CTI Logistics Limited

ABN 69 008 778 925

Appendix 4D
Half-year report

Half-year ended 31 December 2009

For announcement to the market

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

Revenue	up	11.2%	to	29,212
Profit from ordinary activities after tax attributable to members	down	8.4%	to	2,288
Net profit for the period attributable to members	down	8.4%	to	2,288

Dividends		Amount per security	Franked amount per security
Final dividend	Year ended 30 June 2009	3.0 cents	3.0 cents
	Previous corresponding period	3.0 cents	3.0 cents
Interim dividend	Current period	3.0 cents	3.0 cents
	Previous corresponding period	3.0 cents	3.0 cents

+Record date for determining entitlements to the dividend	16 April 2010

NTA backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	66 cents	65 cents

Dividend

Details of dividends declared or paid during or subsequent to the period ended 31 December 2009 are as follows:

	Payment date	Amount per security	Total dividend	Franked amount per security	Foreign sourced dividend amount per security
Final dividend – year ended 30 June 2009 (fully franked at 30%)	20 November 2009	3.0 cents	$1,230,565	3.0 cents	-
Interim dividend – Current period (fully franked at 30%)	3 May 2010	3.0 cents	$1,230,565	3.0 cents	-

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

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

Controlled entities acquired or disposed of

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

CTI Logistics Limited

ABN 69 008 778 925

Half-year Report - 31 December 2009

Lodged with the ASX under Listing Rule 4.2A

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2009 and any public announcements made by CTI Logistics Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Directors' Report

YOUR DIRECTORS PRESENT THEIR REPORT ON THE GROUP CONSISTING OF CTI LOGISTICS LIMITED AND THE ENTITIES IT CONTROLLED DURING THE HALF YEAR ENDED 31 DECEMBER 2009.

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

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

Principal activities of the group
The principal activities of the group during the half-year were the provision of logistics, transport and security services, manufacturing of plastic products and investment.

Dividends
The directors have declared a fully franked interim dividend of 3 cents per ordinary share subsequent to the end of the half-year. This dividend is not recognised as a liability at half-year end. During the financial period a 3 cents fully franked final dividend for the year ended 30 June 2009 was paid to members.

Review of operations and results
Profit after tax attributable to the members of the Company was $2,287,626 compared to $2,498,363 in the previous corresponding period. Revenue from operations was $29,212,104 compared to $26,278,987. Net cash flows from operating activities was $3,682,303 up from $2,925,181 in the prior period due to lower interest and tax payments and a result of increased revenue.

Changes in the state of affairs
No other significant changes in the state of affairs of the group have occurred other than those matters referred to elsewhere in this half-year report.

Events subsequent to balance date
The directors are not aware of any other matters or circumstances not otherwise dealt with in this half-year report that has significantly or may significantly affect the operations of the group, the results of those operations, or the affairs of the group in subsequent financial years.

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

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

Auditor's independence
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 2.

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

DAVID MELLOR
Director

Perth
23 February 2010

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Auditor's Independence Declaration

As lead auditor for the review of CTI Logistics Limited for the half-year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review, and

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

This declaration is in respect of CTI Logistics Limited and the entities it controlled during the period.

Pierre Dreyer
Partner
PricewaterhouseCoopers

Perth
23 February 2010

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Consolidated statement of comprehensive income
For the half-year ended 31 December 2009

	2009 $	2008 $
Revenue	29,212,104	26,278,987
Other income	72,163	85,480
Changes in inventories of finished goods and work in progress	(461,249)	110,930
Raw materials and consumables used	(924,414)	(1,597,603)
Employee benefits expense	(7,980,734)	(6,867,422)
Subcontractor expense	(11,907,589)	(9,704,840)
Depreciation and amortisation expense	(1,154,967)	(1,093,950)
Motor vehicle and transportation costs	(1,369,678)	(1,661,712)
Finance costs	(332,185)	(418,702)
Other expenses	(2,017,234)	(1,604,506)
Share of net profit of joint venture partnership	-	33,404
Profit before income tax	3,136,217	3,560,066
Income tax expense	(848,591)	(1,061,703)
Profit for the half-year	2,287,626	2,498,363
Other comprehensive income		
Changes in the fair value of available-for-sale financial assets	2,242	(8,979)
Income tax relating to changes in the fair value of available-for-sale financial assets	(673)	2,694
Other comprehensive income for the half-year, net of tax	1,569	(6,285)
Total comprehensive income for the half-year	2,289,195	2,492,078
	Cents	**Cents**
Earnings per share for profit attributable to the ordinary equity holders of the Company as adjusted for the 1 for 5 bonus issue on 8 December 2008		
Basic earnings per share	5.58	6.09
Diluted earnings per share	5.58	6.09

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

Consolidated statement of financial position
As at 31 December 2009

	31 December 2009 $	30 June 2009 $
ASSETS		
Current assets		
Cash and cash equivalents	472,156	2,725
Trade and other receivables	9,027,100	9,064,620
Inventories	1,803,666	2,126,469
Total current assets	11,302,922	11,193,814
Non-current assets		
Available-for-sale financial assets	62,669	60,427
Property, plant and equipment	23,068,212	22,277,024
Investment properties	10,167,602	10,215,861
Deferred tax assets	812,622	868,321
Intangible assets	1,526,180	1,642,145
Total non-current assets	35,637,285	35,063,778
Total assets	46,940,207	46,257,592
LIABILITIES		
Current liabilities		
Trade and other payables	6,613,757	6,665,102
Borrowings	273,148	2,876,646
Current tax liabilities	402,008	511,431
Total current liabilities	7,288,913	10,053,179
Non-current liabilities		
Borrowings	10,653,522	8,257,600
Provisions	215,993	223,664
Total non-current liabilities	10,869,515	8,481,264
Total liabilities	18,158,428	18,534,443
Net assets	28,781,779	27,723,149
EQUITY		
Contributed equity	7,292,807	7,292,807
Reserves	(51,744)	(53,313)
Retained profits	21,540,716	20,483,655
Total equity	28,781,779	27,723,149

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

Consolidated statement of changes in equity
For the half-year ended 31 December 2009

	Half-year 2009 $	Half-year 2008 $
Total equity at the beginning of the half-year	27,723,149	25,805,726
Total comprehensive income for the half-year	2,289,195	2,492,078
Transactions with equity holders in their capacity as equity holders:		
Dividends provided for or paid	(1,230,565)	(1,009,318)
Total equity at the end of the half-year	28,781,779	27,288,486

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

Consolidated cash flow statement
For the half-year ended 31 December 2009

	Half-year 2009 $	2008 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers (inclusive of goods and services tax)	32,106,574	29,708,091
Payments to suppliers and employees (inclusive of goods and services tax)	(27,222,732)	(25,329,700)
	4,883,842	4,378,391
Interest received	10,272	24,830
Dividends received	1,995	1,932
Interest paid	(234,719)	(332,709)
Income taxes paid	(979,087)	(1,147,263)
Net cash inflow from operating activities	3,682,303	2,925,181
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(1,809,645)	(4,516,781)
Proceeds from sale of property, plant and equipment	34,913	104,055
Net cash outflow from investing activities	(1,774,732)	(4,412,726)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	2,500,000	2,700,000
Repayment of borrowings	(2,547,591)	(403,831)
Dividends paid to company's shareholders	(1,230,565)	(1,009,318)
Net cash (outflow)/inflow from financing activities	(1,278,156)	1,286,851
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	629,415	(200,694)
Cash and cash equivalents at the beginning of the half-year	(157,259)	814,242
CASH AT THE END OF THE HALF-YEAR	472,156	613,548

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

1. BASIS OF PREPARATION OF HALF-YEAR REPORT

This general purpose financial report for the interim half-year reporting period ended 31 December 2009 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2009 and any public announcements made by CTI Logistics Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below.

Changes in accounting policy
CTI Logistics Limited had to change some of its accounting policies as the result of new or revised accounting standards which became operative for the annual reporting period commencing on 1 July 2009.

The affected policies and standards are:

- Principles of consolidation – revised AASB 127 *Consolidated and Separate Financial Statements* and changes made by AASB 2008-7 *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Business combinations – revised AASB 3 *Business Combinations*
- Segments – new AASB 8 *Operating Segments*

Principles of consolidation
AASB 127 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. This is different to the group's previous accounting policy where transactions with minority interests were treated as transactions with parties external to the group.

The standard also specifies the accounting when control is lost. Any remaining interest in the entity must now be remeasured to fair value and a gain or loss is recognised in profit or loss. This is consistent with the entity's previous accounting policy if significant influence is not retained.

The group will in future allocate losses to the non-controlling interest in its subsidiaries even if the accumulated losses should exceed the non-controlling interest in the subsidiary's equity. Under the previous policy, excess losses were allocated to the parent entity.

Lastly, dividends received from investments in subsidiaries, jointly controlled entities or associates after 1 July 2009 are recognised as revenue even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a result of the dividend payment. Under the entity's previous policy, these dividends would have been deducted from the cost of the investment.

The changes were implemented prospectively from 1 July 2009. There has been no impact on the current period as all the group's subsidiaries are wholly controlled. There have also been no transactions whereby an interest in an entity is retained after the loss of control of that entity, no transactions with non-controlling interests and no dividends paid out of pre-acquisition profits.

Business combinations
AASB 3 (revised) continues to apply the acquisition method to business combinations, but with some significant changes.

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

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

1. BASIS OF PREPARATION OF HALF-YEAR REPORT (continued)

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

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

The changes were implemented prospectively from 1 July 2009. There has been no impact on the current period as there is no current business combination.

Segment reporting
The group has applied AASB 8 *Operating Segments* from 1 July 2009. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

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

Comparatives for 2008 have been restated.

2. SEGMENT INFORMATION

(a) Description of segments

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

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

The reportable segments are involved in the following operations:

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

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

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

2. SEGMENT INFORMATION (continued)

(b) Information about reportable segments

The segment information provided to the group's CEO for the reportable segments for the half-year ended 31 December 2009 is as follows:

Half-year 2009	Logistics and Transport $	Property $	Other $	Total $
External revenues	23,850,680	285,382	4,771,352	28,907,414
Intra and inter-segment revenue	2,187,785	944,770	102,683	3,235,238
Interest expense	14,553	205,526	5,509	225,588
Depreciation and amortisation	546,204	224,124	254,780	1,025,108
Reportable segment profit before income tax	3,056,564	491,046	87,549	3,635,159
Reportable segment assets	13,875,762	25,248,716	5,477,079	44,601,557

Half-year 2008	Logistics and Transport $	Property $	Other $	Total $
External revenues	19,998,291	283,093	5,774,371	26,055,755
Intra and inter-segment revenue	2,811,036	920,170	102,552	3,833,758
Interest expense	11,398	278,708	16,071	306,177
Depreciation and amortisation	363,796	201,891	389,294	954,981
Reportable segment profit before income tax	3,261,338	545,745	182,309	3,989,392
Reportable segment assets	9,873,098	25,046,444	6,846,077	41,765,619

3. DIVIDENDS

	2009 $	2008 $
Ordinary shares		
Dividends provided for or paid during the half-year	1,230,565	1,009,318

Dividends not recognised at the end of the half-year

In addition to the above dividends, since the end of the half-year the directors have recommended the payment of an interim dividend of 3 cents per fully paid ordinary share, (2008 - 3 cents) fully franked based on tax paid at 30% (2008 – 30%). The aggregate amount of the proposed dividend expected to be paid on 3 May 2010 out of retained profits at 31 December 2009, but not recognised as a liability at year end, is $1,230,565 (2008 - $1,230,565).

4. EQUITY SECURITIES

	2009 Shares	2008 Shares	2009 $	2008 $
Balance at the beginning of the half-year	41,018,830	34,182,421	7,292,807	7,292,807
Bonus issue				
Ordinary shares – 1 for 5	-	6,836,409	-	-
Balance at the end of the half-year	41,018,830	41,018,830	7,292,807	7,292,807

5. CONTINGENT LIABILITIES

There are no known contingent liabilities for the group at the end of the half-year (2008 - $nil).

6. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 4 to 11 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

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

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

DAVID MELLOR
Director

Perth
23 February 2010

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial statements of CTI Logistics Limited, which comprise the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the CTI Logistics Group (the consolidated entity). The consolidated entity comprises both CTI Logistics Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of CTI Logistics Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

PRICEWATERHOUSECOOPERS

Independent auditor's review report to the members of CTI Logistics Limited (cont'd)

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

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Pierre Dreyer
Partner

Perth
23 February 2010