details of individual directors are set out in the Directors' Report. The role of chairman and chief executive officer is filled by the founder of the business, who is also a substantial shareholder.

# Corporate Governance Statement

His knowledge, experience and understanding of the small businesses comprising the group are considered essential to perform these roles. The board considers that no value could be added by separating the roles.

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

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

## Ethical and Responsible Decision Making

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

The Company's business conduct and ethics policy, along with the policy on trading in company securities, is published on the Company's website, [www.ctilogistics.com](http://www.ctilogistics.com).

## Diversity

The Company recognises the importance of diversity at all levels within the Company. Diversity means those attributes which may differ from employee to employee, including gender, age, ethnicity and cultural background.

Currently the gender split of the group's employees is 71% male:29% female. At management levels the split is 85% male:15% female. There are no female board members.

The Company's diversity policy is still under development. Details are available on the Company's website, [www.ctilogistics.com](http://www.ctilogistics.com).

## Integrity in Financial Reporting

The Company has formed an audit committee consisting of independent director Peter Leonhardt (chair), non-executive director Matthew Watson and executive director Bruce Saxild. Meetings are also attended by David Mellor (chief financial officer) and the chief group accountant. The audit committee has a formal charter which has been approved by the board of directors. The charter is published on the Company's website, [www.ctilogistics.com](http://www.ctilogistics.com). The size and composition of the audit committee is considered to be appropriate for the size and complexity of the Company.

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

The external auditors meet with the board of directors at least twice a year to review their audit procedures and findings. It is the policy of the external auditors to rotate the audit partner at 5 yearly intervals. The board is satisfied with the external auditor's competence and independence.

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

# Corporate Governance Statement

## Timely and Balanced Disclosure

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

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

## Rights of Shareholders

The board of directors encourages direct communication with shareholders.

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

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

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

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

## Risk Recognition and Management

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

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

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

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

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

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

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

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

# Corporate Governance Statement

## Enhanced Performance

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

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

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

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

## Remuneration

The Company has established a remuneration committee comprising Peter Leonhardt (chair) and David Watson. This committee reviews and makes recommendations on remuneration policies for the Company including, in particular, those governing the directors. Remuneration of directors is periodically benchmarked against similar small listed companies. Directors' emoluments are set out in the remuneration report on pages 6 to 7 of this annual report.

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

## Interests of Stakeholders

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

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

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

# Shareholder Information

## THE TWENTY LARGEST SHAREHOLDERS AS AT 30 SEPTEMBER 2012

|                                           | NUMBER OF SHARES | PERCENTAGE |
|-------------------------------------------|------------------|------------|
| David R Watson                            | 18,062,683       | 29.94      |
| David Watson Nominees Pty Ltd             | 2,804,489        | 4.65       |
| Parmelia Pty Ltd                          | 2,764,387        | 4.58       |
| DAM Nominees Pty Ltd                      | 2,481,714        | 4.11       |
| Bruce E Saxild and Michelle P Saxild      | 2,429,302        | 4.03       |
| HSBC Custody Nominees (Australia) Limited | 2,401,993        | 3.98       |
| Aberdeen Management Pty Ltd               | 2,049,067        | 3.40       |
| W W Nominees Pty Ltd                      | 1,886,322        | 3.13       |
| Catherine R Watson                        | 1,823,486        | 3.02       |
| Dixson Trust Pty Ltd                      | 1,686,633        | 2.80       |
| Beda Nominees Pty Ltd                     | 1,626,000        | 2.70       |
| Fortunegreen Pty Ltd                      | 1,546,560        | 2.56       |
| Peachtree Pty Ltd                         | 1,087,784        | 1.80       |
| William Grove                             | 728,272          | 1.21       |
| Australian Marketing Services Pty Ltd     | 715,651          | 1.19       |
| National Nominees Limited                 | 697,879          | 1.16       |
| Walter J Hall and Hilary M Hall           | 621,994          | 1.03       |
| David A Mellor                            | 522,080          | 0.87       |
| Brian G Vernon and Myrna R Dewar          | 463,104          | 0.77       |
| Bruce E Saxild                            | 347,120          | 0.58       |
|                                           | <hr/>            |            |
|                                           | 46,746,520       | 77.51      |
|                                           | <hr/>            |            |

## SUBSTANTIAL SHAREHOLDERS AS AT 30 SEPTEMBER 2012

The Company's register of substantial shareholders recorded the following information as at 30 September 2012.

|                | NUMBER OF SHARES | PERCENTAGE |
|----------------|------------------|------------|
| David R Watson | 29,070,680       | 49.22      |
| David A Mellor | 5,908,828        | 10.00      |
| Bruce E Saxild | 4,921,582        | 8.16       |

## DISTRIBUTION OF EQUITY SECURITIES AS AT 30 SEPTEMBER 2012

### (i) Distribution schedule of holdings

|                  | NUMBER OF SHAREHOLDERS<br>ORDINARY SHARES |
|------------------|-------------------------------------------|
| 1 - 1,000        | 39                                        |
| 1,001 - 5,000    | 108                                       |
| 5,001 - 10,000   | 78                                        |
| 10,001 - 100,000 | 194                                       |
| 100,001 and over | 67                                        |
|                  | <hr/>                                     |
|                  | 486                                       |
|                  | <hr/>                                     |

(ii) There were 24 shareholders holding less than a marketable parcel of ordinary shares.

(iii) There were a total of 60,326,899 ordinary shares on issue.

## VOTING RIGHTS

Ordinary shares carry voting rights of one vote per share.

