# CPT Global Limited and Controlled Entities

**ABN 16 083 090 895**

## Annual Financial Report

**for the year ended 30 June 2010**

# Chairman's Statement

CPT Global had a disappointing 2010 financial year recording its first ever annual loss. Revenues in all three of our trading regions were lower than the prior year due to client specific factors, lower new business and the continuing impact of the Global Financial Crisis. Our Australian business continued to experience challenging trading conditions while a number of potentially rewarding international opportunities were delayed. The Company remains in a sound financial position and has taken action to enhance its business development and management capabilities.

Despite establishing a number of new client relationships the revenue from our Australian operations was lower and margins remained under pressure. In Victoria revenues fell as new business failed to offset the reduced demand by a major client for our services as a significant project neared completion. In the ACT our business was adversely impacted by the completion of a large Government engagement which resulted in lower revenue. The revenues of our NSW operations showed a modest increase but are yet to achieve a satisfactory result for our recent efforts. During the year significant changes were made to our business development team in Australia resulting in the development of a number of new client relationships. Our efforts to increase revenue, improve margins and control costs will be a major focus this financial year.

CPT's revenue from its international operations fell from the higher levels seen in the prior year as the continuing economic uncertainty caused many companies to delay decisions. In Europe, despite many exciting prospects, revenues slipped but the forward pipeline remains healthy. Revenues were also down in the US with delays in decision making and the postponement of contract start dates adversely impacting on our performance. A bright spot was the development of a growing presence in the Canadian market and the employment of more local resources in North America. Despite ongoing difficult trading conditions in the international markets, two of CPT's largest five global clients are based in the US and Germany and just prior to the financial year-end we commenced work in the US with one of the world's largest financial institutions and in Europe at one of the world's largest mainframe sites.

Our revenue fell by 14.1 % in 2010 with all major regions experiencing declines due to lower new business and the difficult trading conditions. CPT recorded a net loss after tax of $3.1m (including a $2.4m impairment charge to the book value of our Australian operations due to a write-down of Goodwill) compared to a profit of $2.1m in the prior year. However CPT's trading performance improved in the second half with a net profit after tax of $0.1m (prior to the impairment charge) against a first half loss of $0.8m. At year end CPT remained in a sound financial position with cash of $523k.

While CPT continues to engage with many prospective clients in both Australia and internationally our 2010 revenue fell well short of that required to generate satisfactory returns for our shareholders given our current cost base. In past years the performance of our various geographic regions has tended to provide some balance to our results, reduce overall risk and allow better utilisation of our staff. However our loss in 2010 reflects lower new business and the severity of global economic conditions, and overshadows the on-going business development activities which still continue to offer the prospect of significant new revenue. Our challenge is to convert this potential into revenue in a timely fashion. While at times this has been a frustratingly slow process, especially in the international markets, your Board continues to believe that the rewards will ultimately more than justify our efforts and CPT therefore remains committed to these markets despite the shorter term negative impact on our results.

CPT's ongoing strategy must be to continue to grow revenue in all regions, improve margins and control costs. In Australia we have re-energised our business development activities, sharpened our focus on service delivery and enhanced our capacity to attract quality staff and to offer the best resources to our clients. Internationally a concerted effort from our business development teams in both Europe and North America, ably supported by the more active involvement of our Managing Director Gerry Tuddenham, is being made to drive revenue in these regions. Recent signs have emerged that these efforts are beginning to generate more significant revenue but there is still much to be done

While the difficulties over the past year have impacted on the returns we can provide to our shareholders it has also challenged our staff. CPT has a strong team of technically skilled and loyal staff and consultants who serve their clients' interests regardless of the economic conditions. I would like to thank my fellow directors and all our staff, under the energetic leadership of our Managing Director, Gerry Tuddenham, for maintaining their effort through another difficult year. In the year ahead I trust that the ongoing efforts of the CPT Global

# Chairman's Statement

team to generate attractive shareholder returns through the profitable expansion of our operations both in Australia and internationally will be realised more fully.

Fred S. Grimwade
Chairman

Fred Grimwade
Chairman

Gerry Tuddenham
Managing Director

Ian MacDonald
Director

Peter Wright
Director,
IT Management
Services

# Managing Director's Review

Fellow Shareholders,

CPT Global has had a disappointing year, recording its first ever annual loss. This can be ascribed to numerous factors with the main cause being lower revenue due to client specific factors, reduced new business and the continuing global economic downturn.

Revenue was down in all regions.

**Operating and Financial Review**

Australian revenue reduced by 10% with all regions being adversely affected by worsening economic conditions. Victoria and ACT experienced reductions of 6% and 36% respectively, with NSW returning a modest increase of 8%.

International revenue reduced by 27% in Australian dollar terms, with the USA and Europe reducing by 20% and 31% respectively.

CPT Global's revenue for the year ended 30 June 2010 was $37.7 million, a 14% decrease on the previous year's revenue of $43.9 million.

CPT Global's net loss after tax for the year ended 30 June 2010 was $3.13 million after a $2.4m impairment charge, a 244% decrease on the 30 June 2009 profit of $2.1 million.

No final dividend has been declared.

Basic earnings per share amounted to (8.53) cents per share.

CPT Global's balance sheet reflected net tangible assets of $5.718m as at 30 June 2010 ($8.088m 30 June 2009), cash of $523k as at 30 June 2010 ($1.245m 30 June 2009).

On a positive note, we have made a number of organisational changes in strengthening our Australian marketing and sales teams and increased our resourcing capabilities that should increase our revenue and headcount. We have also been successful in being appointed to government supply panels by DHS/Centrelink and Department of Defence. These panels open up new opportunities in these and other departments.

# Managing Director's Review continued

**Strategy**

Our ongoing overall strategy is to continue growing revenue in all regions at improved margins, whilst keeping a tight control on costs.

Business development activities have been overhauled and a new focus has been brought to bear on service delivery. In addition, we have enhanced our capacity to keep and attract quality staff so as to deliver a better service to our clients. A number of new client relationships have been established in Australia which should render a return in the near future.

With the bulk of our mainframe business opportunities being located overseas, our international business development efforts are being stepped up and refined, with some encouraging signs of success having been seen recently. Our increased presence in Canada is a case in point.

As was the case last year, our 2 main overall areas of focus remain:

**1) Market coverage**

a) Expand international client base including government

b) Transition current international clients into annuity relationships

c) Offer broader range of CPT services internationally, including mid-range services and testing

d) Focus on Sydney marketplace growth

e) Organically grow Melbourne market

f) Expand our market coverage to new Federal Government Agencies given our acceptance to two major ICT panels in Canberra

g) Access to new markets via additional international alliance partners

**2) Services positioning**

a) Greater alignment with business outcomes

b) Expand Data Centre optimization services into Green IT outcomes

c) Consolidate and improve existing services

d) Provide new services that leverage existing competencies

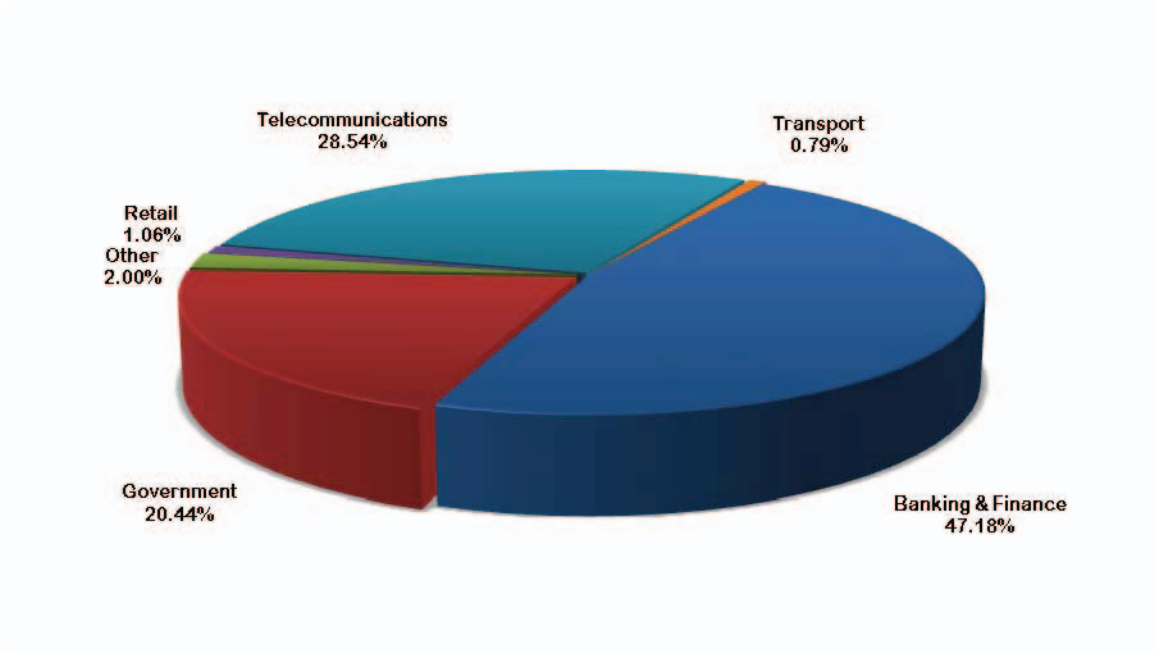
e) Development of Oracle tools continue and focus on SAP with European clients

f) Test coverage across mid-range

# Managing Director's Review continued

**CPT Global's Markets**

**Revenue by Sector (Worldwide)**




CPT Global's Banking & Finance portfolio has increased from 43% to 47.1% as a percentage of revenue.

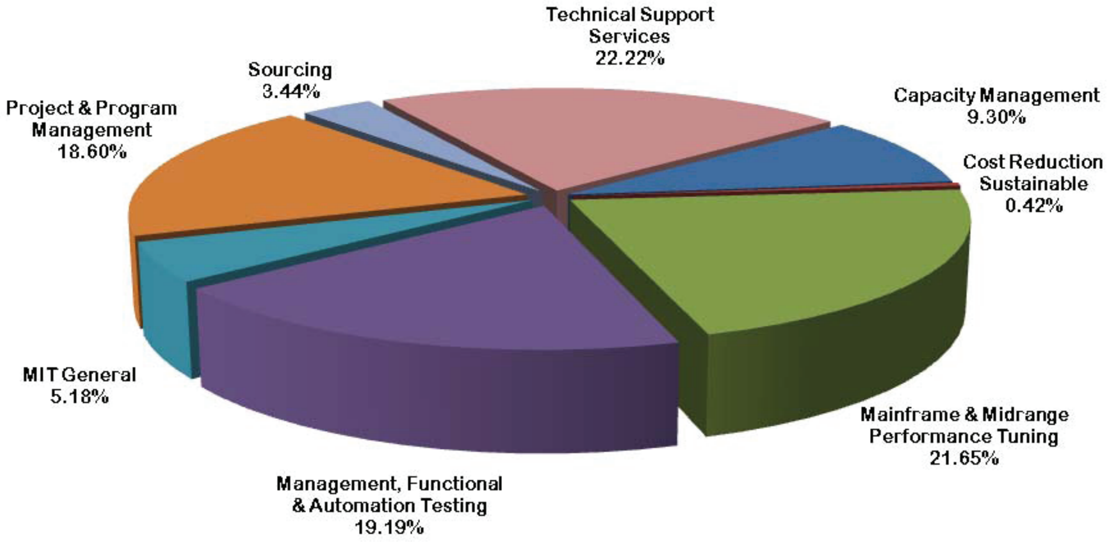
Telecommunications reduced from 31% to 28% due to reduced demand from a major client in Australia.

Government was stable with a slight improvement from 20% to 20.44%.

Controlled and sustainable growth remains our focus.

# Managing Director's Review continued

Revenue by Line of Business (Worldwide)




Both CPT Southern region and CPT Federal region performed below levels achieved last year.

The CPT Northern region performed better than last year but still well below expectation.

International performance was disappointing with a strong Australian dollar having played a role in the below par performance. With a substantial forward load in the USA and potential in both USA and Europe, the main objective will be to convert such potential into Revenue.

Highlights for the year on the international front would include the following:

1) Increased presence in Canada.

2) Two out of our top five clients are international Companies.

3) Commencement of work in the USA with one of the largest global financial institutions.

4) Commencement of work in Europe at one of the largest global Mainframe sites.

# Managing Director's Review continued

**Our People**

Despite the challenging trading and economic conditions, we have maintained our policy of retaining quality staff. In the USA we have employed more local resources, taking advantage of tough employment conditions to attract the best in their respective field.

We continue to view this approach as an investment in our collective future and Intellectual Property.

The CPT mantra remains that we are only as good as our people and will continue to invest in their training, development and wellbeing.

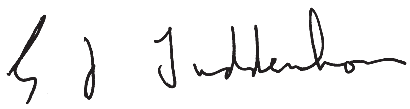
The end result will be our enhanced ability to deliver a better service more efficiently on a global scale.

**Outlook**

Our enhanced international business development efforts have shown early signs of success as evidenced by our increased presence in Canada and the recent commencement of work at one of the world's largest financial institutions and also at one of the largest mainframe sites in the world. We expect these efforts to deliver more results in the near future. We will continue using Austrade and Tori Global as routes to Market.

In Australia we have re-focussed business development and service delivery efforts across all regions. We are committed to our local markets and believe our efforts will have an impact on our recovery this year.

In 2010 CPT failed to maintain sufficient levels of activity to support its cost base. Plans have been put in place to address this, with business development, improved margins and cost control being at the forefront.
Much still needs to be done but with the current people and plans in place, your Board is confident of returning CPT to a Profit and generating acceptable returns in the coming year.



Gerry Tuddenham
Managing Director

# Contents

# Corporate Governance Statement

The Board of Directors of CPT Global is responsible for the corporate governance of the group. The Board guides and monitors the business and affairs of CPT Global on behalf of the shareholders by whom they are elected and to whom they are accountable.

The format of the Corporate Governance Statement is based on the Australian Stock Exchange Corporate Governance Council's (the Council's) "Principles of Good Corporate Governance and Best Practice Recommendations" (the Recommendations). In accordance with the Council's recommendations, the Corporate Governance Statement must contain certain specific information and must disclose the extent to which the company has followed the guidelines during the period. Where a recommendation has not been followed, that fact must be disclosed, together with the reasons for the departure. CPT Global's Corporate Governance Statement is structured with reference to the Corporate Governance Council's principles and recommendations, which are as follows:

- Principle 1. Lay solid foundations for management and oversight
- Principle 2. Structure the Board to add value
- Principle 3. Promote ethical and responsible decision making
- Principle 4. Safeguard integrity in financial reporting
- Principle 5. Make timely and balanced disclosure
- Principle 6. Respect the rights of shareholders
- Principle 7. Recognise and manage risk
- Principle 8. Remunerate fairly and responsibly

**Independence**

Corporate Governance Council Recommendation 2.1 requires a majority of the Board to be independent directors. In addition, recommendation 2.2 requires the chairperson of the company to be independent. The Corporate Governance Council defines independence as being free from any business or other relationship that could materially interfere with - or could reasonably be perceived to materially interfere with - the exercise of unfettered and independent judgement. In accordance with this definition, the following directors are not considered to be independent:

- Gerry Tuddenham (Managing Director)
- Peter Wright (Executive Director)

Of the four Board members, the two listed above are not considered to be independent when applying the Council's definition of independence. However when considering the casting vote of the independent chairman, the majority of the Board is independent. CPT Global considers industry experience and specific expertise to be important attributes of its Board members.

CPT Global's corporate governance practices were in place throughout the year ended 30 June 2010. The corporate governance practises of CPT Global were compliant with the Council's best practice recommendations except where an executive director serves on the Audit Committee, due to the small size of the Board. Best practice recommends that the Audit Committee should be made up of non-executive directors.

**For further information on corporate governance policies adopted by CPT Global, refer to our website: [www.CPTglobal.com](http://www.CPTglobal.com)**

# Corporate Governance Statement

**Structure of the Board**

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the directors' report on page 13. Directors of CPT Global are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with - or could reasonably be perceived to materially interfere with - the exercise of their unfettered and independent judgement.

In the context of director independence, "materiality" is considered from both the company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the director in question to shape the direction of the company's strategy.

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of CPT Global are considered to be independent:

| Name | Position |
|---|---|
| Fred Grimwade | Non-executive Chairman |
| Ian MacDonald | Non-executive Director |

There are procedures in place, agreed by the Board, to enable directors, in furtherance of their duties, to seek independent professional advice at the company's expense.

The term in office held by each director in office at the date of this report is as follows:

| Name | Term in office |
|---|---|
| Fred Grimwade | 8 years |
| Ian MacDonald | 4 years |
| Gerry Tuddenham | 12 years |
| Peter Wright | 9 years |

**Performance Evaluation**

An annual performance evaluation of the Board and all Board members was conducted by the full Board for the financial year ended 30 June 2010. The Board developed a questionnaire for all Board members to provide feedback on how they thought the Board had performed. The results from the questionnaire were collated and discussed by the Board. The Board developed a series of recommendations to improve performance and an action plan to implement the recommendations and set the performance criteria and goals for the next year.

**Remuneration and Nomination Committee**

The Board has a Remuneration and Nomination Committee which meets to ensure that the Board continues to operate within the established guidelines, including when necessary, selecting candidates for the position of director. The Committee is also responsible for ensuring that adequate resourcing levels are maintained, setting and monitoring employment conditions, reviewing the performance of executive directors and senior management and setting the scale of their remuneration. The Remuneration and Nomination Committee comprises all of the non-executive directors. The Remuneration and Nomination Committee comprised the following members throughout the year:

- Ian MacDonald (C)
- Fred Grimwade

For details of directors' attendance at meetings of the Remuneration and Nomination Committee, refer to page 19 of the Directors' Report.

For details of remuneration of all directors and highest paid executives, refer to page 17 of the Directors' Report.

For additional details regarding the Remuneration and Nomination Committee, please refer to our website www.CPTglobal.com.

# Corporate Governance Statement

### Finance and Audit Committee

The Board has a Finance and Audit Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the consolidated entity to the Finance and Audit Committee.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. The Corporate Governance Principles recommend that all Finance and Audit Committee members are non-executive. CPT Global only has two non-executive directors therefore the managing director has also been appointed to the Finance and Audit Committee.

The members of the Finance and Audit Committee during the year were:

- Fred Grimwade (C)
- Ian MacDonald
- Gerry Tuddenham

For details of directors' attendance at meetings of the Finance and Audit Committee, refer to page 19 of the Directors' Report.

### Risk Management

CPT Global takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The group believes that it is crucial for all Board members to be a part of this process, and as such the Board has not established a separate risk management committee. Instead sub-committees are convened as appropriate in response to issues and risks identified by the Board as a whole, and the sub-committee further examines the issue and reports back to the Board.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include:

- Board approval of a strategic plan, which encompasses the entity's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including the establishment and monitoring of Key Performance Indicators (KPI's) of both a financial and non-financial nature.
- The establishment of committees to report on specific business risks, including for example, such matters as the financial risks and concerns and occupational health and safety.

### Trading Policy

The company's policy regarding directors and employees trading in its securities is set by the Finance and Audit Committee. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the securities price.

# Directors' Report

Your directors submit their report for the year ended 30 June 2010.

## DIRECTORS

The names and details of the company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

### Names, qualifications, experience and special responsibilities

**Fred S Grimwade**

(Non-executive Chairman)

Fred chairs CPT's Finance and Audit Committee and is a member of the Remuneration Committee. He is an executive director of specialist corporate advisory and investment firm Fawkner Capital, and was Managing Director of the Colonial Agricultural Company, one of Australia's largest beef producers, from 1998 to 2006. He is also a non executive director of AWB Limited and Select Harvests Limited.
Fred was a commercial lawyer at Mallesons Stephen Jaques, and later worked with Goldman, Sachs & Co. in New York and in Sydney. He also served as Company Secretary and General Manager for Shareholder Relations at Western Mining Corporation. In 1996, he joined Colonial Mutual as Group Company Secretary and General Manager for Legal Affairs and subsequently became Head of Private Capital for Colonial First State Investments, one of Australia's largest fund managers.
Fred is a senior fellow and life member of the Financial Services Institute of Australasia (Finsia) and was its joint president from 2005 to 2006. He is also a fellow of the Australian Institute of Company Directors and a Fellow of Chartered Secretaries Australia.

**Gerry Tuddenham**

(Managing Director)

Gerry is the founder of and a major shareholder in CPT. He has more than 30 years experience in IT consulting and is a hands-on technologist with a reputation for delivering practical solutions. Gerry is widely known as a technical specialist in performance tuning, capacity planning and testing in IBM mainframes, with additional expertise in expert systems, transaction processors, middleware and database management systems. Gerry was the lead developer of the Expetune and Expetest utilities, which automate a number of intricate tuning and testing activities. He has worked internationally in a broad range of industries, with a focus on financial services and telecommunications. Gerry is a member of the Australian Institute of Company Directors. Gerry is a member of the Finance and Audit Committee.

**Ian MacDonald**

(Non-executive Director)

Ian is a member of CPT's Finance and Audit Committee, and also chairs the Board Remuneration Committee. He has over 35 years experience in the Financial Services industry, with a focus on banking, wealth management and technology. He has extensive experience at both the Operational and Strategic level of Retail Banking, Corporate Banking, Marketing, International Trade, International Markets, Credit, Risk Management, Governance and Technology. Ian is also a director of Arab Bank Australia Limited, Elders Ltd, Rural Bank Limited, Elders Trustees Ltd, Elders Insurance Ltd, Elders Insurance Agencies Pty Ltd, and Elders Financial Services Group Pty Ltd. Ian has broad experience in corporate governance, regulatory compliance, risk management and audit.

**Peter Wright**

(Executive Director)

Peter is the leader of CPT's management consulting group, and the founder of this practice at CPT. He has more than 30 years experience in consulting and IT management, from his early days as a computer science practitioner through a successful career at several international consulting firms. This experience gives him a unique perspective on the business, fuelled by a passion for effective IT management through the application of best practice principles. Before coming to CPT, Peter was the national managing principal for applications outsourcing at IBM Global Services, as well as a consulting director and vice president at DMR Consulting. At DMR, Peter had responsibility for the Systems Delivery and Maintenance Service practice. He has also worked for numerous clients in banking, transportation and government. Peter is a member of the Australian Institute of Company Directors, member of the Australian Computer Society and a member of the Project Managers Institute.

**COMPANY SECRETARY**

**Stephan Scheffer**

Stephan was appointed as Chief Financial Officer and Company Secretary in July 2007. Stephan is a Chartered Accountant and brings more than 20 years broad commercial experience, both local and international, to CPT Global. He has spent the last 16 years in the ICT industry. Stephan is a member of both the Australian Institute of Company Directors and the Institute of Charted Accountants in Australia.

Stephan Scheffer resigned from CPT Global on the 10th September 2010. The acting Company Secretary at reporting date is Gerry Tuddenham.

# Directors' Report

## INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

As at the date of this report, the interests of the directors in the shares and options of CPT Global Limited were:

| | Ordinary Shares | Options over Ordinary Shares |
|---|---|---|
| Fred S Grimwade | 718,200 | - |
| Gerry Tuddenham | 11,629,512 | 150,000 |
| Ian MacDonald | 402,511 | - |
| Peter Wright | 164,500 | 150,000 |

## EARNINGS PER SHARE

| | Cents |
|---|---|
| Basic earnings per share | (8.53) |
| Diluted earnings per share | (8.41) |

## DIVIDENDS

| | Cents | $ |
|---|---|---|
| Final dividends recommended: | | |
| Fully franked final ordinary dividend recommended by the Directors. | 0.0 | - |
| | | - |
| Dividends paid in the year: | | |
| *Interim for the year* | | |
| Fully franked interim ordinary dividend | 0.0 | - |
| | | - |
| *Final for 2009 shown as recommended in the 2009 report* | | |
| Fully franked final ordinary dividend paid on 12th October 2009. | 3.0 | 1,102,391 |
| | | 1,102,391 |

# Directors' Report

## CORPORATE INFORMATION

### Nature of operations and principal activities

The principal activities of the economic entity during the financial year were the provision of specialist IT consultancy services based on the following core service offerings:

**Technical Consulting Services**

- Capacity Planning Assurance and Reviews
- Cost Reduction Programs and 'Cost of Running' Reports and Models
- Tuning Services including corporate wide approach to Performance Tuning
- Technical Support including Database and System Administration
- Technical Reviews including Environment and Application Performance
- Architecture Services including Technical Architecture and Design Reviews
- Data Warehousing Solutions
- Stress and Volume Performance Testing
- Test Facilitation and Management

**Management of IT Consulting Services**

- IT Strategic Planning
- Selective Outsourcing / Multi sourcing readiness support and transition services
- IT Outsourcing Contract Services Reviews
- IT Delivery and Support Reviews and Improvement using the Shared Services / ITIL framework
- Senior Project and System Integration Management
- IT Business Metrics Alignment leveraging Balanced Scorecard and 'Cost of Ownership' models
- Business Process Re engineering
- Business Process Improvement
- Information Management Planning
- eBusiness Planning and Implementation
- Business Requirement Definition
- Systems and Technology Integration
- Organisation Change
- Records and Document Management
- Program and Project Management

There have been no significant changes in the nature of those activities during the year.

### Employees

The consolidated entity employed 203 employees as at 30 June 2010 (2009: 199 employees).

## OPERATING AND FINANCIAL REVIEW

The consolidated loss of the economic entity after providing for income tax amounted to $3,133,000. Closing net assets of the economic entity were $13,068,000, a decrease of $4,805,000 on the prior year as a result of the operating performance of the group and impairment of goodwill.

For a detailed discussion of the financial results for the year ended 30 June 2010 please refer to the Chairman's Statement and Managing Director's Review on pages 1 and 4.

# Directors' Report

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

No significant changes in the state of affairs of the company occurred during the financial year.

## SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 6th August 2010 CPT Global Limited announced its intention to extend the on-market share buy back for a further twelve months until 7th August 2011. A maximum of 3,000,000 shares may be bought back during the buy back period, which will run from 27th August 2009 until 27th August 2014.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Likely developments in the operations of the economic entity and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the economic entity.

## ENVIRONMENTAL REGULATION AND PERFORMANCE

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The company has paid premiums to insure the current directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director and officer of the company, other than conduct involving a wilful breach of duty in relation to the company. The total premium paid was $29,682.

## REMUNERATION REPORT

### Remuneration policy

The Remuneration and Nomination Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the directors, the managing director and the executive team. The Remuneration and Nomination Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. The outcomes of the remuneration structure are expected to comply with Executive Share and Option Scheme Guidelines, IFSA Guidance Note, Investment and Financial Services Association, 2003. The payment of bonuses, stock options and other incentive payments are reviewed by the Remuneration and Nomination Committee annually as part of the review of executive remuneration and a recommendation is put to the Board for approval. All bonuses, options and incentives must be linked to pre-determined performance criteria. The Board can exercise its discretion in relation to approving the incentives, bonuses and options and can recommend changes to the Committee's recommendations. Any changes must be justified by reference to measurable performance criteria. Details of such incentives awarded during the year are detailed below. Further details on the remuneration of directors and executives are provided in Note 28 to the financial statements

To assist in achieving these objectives, the Remuneration and Nomination Committee links the nature and amount of executive directors' and officers' emoluments to the company's financial and operational performance and shareholders value.

### Performance-based remuneration

Annual salary reviews are linked directly to directors' and executives' achievements of key performance indicators (KPIs). The KPIs are set annually after consultation with the directors and executives. The measures are specifically tailored to the areas where each executive has a level of control. The KPIs target areas the Board believes hold the greatest potential for expansion and profit, covering financial and non-financial goals as well as short and long-term goals.

The Board may, at its discretion, award bonuses for exceptional performance in relation to the pre-agreed KPIs.

# Directors' Report

**Company performance, shareholder wealth and director and executive remuneration**

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. There have been two methods applied in achieving this aim, the first being annual salary reviews based on key performance indicators, and the second being the issue of shares and options to selected directors and executives to encourage the alignment of personal and shareholder interests. The company believes this policy to have been effective in increasing shareholder wealth over the past five years.

The following table shows the net profit and dividends for the last five years for the listed entity, as well as the share price at the end of the respective financial years. The analysis reflects a decrease in profit for the current year which is matched by the nil dividend. The reasons for this have been attributed to a decrease in new business and difficult trading conditions within Australia as well as the continuing economic uncertainty overseas which has caused companies to delay decisions. The board is still of the opinion that the remuneration policy is effective and can be linked to current years result.

| | **2006** | **2007** | **2008** | **2009** | **2010** |
|---|---|---|---|---|---|
| Net profit/(loss) | $2.053m | $3.007m | $1.648m | $2.171m | ($3.133m) |
| Share price at year end | $0.62 | $1.18 | $0.75 | $0.51 | $0.56 |
| Dividends paid | 6.0c | 7.75c | 5.00c | 5.50c | 0.00c |

During the year, no shares were purchased as part of the share buyback. The share price during the year ranged from a low of $0.36 to a high of $1.01.

**Details of remuneration for the year ended 30 June 2010**

Details of the nature and amount of each element of the emoluments of each director of the company and executive officers of the company and the economic entity receiving the highest emolument for the financial year are as follows:

| | **Short-Term Benefits** | | **Post Employment Benefits** | **Share-based Payment** | | **Total** | **Performance related** |
|---|---|---|---|---|---|---|---|
| **Directors** | Salary, Fees and Commissions | Cash bonus | Super | Equity[2] | Options[3] | | |
| | $ | $ | $ | $ | | $ | % |
| Fred Grimwade | | | | | | | |
| ▪ **2010** | **69,842** | **-** | **6,286** | **-** | **-** | **76,128** | **-** |
| ▪ 2009 | 83,142 | - | 7,483 | - | - | 90,625[1] | - |
| Gerry Tuddenham | | | | | | | |
| ▪ **2010** | **353,670** | **50,000** | **50,000** | **-** | **-** | **453,670** | **-** |
| ▪ 2009 | 326,054 | - | 88,838 | - | 24,477 | 439,369 | 5.5 |
| Ian MacDonald | | | | | | | |
| ▪ **2010** | **25,288** | **-** | **29,840** | - | **-** | **55,128** | **-** |
| ▪ 2009 | - | - | 65,625 | - | - | 65,625[1] | - |
| Peter Wright | | | | | | | |
| ▪ **2010** | **424,791** | **50,000** | **50,000** | **-** | **-** | **524,791** | **-** |
| ▪ 2009 | 304,000 | - | 96,000 | - | 24,477 | 424,477 | 5.7 |
| **Total Remuneration** | | | | | | | |
| ▪ **2010** | **873,591** | **100,000** | **136,126** | **-** | **-** | **1,109,717** | **-** |
| ▪ 2009 | 713,196 | - | 257,946 | - | 48,954 | 1,020,096 | 4.8 |

[1] 2009 totals include remuneration for the fourth quarter of 2008.

Cash bonuses awarded to executive directors during 2010 were measured against the 2009 financial performance of the consolidated group as well as achievements of key performance indicators (KPI's) set by the board of directors.

# Directors' Report

| Executive officers[3] | Short-Term Benefits Salary, Fees and Commissions | Short-Term Benefits Cash bonus | Post Employment Benefits Super | Share-based Payment Equity[1] | Share-based Payment Options[2] | Total | Performance related |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | | $ | % |
| Alan Mackenzie | | | | | | | |
| ▪ **2010** | **280,347** | **-** | **20,270** | **-** | **-** | **300,617** | **-** |
| ▪ 2009 | 367,814 | - | 26,419 | - | - | 394,233 | - |
| Kevin Akom | | | | | | | |
| ▪ **2010** | **277,293** | **-** | **50,000** | **-** | **-** | **327,293** | **-** |
| ▪ 2009 | 268,813 | - | 20,622 | - | | 289,435 | - |
| Stephan Scheffer | | | | | | | |
| ▪ **2010** | **197,374** | **-** | **14,461** | **-** | **-** | **211,835** | **-** |
| ▪ 2009 | 187,480 | - | 14,401 | - | | 201,881 | - |
| **Total Remuneration** | | | | | | | |
| ▪ **2010** | **755,014** | **-** | **84,731** | **-** | **-** | **839,745** | **-** |
| ▪ 2009 | 824,107 | - | 61,442 | - | - | 885,549 | - |

**Notes**

The terms 'director' and 'officer' have been treated as mutually exclusive for the purposes of this disclosure.

The elements of emoluments have been determined on the basis of the cost to the company and the economic entity.

1 Equity awarded as part of director and executive emoluments includes share entitlements granted to certain employees under the CPT Share and Option Incentive Plan. See note 23 of the financial statements for details of share-based payments.

2 Options granted as part of director and executive emoluments include performance shares granted to executive directors, and have been valued using the Hull-White trinomial option pricing model, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, current market price of the underlying share and the expected life of the option.

3 Executives are those directly accountable and responsible for the operational management and strategic direction of the company and the economic entity.

**Performance income as a proportion of total remuneration**
Executive directors and executives are paid performance related bonuses based on set monetary figures, rather than proportions of salary since these payments are discretionary. This has led to the proportions of remuneration related to performance varying between individuals.

**Options granted as remuneration**

| | Vested No. | Lapsed No. | Granted No. | Grant Date | Value per Option at Grant Date $ | Terms and Conditions for Each Grant: Exercise Price $ | First Exercise Date | Last Exercise Date |
|---|---|---|---|---|---|---|---|---|
| Gerry Tuddenham | 200,000 | 100,000 | 300,000 | 29/11/06 | 0.51 | $3 in total | 07/12/06 | 29/11/09 |
| | - | - | 50,000 | 29/11/07 | 1.49 | $0.50 in total | 30/11/09 | 29/11/10 |
| | - | - | 100,000 | 28/11/08 | 0.35 | $1 in total | 30/11/10 | 29/11/11 |
| Peter Wright | 200,000 | 100,000 | 300,000 | 29/11/06 | 0.51 | $3 in total | 07/12/06 | 29/11/09 |
| | - | - | 50,000 | 29/11/07 | 1.49 | $0.50 in total | 30/11/09 | 29/11/10 |
| | - | - | 100,000 | 28/11/08 | 0.35 | $1 in total | 30/11/10 | 29/11/11 |
| **Total** | **400,000** | **200,000** | **900,000** | | | | | |

All options over unissued ordinary shares of CPT Global Limited were granted for nil consideration.
The 400,000 vested options were exercised in the 2007 and 2008 financial years. The 200,000 lapsed shares occurred in the 2010 financial year. The number of options outstanding at 30 June 2010 is 300,000.
Further details on the service and performance criteria attached to these options can be found in note 23.

# Directors' Report

| | Balance at beginning of period 1 July 2009 | Granted as Remune-ration | Options Exercised | Options Lapsed | Balance at end of period 30 June 2010 | Vested at end of period 30 June 2010 | Excer-cisable at end of period 30 June 2010 | Vested and un-exercised at end of period 30 June 2010 |
|---|---|---|---|---|---|---|---|---|
| Gerry Tuddenham | 250,000 | - | - | 100,000 | 150,000 | - | - | - |
| Peter Wright | 250,000 | - | - | 100,000 | 150,000 | - | - | - |
| **Total** | **500,000** | **-** | **-** | **200,000** | **300,000** | **-** | **-** | **-** |

**Employment contracts of directors and specified executives**

Both executive directors and the executives specified in this remuneration report and notes to the accounts, have their employment conditions formalised in contracts of employment. With the exception of Alan Mackenzie, who is considered a contractor, all executive directors and specified executives are permanent employees of CPT Global Limited.

The employment contracts are not for a fixed term, but contain one month notice periods and do not contain any provisions for termination payments. Any options not vested as at the date of termination will lapse.

For details of contracts under which directors are entitled to a benefit, refer to Note 28.

**DIRECTORS' MEETINGS**

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

| | Directors' Meetings | | Finance and Audit Committee Meetings | | Remuneration and Nomination Committee Meetings | |
|---|---|---|---|---|---|---|
| | Number eligible to attend | Number attended | Number eligible to attend | Number attended | Number eligible to attend | Number attended |
| Fred S Grimwade | 10 | 10 | 2 | 2 | 2 | 2 |
| Gerry Tuddenham | 10 | 9 | 2 | 2 | - | - |
| Ian MacDonald | 10 | 10 | 2 | 2 | 2 | 2 |
| Peter Wright | 10 | 8 | - | - | - | - |

**Committee membership**

As at the date of this report, the company had a Finance and Audit Committee and a Remuneration and Nomination Committee of the Board of Directors.

Members acting on the committees of the Board during the year were:

**Finance and Audit**

Fred Grimwade (C)
Gerry Tuddenham
Ian MacDonald

**Remuneration and Nomination**

Ian MacDonald (C)
Fred Grimwade

**Notes**

(C) Designates the chairman of the committee.

# Directors' Report

**OPTIONS**

At the date of this report, the unissued ordinary shares of CPT Global Limited under option are as follows:

| Grant date | Expiry date | Exercise price | Number of options |
|---|---|---|---|
| 13/12/07 | 29/11/10 | $1 in total | 100,000 |
| 28/11/08 | 29/11/11 | $2 in total | 200,000 |
| | | | 300,000 |

During the year ended 30 June 2010, no options to acquire ordinary shares were granted (2009: 200,000) and nil (2009: nil) ordinary shares were issued on the exercise of these options.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

No further shares have been issued since year end.

**PROCEEDINGS ON BEHALF OF COMPANY**

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

**NON-AUDIT SERVICES**

The Board of Directors, in accordance with advice from the Finance and Audit Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Finance and Audit Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional & Ethical Standards Board.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2010:

- Taxation compliance services $11,000
- Other services $3,000

Other services relate to accounting and taxation advice.

**AUDITOR'S INDEPENDENCE DECLARATION**

The lead auditor's independence declaration for the year ended 30 June 2010 has been received and can be found on page 21 of the directors' report.

**ROUNDING**

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/100. The company is an entity to which the Class Order applies.

**CORPORATE GOVERNANCE**

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of CPT Global Limited support and have adhered to the principles of corporate governance. The company's corporate governance statement is contained in the earlier section of this annual report.

Signed in accordance with a resolution of the directors.

Gerry Tuddenham

Managing Director

Melbourne, 30 September 2010

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Melbourne VIC 3000

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## Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of CPT Global Limited and Controlled Entities

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2010 there has 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.

MOORE STEPHENS
Chartered Accountants

S David Pitt
Partner

Melbourne, 30 September 2010

# Consolidated Statement of Comprehensive Income

| YEAR ENDED 30 JUNE 2010 | Notes | Economic Entity | | Parent Entity | |
|---|---|---|---|---|---|
| | | 2010 | 2009 | 2010 | 2009 |
| | | $'000 | $'000 | $'000 | $'000 |
| Revenue | 2 | **37,738** | 43,933 | **33,743** | 37,261 |
| Other income | | **141** | 217 | **166** | 297 |
| Salaries and employee benefits expense | | **(3,117)** | (3,129) | **(2,643)** | (2,710) |
| Consultants benefits expense | | **(30,709)** | (33,116) | **(27,584)** | (29,472) |
| Depreciation and amortisation expenses | 3 | **(175)** | (214) | **(162)** | (198) |
| Impairment losses on Goodwill | | **(2,400)** | - | **(2,400)** | - |
| Insurance expense | | **(212)** | (220) | **(203)** | (213) |
| Finance costs | 3 | **(182)** | (160) | **(186)** | (166) |
| Lease expenses | | **(409)** | (440) | **(409)** | (440) |
| Other expenses | | **(3,777)** | (3,541) | **(2,959)** | (2,199) |
| **PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE** | | **(3,102)** | 3,330 | **(2,637)** | 2,160 |
| **INCOME TAX EXPENSE** | 4 | **(31)** | (1,159) | **(24)** | (1,053) |
| **PROFIT/(LOSS) AFTER INCOME TAX** | | **(3,133)** | 2,171 | **(2,661)** | 1,107 |
| **Other Comprehensive Loss:** Exchange differences on translating foreign controlled entities | | **(814)** | (157) | **-** | - |
| **Total Other Comprehensive Loss for the year, net of tax** | | **(814)** | (157) | | |
| **TOTAL COMPREHENSIVE INCOME/(LOSS)** | | **(3,947)** | 2,014 | **(2,661)** | 1,107 |
| **TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO MEMBERS OF CPT GLOBAL LIMITED** | | **(3,947)** | 2,014 | **(2,661)** | 1,107 |
| Basic earnings per share (cents per share) | 26 | **(8.53)** | 5.90 | | |
| Diluted earnings per share (cents per share) | 26 | **(8.41)** | 5.82 | | |

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements.

# Consolidated Statement of Financial Position

| AT 30 JUNE 2010 | Notes | Economic Entity 2010 $'000 | Economic Entity 2009 $'000 | Parent Entity 2010 $'000 | Parent Entity 2009 $'000 |
|---|---|---|---|---|---|
| **CURRENT ASSETS** | | | | | |
| Cash and cash equivalents | 6 | **1,050** | 1,245 | **-** | 319 |
| Trade and other receivables | 7 | **8,249** | 8,742 | **8,963** | 11,102 |
| Inventories | 8 | **1,869** | 3,739 | **219** | 11 |
| Other financial assets | 10 | **10** | - | **10** | - |
| Current tax asset | 16 | **112** | - | **132** | - |
| Other current assets | 9 | **454** | 616 | **219** | 142 |
| **TOTAL CURRENT ASSETS** | | **11,744** | 14,342 | **9,543** | 11,574 |
| **NON-CURRENT ASSETS** | | | | | |
| Deferred tax assets | 16 | **366** | 333 | **366** | 333 |
| Other financial assets | 10 | **-** | - | **2,093** | 730 |
| Property, plant and equipment | 12 | **293** | 385 | **277** | 360 |
| Intangible assets | 13 | **7,350** | 9,785 | **6,720** | 9,155 |
| **TOTAL NON-CURRENT ASSETS** | | **8,009** | 10,503 | **9,456** | 10,578 |
| **TOTAL ASSETS** | | **19,753** | 24,845 | **18,999** | 22,152 |
| **CURRENT LIABILITIES** | | | | | |
| Trade and other payables | 14 | **5,740** | 5,909 | **5,148** | 4,981 |
| Borrowings | 15 | **625** | 131 | **625** | 131 |
| Current tax liabilities | 16 | **-** | 692 | **-** | 375 |
| **TOTAL CURRENT LIABILITIES** | | **6,365** | 6,732 | **5,773** | 5,487 |
| **NON-CURRENT LIABILITIES** | | | | | |
| Deferred tax liabilities | 16 | **53** | 53 | **53** | 53 |
| Other long term provisions | 17 | **267** | 187 | **267** | 187 |
| **TOTAL NON-CURRENT LIABILITIES** | | **320** | 240 | **320** | 240 |
| **TOTAL LIABILITIES** | | **6,685** | 6,972 | **6,093** | 5,727 |
| **NET ASSETS** | | **13,068** | 17,873 | **12,906** | 16,425 |
| **EQUITY** | | | | | |
| Issued capital | 18 | **12,075** | 12,075 | **12,075** | 12,075 |
| Reserves | 19 | **614** | 1,196 | **1,588** | 1,344 |
| Retained earnings/(accumulated losses) | | **379** | 4,602 | **(757)** | 3,006 |
| **TOTAL EQUITY** | | **13,068** | 17,873 | **12,906** | 16,425 |

The Consolidated Statement of Financial Position is to be read in conjunction with the Notes to the Financial Statements.

# Consolidated Statement of Changes in Equity

## YEAR ENDED 30 JUNE 2010

| Economic Entity | Notes | $'000 Issued capital Ordinary | $'000 Retained Earnings | $'000 Equity Reserve | $'000 Foreign Currency Translation Reserve | $'000 Total |
|---|---|---|---|---|---|---|
| **Balance at 1 July 2008** | | 12,075 | 3,995 | 934 | (73) | 16,931 |
| Profit attributable to members of the group | | - | 2,171 | - | - | 2,171 |
| Other comprehensive loss | | - | - | - | (157) | (157) |
| Share based payments | | - | - | 410 | - | 410 |
| Transfers to and from equity reserve | | | | 82 | | 82 |
| Transfers to and from exchange reserve | | - | - | - | - | - |
| Sub-total | | 12,075 | 6,166 | 1,426 | (230) | 19,437 |
| Dividends paid or provided for | 5 | - | (1,564) | - | - | (1,564) |
| **Balance as at 30 June 2009** | | 12,075 | 4,602 | 1,426 | (230) | 17,873 |
| | | | | | | |
| **Balance at 1 July 2009** | | 12,075 | 4,602 | 1,426 | (230) | 17,873 |
| Loss attributable to members of the group | | - | (3,133) | - | - | (3,133) |
| Other comprehensive loss | | | | | (814) | (814) |
| Share based payments | | - | - | 244 | - | 244 |
| Transfers to and from exchange reserve | | | 12 | - | (12) | - |
| Sub-total | | 12,075 | 1,481 | 1,670 | (1,056) | 14,170 |
| Dividends paid or provided for | 5 | - | (1,102) | - | - | (1,102) |
| **Balance as at 30 June 2010** | | 12,075 | 379 | 1,670 | (1,056) | 13,068 |

| Parent Entity | Notes | $'000 Issued capital Ordinary | $'000 Retained Earnings | $'000 Equity Reserve | $'000 Total |
|---|---|---|---|---|---|
| **Balance at 1 July 2008** | | 12,075 | 3,463 | 934 | 16,472 |
| Profit attributable to members of parent entity | | - | 1,107 | - | 1,107 |
| Other comprehensive income | | - | - | - | - |
| Share based payments | | - | - | 410 | 410 |
| Sub-total | | 12,075 | 4,570 | 1,344 | 17,989 |
| Dividends paid or provided for | 5 | - | (1,564) | - | (1,564) |
| **Balance as at 30 June 2009** | | 12,075 | 3,006 | 1,344 | 16,425 |
| | | | | | |
| **Balance at 1 July 2009** | | 12,075 | 3,006 | 1,344 | 16,425 |
| Loss attributable to members of parent entity | | - | (2,661) | - | (2,661) |
| Other comprehensive loss | | - | - | - | - |
| Share based payments | | - | - | 244 | 244 |
| Sub-total | | 12,075 | 345 | 1,588 | 14,008 |
| Dividends paid or provided for | | - | (1,102) | - | (1,102) |
| **Balance as at 30 June 2010** | 5 | 12,075 | (757) | 1,588 | 12,906 |

The Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements.

# Consolidated Statement of Cash Flows

| YEAR ENDED 30 JUNE 2010 | Notes | Economic Entity | | Parent Entity | |
|---|---|---|---|---|---|
| | | 2010 | 2009 | 2010 | 2009 |
| | | $'000 | $'000 | $'000 | $'000 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Receipts from customers | | **39,473** | 46,572 | **35,428** | 39,027 |
| Payments to suppliers and employees | | **(37,864)** | (41,130) | **(35,204)** | (35,314) |
| Interest received | | **-** | 2 | **-** | - |
| Finance costs | | **(182)** | (160) | **(186)** | (166) |
| Income tax paid | | **(869)** | (1,081) | **(563)** | (798) |
| NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES | 20(a) | **558** | 4,203 | **(525)** | 2,749 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Proceeds from sale of property, plant and equipment and software | | **4** | - | **2** | - |
| Purchase of property, plant and equipment, software | | **(49)** | (110) | **(44)** | (96) |
| Repayment of loans by related parties | | **-** | - | **427** | 648 |
| Loans from related parties | | **-** | - | **429** | - |
| NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES | | **(45)** | (110) | **814** | 552 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Repayments of borrowings - other | | **(32)** | (39) | **(32)** | (53) |
| Payment of dividends on ordinary shares | | **(1,102)** | (1,564) | **(1,103)** | (1,564) |
| NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES | | **(1,134)** | (1,603) | **(1,135)** | (1,617) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD | | **(621)** | 2,490 | **(846)** | 1,684 |
| Add opening cash & cash equivalents brought forward | | **1,245** | (1,228) | **319** | (1,365) |
| Effects of exchange rate changes on cash and cash equivalents | | **(101)** | (17) | - | - |
| **CLOSING CASH AND CASH EQUIVALENTS CARRIED FORWARD** | 6 | **523** | 1,245 | **(527)** | 319 |

The Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements.

# Notes to the Financial Statements

**YEAR ENDED 30 JUNE 2010**

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the consolidated financial statements and notes of CPT Global Limited and controlled entities ('Group' or 'Economic Entity'), and the separate financial statements and notes of CPT Global Limited as an individual parent entity ('Parent Entity'). CPT Global Limited is a listed public company, incorporated and domiciled in Australia.

**Basis of Preparation**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. All amounts are in Australian dollars unless otherwise stated.

During the current year the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory. The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of CPT Global Limited.

**AASB 8: Operating Segments**
In February 2007 the Australian Accounting Standards Board issued AASB 8 which replaced AASB 114: Segment Reporting. As a result, some of the required operating segment disclosures have changed with the addition of a possible impact on the impairment testing of goodwill allocated to the cash generating units (CGUs) of the entity. Below is an overview of the key changes and the impact on the Group's financial statements.

*Measurement impact*
Identification and measurement of segments — AASB 8 requires the 'management approach' to the identification measurement and disclosure of operating segments. The 'management approach' requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker, for the purpose of allocating resources and assessing performance. This could also include the identification of operating segments which sell primarily or exclusively to other internal operating segments. Under AASB 114, segments were identified by business and geographical areas, and only segments deriving revenue from external sources were considered.
Under AASB 8, operating segments are determined based on management reports using the 'management approach', whereas under AASB 114 financial results of such segments were recognised and measured in accordance with Australian Accounting Standards. This has resulted in changes to the presentation of segment results, with inter-segment sales and expenses such as depreciation and impairment now being reported for each segment rather than in aggregate for total group operations, as this is how they are reviewed by the chief operating decision maker.

# Notes to the Financial Statements

**YEAR ENDED 30 JUNE 2010**

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

*Impairment testing of the segment's goodwill*
AASB 136: Impairment of Assets, paragraph 80 requires that goodwill acquired in a business combination shall be allocated to each of the acquirer's CGUs, or group of CGUs that are expected to benefit from the synergies of the combination. Each cash generating unit (CGU) which the goodwill is allocated to must represent the lowest level within the entity at which goodwill is monitored, however it cannot be larger than an operating segment. Therefore, due to the changes in the identification of segments, there is a risk that goodwill previously allocated to a CGU which was part of a larger segment could now be allocated across multiple segments if a segment had to be split as a result of changes to AASB 8. Management have considered the requirements of AASB 136 and determined the implementation of AASB 8 has not impacted the CGUs of each operating segment.

*Disclosure impact*
AASB 8 requires a number of additional quantitative and qualitative disclosures, not previously required under AASB 114, where such information is utilised by the chief operating decision maker. This information is now disclosed as part of the financial statements.

**AASB 101: Presentation of Financial Statements**
In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Group's financial statements.

*Disclosure impact*
Terminology changes — The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.
Reporting changes in equity — The revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.
Statement of comprehensive income — The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.
The Group's financial statements now contain a statement of comprehensive income.

Other comprehensive income — The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

**Accounting Policies**

**(a) Principles of consolidation**

A controlled entity is any entity over which CPT Global Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in note 11 to the financial statements.

As at the end of the reporting period, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the consolidated group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

# Notes to the Financial Statements

## YEAR ENDED 30 JUNE 2010

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

### (b) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profits will be available against which the benefits of the deferred tax asset can be utilised.

Deferred tax assets and liabilities 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.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

### (c) Inventories

Work in progress is valued at cost plus profit recognised to date less any provision for anticipated future losses. Cost includes both variable and fixed costs relating to specific contracts, and those costs that are attributable to the contract activity in general and that can be allocated on a reasonable basis.

Profits are recognised on the stage of completion basis measured using the proportion of costs incurred to date as compared to expected total costs. Where losses are anticipated they are provided for in full.

Revenue has been recognised on the basis of the terms of the contract adjusted for any variations or claims allowable under the contract.

# Notes to the Financial Statements

YEAR ENDED 30 JUNE 2010

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

### (d) Property, Plant & Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

**Plant and equipment**

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

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 the statement of comprehensive income during the financial period in which they are incurred.

**Depreciation**

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a diminishing value basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

| Class of Fixed Asset | Depreciation Rate |
|---|---|
| Leasehold improvements | 20% |
| Fixtures Fittings and Equipment | 22.5% to 50% |
| Motor Vehicles | 12% to 20% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

### (e) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership is not transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

# Notes to the Financial Statements

YEAR ENDED 30 JUNE 2010

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

### (f) Financial Instruments

**Recognition and measurement**

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

**Classification and subsequent measurement**

Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

a. the amount at which the financial asset or financial liability is measured at initial recognition;
b. less principal repayments;
c. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method;
d. less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

*(i) Financial assets at fair value through profit or loss*

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

*(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

*(iii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

# Notes to the Financial Statements

**YEAR ENDED 30 JUNE 2010**

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

*(iv) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. They are subsequently measured at fair value with changes in carrying value being included in equity.

*(v) Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

**Derivative instruments**

CPT Global Limited and Controlled Entities designate certain derivatives as either:

i. hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
ii. hedges of highly probable forecast transactions (cash flow hedges).

At the inception of the transaction the relationship between hedging instruments and hedged items, as well as the Group's risk management objective and strategy for undertaking various hedge transactions is documented.

Assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items, are also documented.

*(i) Fair value hedge*
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of comprehensive income, together with any changes in the fair value of hedged assets or liabilities that are attributable to the hedged risk.

*(ii)Cash flow hedge*
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred to a hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income.

Amounts accumulated in the hedge reserve in equity are transferred to the statement of comprehensive income in the periods when the hedged item will affect profit or loss.

**Fair value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

**Impairment**

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

**Financial guarantees**

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

# Notes to the Financial Statements

## YEAR ENDED 30 JUNE 2010

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

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

**Derecognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

**(g) Receivables**

Trade receivables are initially recognised at fair value and are subsequently measured at amortised cost less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Receivables from related parties are recognised and carried at the principle amount due. Interest, when charged is recognised as income on an accrual basis.

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 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 the statement of comprehensive income 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 the statement of comprehensive income.

**(h) Impairment of assets**

At the end of each reporting period, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Non financial assets, other than goodwill that suffered impairment, are renewed for possible reversals of the impairment at the end of each reporting period.

# Notes to the Financial Statements

**YEAR ENDED 30 JUNE 2010**

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

### (i) Intangibles

**Goodwill**

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business combination exceeds the fair value attributed to the interest in the net fair value of identifiable assets, liabilities and contingent liabilities at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and 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.

**Intellectual Property**

Intellectual property is recognised at the cost of acquisition. Intellectual property is tested annually for impairment and carried at cost less accumulated impairment losses.

**Computer Software**

Computer software is recognised at the cost of acquisition. Computer software costs have a finite useful life and are carried at cost less accumulated amortisation and any impairment losses. Computer software costs are amortised on a diminishing value basis over their useful life. The amortisation rate used for software costs is 37.5%.

### (j) Foreign Currency Transactions and Balances

**Functional and presentation currency**

The functional currency of each of the Group's entities is the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

**Transaction and balances**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedges.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the profit or loss.

**Group companies**

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from translation of transactions considered to be net investment in foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

# Notes to the Financial Statements

**YEAR ENDED 30 JUNE 2010**

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

### (k) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

### (l) Employee Benefits

Provision is made for the group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

*(i) Wages and salaries, annual leave and sick leave*
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the end of the reporting period are recognised in other payables 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.

*(ii) Long service leave*
The liability for long service leave 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 using the projected unit credit method. 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 defined contributions superannuation funds are recognised as an expense as they become payable.

*(iv) Share based payments*
Share-based compensation benefits are provided to certain employees via the CPT Share and Option Incentive Plan and an employee share scheme. Information relating to these schemes is set out in note 23.

The fair value of options granted under the CPT Share and Option Incentive Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Hull-White trinomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At the end of the each reporting period, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to the original estimates, if any, is recognised in the statement of comprehensive income with a corresponding adjustment to equity.

# Notes to the Financial Statements

**YEAR ENDED 30 JUNE 2010**

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

### (m) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the end of the reporting period.

### (n) Issued Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the group.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

### (o) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

### (p) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

The following specific recognition criteria must also be met before revenue is recognised:

**Sale of Goods**

Control of goods has passed to the buyer.

**Rendering of Services**

Where the contract outcome can be reliably measured, control of the right to be compensated for the services and the stage of completion can be reliably measured. Stage of completion is measured by reference to the labour hours incurred to date as a percentage of total estimated hours for each contract.

Where the contract outcome cannot be reliably measured, revenue is recognised only to the extent that costs have been incurred.

**Interest**

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

# Notes to the Financial Statements

### YEAR ENDED 30 JUNE 2010

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

**(q) Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are expensed in the period in which they are incurred.

**(r) Earnings per share ("EPS")**

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses;
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; and
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

**(s) Consumption Taxes (GST and VAT)**

Revenues, expenses and assets are recognised net of the amount of GST and VAT, except:

- where the amount of GST and VAT incurred is not recoverable from the taxation authority. In these circumstances the GST and VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST and VAT.

Cash flows are presented in the statement of cash flows inclusive of GST and VAT.

**(t) Government Grants**

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating.

**(u) Comparative Figures**

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**(v) Rounding of Amounts**

The parent entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and directors' report have been rounded off to the nearest $1,000, or in certain cases the nearest dollar.

# Notes to the Financial Statements

**YEAR ENDED 30 JUNE 2010**

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

### (w) Critical Accounting Estimates & Judgements

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

**Key estimates**

*(i) Impairment of Goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units (CGU) to which goodwill has been allocated. The value in use calculation requires the consolidated group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value.

Refer to Note 13 for details of the assumptions used in this calculation and the potential impact of changes to the assumptions.

### (x) New Accounting Standards for Application in Future Period

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

- AASB 9: Financial Instruments and AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

  These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements.

  The changes made to accounting requirements include:

  - simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
  - simplifying the requirements for embedded derivatives;
  - removing the tainting rules associated with held-to-maturity assets;
  - removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
  - allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
  - reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:
    a. the objective of the entity's business model for managing the financial assets; and
    b. the characteristics of the contractual cash flows.

# Notes to the Financial Statements

**YEAR ENDED 30 JUNE 2010**

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

- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

  This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the Group.

- AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

  These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

- AASB 2009–8: Amendments to Australian Accounting Standards — Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

  These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Group.

- AASB 2009–9: Amendments to Australian Accounting Standards — Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).

  These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the Group.

- AASB 2009–10: Amendments to Australian Accounting Standards — Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010).

  These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Group.

- AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

  This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the Group.

# Notes to the Financial Statements

## YEAR ENDED 30 JUNE 2010

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

- AASB 2009–13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

  This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Group.

- AASB 2009–14: Amendments to Australian Interpretation — Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

  This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

- AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).

  This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Group.

The Group does not anticipate the early adoption of any of the above Australian Accounting Standards.

# Notes to the Financial Statements

## YEAR ENDED 30 JUNE 2010

### 2. REVENUE

| | Note | Economic Entity 2010 $'000 | Economic Entity 2009 $'000 | Parent Entity 2010 $'000 | Parent Entity 2009 $'000 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| ▪ services revenue | | **37,738** | 43,933 | **33,743** | 37,261 |
| **Total Revenue** | | **37,738** | 43,933 | **33,743** | 37,261 |
| **Other income** | | | | | |
| ▪ rent received | | **22** | 22 | **22** | 22 |
| ▪ interest received | 2(a) | **-** | 2 | **26** | 82 |
| ▪ other income | | **119** | 193 | **118** | 193 |
| **Total Other Income** | | **141** | 217 | **166** | 297 |
| **(a) Interest revenue from:** | | | | | |
| ▪ other persons/corporations | | **-** | 2 | **-** | - |
| ▪ wholly owned controlled entities | | **-** | - | **26** | 82 |
| Total interest revenue | | **-** | 2 | **26** | 82 |

### 3. PROFIT/(LOSS) FOR THE YEAR

| | Economic Entity 2010 $'000 | Economic Entity 2009 $'000 | Parent Entity 2010 $'000 | Parent Entity 2009 $'000 |
|---|---|---|---|---|
| Finance costs: | | | | |
| external | **182** | 160 | **181** | 160 |
| related entities | **-** | - | **5** | 6 |
| Total finance costs | **182** | 160 | **186** | 166 |
| Impairment of goodwill | **2,400** | - | **2,400** | - |
| Foreign currency translation losses (gains) | **45** | 134 | **103** | 67 |
| Bad and doubtful debts | **13** | 156 | **-** | - |
| Rental expense on operating leases | **409** | 440 | **409** | 440 |
| Depreciation and amortisation of non-current assets | **175** | 214 | **162** | 198 |

# Notes to the Financial Statements

## YEAR ENDED 30 JUNE 2010

### 4. INCOME TAX EXPENSE

| | Note | Economic Entity 2010 | Economic Entity 2009 | Parent Entity 2010 | Parent Entity 2009 |
|---|---|---|---|---|---|
| Tax expense comprises: | | $'000 | $'000 | $'000 | $'000 |
| Current tax | | **77** | 1,144 | **57** | 1,038 |
| Deferred tax | 16 | **(33)** | 15 | **(33)** | 15 |
| Under/(over) provision of previous year | | **(13)** | - | **-** | - |
| | | **31** | 1,159 | **24** | 1,053 |
| The prima facie tax on profit before income tax is reconciled to the income tax as follows: | | | | | |
| Prima facie tax on profit before income tax at 30% (2009: 30%) | | **(931)** | 999 | **(791)** | 648 |
| Tax effect of | | | | | |
| ▪ Tax on overseas income at a different rate | | **(110)** | (20) | **-** | - |
| ▪ Write-downs to recoverable amounts | | **720** | - | **720** | - |
| ▪ Share-based payments expense | | **73** | 123 | **73** | 123 |
| ▪ Other non-allowable items | | **64** | 19 | **22** | 15 |
| ▪ Foreign exchange differences arising on net investment in foreign entities | 1(j) | **(174)** | - | **-** | - |
| ▪ Current year tax losses not brought to account | | **402** | - | **-** | - |
| ▪ Utilisation of prior year tax losses | | **-** | (15) | **-** | - |
| Under/(over) provision of previous year | | **(13)** | 53 | **-** | 267 |
| Income tax expense attributable to the entity | | **31** | 1,159 | **24** | 1,053 |
| The applicable weighted average effective tax rates are as follows: | | **-1%** | 35% | -1% | 49% |

The decrease in the weighted average effective tax rate for the current period tax charge is a result of the impairment of goodwill. Write downs of this nature are not an allowable deduction for income tax purposes.
The high parent entity weighted average effective tax rate for 2009 is a result of an under provision in respect of share-based payment expense that had been treated as an allowable expense in 2008 and 2007. As a result of Tax Determination 2008/5, the company has determined that the expense related to share based payments in its current form is to be treated as a non-deductible expense. The 2009 charge includes $280,000 which relates to share based payments expense incurred in 2007 and 2008.

### 5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

| | Economic Entity 2010 | Economic Entity 2009 | Parent Entity 2010 | Parent Entity 2009 |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **(a) Dividends paid during the year** | | | | |
| *Current year interim* | | | | |
| Franked dividends (0.0c per share) (2009: 2.50c per share) | - | 920 | - | 920 |
| *Previous year final* | | | | |
| Franked dividends (3.0c per share) (2008: 1.75c per share) | **1,102** | 644 | **1,102** | 644 |
| | **1,102** | 1,564 | **1,102** | 1,564 |

# Notes to the Financial Statements

YEAR ENDED 30 JUNE 2010

## 5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES (continued)

| | Economic Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $'000 | $'000 | $'000 | $'000 |
| **(b) Dividends proposed and not recognised as a liability** | | | | |
| • Franked dividends (0.0c per share) (2009: 3.0c per share) | - | 1,102 | - | 1,102 |

| | Parent Entity | |
|---|---|---|
| | 2010 | 2009 |
| **(c) Franking credit balance** | $'000 | $'000 |
| Balance of franking account at year end adjusted for franking credits arising from: | | |
| ▪ Payment of provision for income tax | | |
| ▪ Franking debits arising from payment of proposed dividends | **1,909** | 1,943 |
| Subsequent to year end, the franking account would be reduced by the proposed dividend reflected in Note 5(b) as follows: | - | (473) |
| | **1,909** | 1,470 |

## 6. CASH AND CASH EQUIVALENTS

| | Economic Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $'000 | $'000 | $'000 | $'000 |
| Cash at bank and in hand | **1,050** | 1,245 | - | 319 |

**Reconciliation of cash**

| | | | | |
|---|---|---|---|---|
| Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows: | | | | |
| Cash and cash equivalents | **1,050** | 1,245 | - | 319 |
| Bank overdrafts | **(527)** | - | **(527)** | - |
| | **523** | 1,245 | **(527)** | 319 |

# Notes to the Financial Statements

**YEAR ENDED 30 JUNE 2010**

## 7. TRADE AND OTHER RECEIVABLES

| | Notes | Economic Entity | | Parent Entity | |
|---|---|---|---|---|---|
| | | 2010 | 2009 | 2010 | 2009 |
| | | $'000 | $'000 | $'000 | $'000 |
| **CURRENT** | | | | | |
| Trade receivables | 7(a) | **8,061** | 8,519 | **8,723** | 10,418 |
| Provision for impairment of receivables | 7(b) | **-** | - | **-** | - |
| | | **8,061** | 8,519 | **8,723** | 10,418 |
| Other receivables | 7(a) | **188** | 223 | **164** | 206 |
| Amounts receivable from related parties | | **-** | - | **76** | 478 |
| | | **8,249** | 8,742 | **8,963** | 11,102 |

**(a)** Trade receivables are non-interest bearing and generally on 30 day terms. The average credit period on rendering of services and sale of goods is 78 days (2009: 71 days). Management has no objective evidence that any receivable amounts arising from the past sale of goods and rendering of services are impaired and therefore no provision for impairment has been recognised.

Before accepting new customers, the Group assesses the creditworthiness of the potential client using information provided by independent rating agencies, publicly available information and its own trading record. The Group's client portfolio consists of leading blue chip companies, Fortune Global 500 companies and Government departments within Australia. The profile of the trade receivable balance as at the reporting date is as follows:

Of the trade receivable balance at the end of the reporting period, $1,271,000 (2009:$2,442,000) is due from a large Australian telecommunications company, $1,125,000 (2009: $542,000) from a large banking institution and $1,865,000 (2009: $1,235,000) from a leading global investment bank in Germany. There are no other customers who represent more than 5% of the total balance of trade receivables.

**Trade receivables that are past due but not impaired**

Included in the trade receivable balance are debtors with a carrying amount of $2,399,000 (2009: $1,093,000) in the group and $3,657,000 (2009: $3,805,000) in the parent entity which are past due at the end of the reporting period but have not been provided for as there has not been a significant change in credit quality and the amounts are still considered recoverable. Of the overdue balance, $2,141,000 (2009: $766,000) relates to clients with whom the Group and parent has traded with for more than one year with no history of delinquency. The nature of the clients, namely a mix of large financial institutions, telecommunications companies and government give further confidence that these past due balances are not impaired. Neither the Group nor parent holds any collateral over these balances. The ageing analysis of these trade receivables is:

| | Economic Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $'000 | $'000 | $'000 | $'000 |
| 1-3 months | **1,803** | 757 | **882** | 821 |
| 3-6 months | **526** | 235 | **271** | 995 |
| Over 6 months | **70** | 101 | **2,504** | 1,989 |
| Within initial trade terms | **5,662** | 7,425 | **5,066** | 6,613 |
| | **8,061** | 8,518 | **8,723** | 10,418 |

Neither the Group nor parent entity holds any financial assets with terms that have been renegotiated, but which would otherwise be past due or impaired.

# Notes to the Financial Statements

## YEAR ENDED 30 JUNE 2010

## 7. TRADE AND OTHER RECEIVABLES (continued)

### (b) Provision for impairment of current trade receivables

Current trade and term receivables are non-interest bearing loans and generally on 30 day terms. Non-current trade and term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired. These amounts have been included in the other expenses item.

Movement in the provision for impairment of receivables is as follows:

| | Economic Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $'000 | $'000 | $'000 | $'000 |
| Balance at beginning of year | **-** | - | **-** | - |
| Charge for the year | **13** | 156 | **-** | - |
| Amounts written off as uncollectible | **(13)** | (156) | **-** | - |
| Balance at end of year | **-** | - | **-** | - |

| Fair values | Economic Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $'000 | $'000 | $'000 | $'000 |
| Trade receivables | **8,061** | 8,519 | **8,723** | 10,418 |
| Other receivables | **188** | 223 | **164** | 206 |
| Amounts receivable from related parties | **-** | - | **76** | 478 |

The Group determines fair values based on future cash flows discounted at the current market interest rate that is available to the Group for similar financial instruments. The carrying value less impairment provision of trade receivables are assumed to approximate fair value, due to their short term nature.

# Notes to the Financial Statements

## YEAR ENDED 30 JUNE 2010

### 8. INVENTORIES (CURRENT)

| | Economic Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| **Work-in-progress** | $'000 | $'000 | $'000 | $'000 |
| At cost and net realisable value | **1,869** | 3,739 | **219** | 11 |
| Total inventories at cost and net realisable value | **1,869** | 3,739 | **219** | 11 |

Work in progress includes amounts relating to revenue recognised in accordance with the accounting policies detailed in Note 1(c) that had not been invoiced to the customer as at the end of the reporting period. Included in the Group's work in progress balance is $145,000 (2009: $65,000) relating to revenue that was recognised more than 12 months prior to the end of the reporting period. No provision for impairment has been recognised in relation to these amounts as management still consider these amounts to be recoverable.

Of the work in progress balance at the year end, $737,000 related to a single customer, one of America's leading financial institutions and is listed on the Global Fortune 500. Management has assessed the creditworthiness of the American financial institution as high.

### 9. OTHER CURRENT ASSETS

| | Economic Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $'000 | $'000 | $'000 | $'000 |
| Prepayments | **144** | 142 | **144** | 142 |
| Other current assets | **310** | 474 | **75** | - |
| | **454** | 616 | **219** | 142 |

### 10. OTHER FINANCIAL ASSETS

| | Notes | Economic Entity | | Parent Entity | |
|---|---|---|---|---|---|
| | | 2010 | 2009 | 2010 | 2009 |
| | | $'000 | $'000 | $'000 | $'000 |
| **NON-CURRENT** | | | | | |
| *Investments at cost comprise:* | | | | | |
| Shares | | | | | |
| • Controlled entities - unlisted | 11 | **-** | - | **730** | 730 |
| • Investment in CPT Global GmbH | 11 | **-** | - | **163** | - |
| • Investment in CPT Global Inc | 11 | **-** | - | **1,200** | - |
| | | **-** | - | **2,093** | 730 |
| **CURRENT** | | | | | |
| Forward exchange contracts | 31 | **10** | - | **10** | - |

# Notes to the Financial Statements

## YEAR ENDED 30 JUNE 2010

### 11. INTERESTS IN SUBSIDIARIES

| Name | Country of incorporation | Percentage of equity interest held by the consolidated entity* | |
|---|---|---|---|
| | | 2010 | 2009 |
| | | % | % |
| CPT Global Ltd | United Kingdom | **100** | 100 |
| CPT Global GmbH | Germany | **100** | 100 |
| CPT Global Inc | USA | **100** | 100 |
| Deakin Consulting Pty Ltd | Australia | **100** | 100 |
| CPT Global Consulting Pty Ltd | Australia | **100** | 100 |

* The percentage of voting power is proportional to ownership.

### 12. PROPERTY, PLANT AND EQUIPMENT

| | Notes | Economic Entity | | Parent Entity | |
|---|---|---|---|---|---|
| | | 2010 | 2009 | 2010 | 2009 |
| | | $'000 | $'000 | $'000 | $'000 |
| *Motor vehicles* | | | | | |
| At cost | | **58** | 65 | **-** | - |
| Accumulated depreciation | | **(49)** | (50) | **-** | - |
| | 12(a) | **9** | 15 | **-** | - |
| *Office equipment* | | | | | |
| At cost | | **923** | 900 | **898** | 876 |
| Accumulated depreciation | | **(805)** | (745) | **(787)** | (731) |
| | 12(a) | **118** | 155 | **111** | 145 |
| *Furniture, fixtures and fittings* | | | | | |
| At cost | | **234** | 232 | **230** | 226 |
| Accumulated depreciation | | **(168)** | (159) | **(164)** | (153) |
| | 12(a) | **66** | 73 | **66** | 73 |
| *Improvements* | | | | | |
| At cost | | **167** | 167 | **167** | 167 |
| Accumulated depreciation | | **(118)** | (105) | **(118)** | (105) |
| | 12(a) | **49** | 62 | **49** | 62 |
| *Leased plant and equipment* | | | | | |
| At cost | | **205** | 205 | **205** | 205 |
| Accumulated depreciation | | **(154)** | (125) | **(154)** | (125) |
| | 12(a) | **51** | 80 | **51** | 80 |
| Total property, plant and equipment | | **293** | 385 | **277** | 360 |
| Total property, plant and equipment | | | | | |
| Cost | | **1,587** | 1,569 | **1,500** | 1,474 |
| Accumulated depreciation | | **(1,294)** | (1,184) | **(1,223)** | (1,114) |
| Total written down amount | | **293** | 385 | **277** | 360 |

# Notes to the Financial Statements

## YEAR ENDED 30 JUNE 2010

### 12. PROPERTY, PLANT AND EQUIPMENT (continued)

| | Economic Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| **(a) Reconciliations** | $'000 | $'000 | $'000 | $'000 |
| Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year. | | | | |
| *Motor vehicles* | | | | |
| Carrying amount at beginning | **15** | 20 | **-** | - |
| Additions | **-** | - | **-** | - |
| Depreciation expense | **(6)** | (5) | **-** | - |
| | **9** | 15 | **-** | - |
| *Office equipment* | | | | |
| Carrying amount at beginning | **155** | 158 | **145** | 150 |
| Additions | **29** | 68 | **24** | 59 |
| Disposals | **(1)** | - | **(1)** | - |
| Depreciation expense | **(65)** | (71) | **(57)** | (64) |
| | **118** | 155 | **111** | 145 |
| *Furniture, fixtures and fittings* | | | | |
| Carrying amount at beginning | **73** | 81 | **73** | 81 |
| Additions | **3** | 3 | **3** | 3 |
| Depreciation expense | **(10)** | (11) | **(10)** | (11) |
| | **66** | 73 | **66** | 73 |
| Improvements | | | | |
| Carrying amount at beginning | **62** | 77 | **62** | 77 |
| Additions | **-** | - | **-** | - |
| Depreciation expense | **(13)** | (15) | **(13)** | (15) |
| | **49** | 62 | **49** | 62 |
| *Leased plant and equipment* | | | | |
| Carrying amount at beginning | **80** | 129 | **80** | 129 |
| Additions | **-** | - | **-** | - |
| Depreciation expense | **(29)** | (49) | **(29)** | (49) |
| | **51** | 80 | **51** | 80 |

# Notes to the Financial Statements

## YEAR ENDED 30 JUNE 2010

### 13. INTANGIBLE ASSETS

| | Economic Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $'000 | $'000 | $'000 | $'000 |
| Goodwill at cost | **9,659** | 9,659 | **9,030** | 9,030 |
| Accumulated impairment losses | **(2,473)** | (73) | **(2,473)** | (73) |
| Total goodwill | **7,186** | 9,586 | **6,557** | 8,957 |
| Intellectual Property at cost | **75** | 75 | **75** | 75 |
| | | | | |
| Software at cost | **432** | 415 | **429** | 412 |
| Accumulated amortisation and impairment | **(343)** | (291) | **(341)** | (289) |
| Total software | **89** | 124 | **88** | 123 |
| Total intangible assets | **7,350** | 9,785 | **6,720** | 9,155 |

| | Goodwill | Intellectual Property | Software |
|---|---|---|---|
| **Year ended 30 June 2009** | $'000 | $'000 | $'000 |
| **Economic Entity** | | | |
| Balance at the beginning of the year | 9,586 | 75 | 148 |
| Additions | - | - | 35 |
| Disposals | - | - | - |
| Impairment loss | - | - | - |
| Amortisation charge | - | | (59) |
| | 9,586 | 75 | 124 |
| **Parent Entity** | | | |
| Balance at the beginning of the year | 8,957 | 75 | 148 |
| Additions | - | - | 34 |
| Disposals | - | - | - |
| Impairment loss | - | - | - |
| Amortisation charge | - | - | (59) |
| | 8,957 | 75 | 123 |
| **Year ended 30 June 2010** | | | |
| **Economic Entity** | | | |
| Balance at the beginning of the year | 9,586 | 75 | 124 |
| Additions | - | - | 17 |
| Disposals | - | - | - |
| Impairment loss | (2,400) | - | - |
| Amortisation charge | - | - | (52) |
| | 7,186 | 75 | 89 |
| **Parent Entity** | | | |
| Balance at the beginning of the year | 8,957 | 75 | 123 |
| Additions | - | - | 17 |
| Disposals | - | - | - |
| Impairment loss | (2,400) | - | - |
| Amortisation charge | - | - | (52) |
| | 6,557 | 75 | 88 |

# Notes to the Financial Statements

## YEAR ENDED 30 JUNE 2010

### 13. INTANGIBLE ASSETS (continued)

Intangible assets other than goodwill and intellectual property have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the statement of comprehensive income. Goodwill and intellectual property have indefinite useful lives. These have been assessed as having indefinite useful lives because these intangible assets arose on the acquisition of businesses purchased as going concerns. These businesses continue to be operated within the CPT Global Group and there are no plans to cease any part of these operations.

Goodwill is allocated to cash-generating units, based on the Group's reporting segment.

| | 2010 $'000 | 2009 $'000 |
|---|---|---|
| Australian Segment | **6,557** | 8,957 |
| Europe Segment | **629** | 629 |
| | **7,186** | 9,586 |

The recoverable amount of the cash-generating units is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of the projected cash flows from that cash-generating unit over 5 years; periods beyond 5 years have been extrapolated using the terminal value growth rate of 3%.

**Key Assumptions**

The following key assumptions were used in determining the recoverable amount of goodwill:

| | Discount rate 2010 | Gross Margin 2010 | Sales Growth 2010 | Transfer Pricing 2010 |
|---|---|---|---|---|
| Australian Segment | 20% | 31% | 5% | 16% |

Management has based the value-in-use calculations on budgets and estimates for each CGU. The value-in-use is most sensitive to the following assumptions:

- Discount rate;
- Gross profit margins;
- Sales growth rates; and
- Transfer pricing

*Discount rate* – discount rate is a post tax rate and reflects the risks associated with a particular segment.

*Gross profit margins* – values assigned reflect past experience and efficiency improvements around the risk/reward consulting model which has demonstrated to return higher margins than other consulting models used by the Group.

*Sales growth rates* – reflects management's expectations of strong expansion in the change of revenue mix resulting in high growth rates for the risk/ reward consulting model worldwide.

*Transfer pricing* – represents expected costs incurred by CPT Global Australia in respect to providing consulting services remotely from Australia to clients of the foreign subsidiaries. The value assigned to this assumption is representative of historical financial results.

# Notes to the Financial Statements

## YEAR ENDED 30 JUNE 2010

### 13. INTANGIBLE ASSETS (continued)

**Sensitivity to changes in assumptions**

The recoverable amount of goodwill is sensitive to reasonable possible changes in some of the key assumptions. Sensitivity analysis has been performed by applying the following possible changes in key assumptions:

- Gross margin – 2% decrease in gross margins achieved
- Discount rate – 2% decrease in discount rate
- Transfer pricing – 2% increase in the transfer pricing rate

The maximum possible effect of these changes would result in impairment in the value of goodwill of up to $2 million as at 30 June 2010.

### 14. TRADE AND OTHER PAYABLES (CURRENT)

| | Economic Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $'000 | $'000 | $'000 | $'000 |
| Trade payables | **3,440** | 3,772 | **2,796** | 3,076 |
| Sundry payables and accrued expenses | **1,563** | 1,429 | **1,124** | 1,136 |
| Other current liabilities | **737** | 708 | **737** | 707 |
| Amounts due to related parties | **-** | - | **491** | 62 |
| | **5,740** | 5,909 | **5,148** | 4,981 |

Due to the short-term nature of these payables, their carrying value is assumed to approximate to their fair value. There are no financial guarantees in place.

### 15. BORROWINGS

| | Economic Entity | | Parent Entity | |
|---|---|---|---|---|
| Secured liabilities | 2010 | 2009 | 2010 | 2009 |
| | $'000 | $'000 | $'000 | $'000 |
| Bank overdrafts | **527** | - | **527** | - |
| Lease Liability | **98** | 131 | **98** | 131 |
| | **625** | 131 | **625** | 131 |
| **Unutilised financing facilities** | | | | |
| Credit facility | **2,997** | 2,997 | **2,997** | 2,997 |
| Amount utilised | **(625)** | (131) | **(625)** | (131) |
| | **2,372** | 2,866 | **2,372** | 2,866 |

The financing facilities above are secured by a first registered company charge (mortgage debenture) over the carrying value of the total assets of the parent entity, which totalled $18,999,000 at the end of the reporting period. Interest is charged at 1.0% above the ANZ reference rate.

Covenants imposed by the bank requires working capital ratio for each financial half year to be not less than 2.00:1. As at 30 June 2010, CPT Global Limited is in breach of this covenant.

# Notes to the Financial Statements

## YEAR ENDED 30 JUNE 2010

### 16. TAX

| | Economic Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| **(a) Liabilities** | $'000 | $'000 | $'000 | $'000 |
| **CURRENT** | | | | |
| Income tax | - | 692 | - | 375 |
| **NON CURRENT** | | | | |
| **(b) Liabilities** | | | | |
| Deferred tax liabilities comprise: | | | | |
| Accrued Income | **(53)** | (53) | **(53)** | (53) |
| **Reconciliation of deferred tax liabilities** | | | | |
| Accrued Income | | | | |
| Opening balance | **(53)** | - | **(53)** | - |
| Debited to the statement of comprehensive income | - | (53) | - | (53) |
| Closing balance | **(53)** | (53) | **(53)** | (53) |
| **(c) Assets** | | | | |
| **CURRENT** | | | | |
| Income tax | **112** | - | **132** | - |
| **NON CURRENT** | | | | |
| Deferred tax assets comprise: | | | | |
| Provisions, accrued employee entitlements and benefits and accruals | **366** | 333 | **366** | 333 |
| **Reconciliation of deferred tax assets** | | | | |
| Opening balance | **333** | 314 | **333** | 314 |
| Credited to the statement of comprehensive income | **33** | 38 | **33** | 38 |
| Other | - | (19) | - | (19) |
| Closing balance | **366** | 333 | **366** | 333 |

The future income tax benefit of the deferred tax assets will only be realised if the conditions of deductibility set out in Note 1(b) occur.

Deferred tax assets not brought to account for which the benefits will only be realised if the conditions for deductibility set out in Note 1(b) occur amount to $211,000 (2009: $230,000).

### 17. PROVISIONS (NON-CURRENT)

| | Economic Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| **Long-term employee benefits** | $'000 | $'000 | $'000 | $'000 |
| Balance at 1 July 2009 | **187** | 166 | **187** | 166 |
| Additional provisions | **80** | 21 | **80** | 21 |
| Balance at 30 June 2010 | **267** | 187 | **267** | 187 |

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data.

# Notes to the Financial Statements

YEAR ENDED 30 JUNE 2010

## 18. ISSUED CAPITAL

| (a) Issued and paid up capital | Economic Entity 2010 $'000 | Economic Entity 2009 $'000 | Parent Entity 2010 $'000 | Parent Entity 2009 $'000 |
|---|---|---|---|---|
| 36,746,364 (2009: 36,786,364) fully paid ordinary shares | **12,075** | 12,075 | **12,075** | 12,075 |
| | **12,075** | 12,075 | **12,075** | 12,075 |

**(b) Movements in shares on issue**

| | 2010 Number of shares | 2010 $'000' | 2009 Number of shares | 2009 $'000 |
|---|---|---|---|---|
| Beginning of the financial year | **36,786,364** | **12,075** | 36,856,364 | 12,075 |
| Shares issued under ESOP | **-** | | - | |
| Performance shares issued to executive directors | **-** | | - | |
| Shares cancelled during the period | **(40,000)** | | (70,000) | |
| End of the financial year | **36,746,364** | **12,075** | 36,786,364 | 12,075 |

(i) Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. During the year ended 30th June 2010 no ordinary shares were bought back under the on market buyback (2009: Nil). Ordinary shares have no par value.

(ii) The on market buyback commenced on the 27th August 2002 with 3,000,000 shares being the maximum to be bought back of which 2,413,905 were outstanding as at 30 June 2010.

**(c) Options**

(i) For information relating to the CPT Global Limited employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note 23 Share based payments.

(ii) For information relating to share options issued to key management personnel during the financial year, refer to Note 28 Share based payments.

**(d) Capital Management**

Management controls the capital of the group in order to maintain an appropriate debt to equity ratio, provide shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern.

The Group does not currently have significant debt capital employed in the business as indicated in the following table. Externally imposed capital requirements are in relation to the working capital ratio being no less than 2:1. As at 30 June 2010, CPT Global Limited is in breach of this imposed capital requirement. The board have implemented additional controls to monitor capital requirements moving forward. As at 30 September 2010, CPT Global Limited was no longer in breach of this external capital requirement.

Management effectively manages the group's capital by assessing the group's financial risks and externally imposed capital requirements and adjusts its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders, share buy-backs and share issues.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year. This strategy is to ensure that the group's gearing ratio remains at an appropriate level between 0% and 50%.

# Notes to the Financial Statements

## YEAR ENDED 30 JUNE 2010

### 18. ISSUED CAPITAL (Continued)

The gearing ratios for the year ended 30 June 2010 and 30 June 2009 are as follows:

| | Economic Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $'000 | $'000 | $'000 | $'000 |
| Total borrowings | **625** | 131 | **625** | 131 |
| Less cash and cash equivalents | **(1,050)** | (1,245) | **-** | (319) |
| Net debt | **-** | - | **625** | - |
| Total equity | **13,068** | 17,873 | **12,906** | 16,245 |
| Total capital employed | **13,068** | 17,873 | **13,531** | 16,245 |
| Gearing ratio | **0%** | 0% | **5%** | 0% |

### 19. RESERVES

**(a) Foreign currency translation**

The foreign currency translation reserve records exchange differences arising on translation of the financial statements of foreign subsidiaries.

**(b) Equity reserve**

The equity reserve is a non-distributable reserve used to record share based payment expense.

# Notes to the Financial Statements

YEAR ENDED 30 JUNE 2010

## 20. CASH FLOW INFORMATION

| | Economic Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $'000 | $'000 | $'000 | $'000 |
| **(a) Reconciliation of the net profit after tax to the net cash flows from operations** | | | | |
| Net profit/(loss) | **(3,133)** | 2,171 | **(2,661)** | 1,107 |
| **Non-Cash Items** | | | | |
| Depreciation and amortisation of non-current assets | **174** | 214 | **162** | 198 |
| Share based payments | **244** | 410 | **243** | 410 |
| Net (profit)/loss on disposal of property, plant and equipment | **(2)** | - | **(2)** | - |
| Write-downs to recoverable amount | **-** | 156 | **-** | - |
| Impairment losses | **2,400** | - | **2,400** | - |
| **Changes in assets and liabilities** | | | | |
| (Increase)/decrease in trade and term receivables | **76** | 942 | **263** | 457 |
| (Increase)/decrease in prepayments | **(1)** | (15) | **(1)** | (29) |
| (Increase)/decrease in inventories | **1,870** | (8) | **(207)** | 19 |
| (Increase)/decrease in deferred tax assets | **(33)** | (19) | **(33)** | (19) |
| (Decrease)/increase in trade payables and accruals | **(342)** | 39 | **(292)** | 115 |
| (Decrease)/increase in income taxes payable | **(804)** | 43 | **(506)** | 220 |
| (Decrease)/increase in deferred tax liabilities | **-** | 53 | **-** | 53 |
| (Decrease)/increase in employee entitlements | **109** | 218 | **109** | 218 |
| Net cash flow from operating activities | **558** | 4,203 | **(525)** | 2,749 |

There were no acquisitions or disposals of subsidiaries in the 2010 financial year.

# Notes to the Financial Statements

## YEAR ENDED 30 JUNE 2010

### 21. EXPENDITURE COMMITMENTS

| | Economic Entity | | Parent Entity | |
|---|---|---|---|---|
| **(a) Lease expenditure commitments** | **2010** | **2009** | **2010** | **2009** |
| *(i) Finance leases* | **$'000** | **$'000** | **$'000** | **$'000** |
| Minimum lease payments | | | | |
| - not later than one year | 54 | 54 | 54 | 54 |
| - later than one year and not later than five years | **55** | 99 | **55** | 99 |
| - later than five years | **-** | - | **-** | - |
| Minimum lease payments | **109** | 153 | **109** | 153 |
| Less future finance charges | **(11)** | (22) | **(11)** | (22) |
| Present value of minimum lease payments | **98** | 131 | **98** | 131 |
| | | | | |
| *(ii) Operating leases (non-cancellable):* | | | | |
| Minimum lease payments | | | | |
| - not later than one year | **421** | 398 | **421** | 398 |
| - later than one year and not later than five years | **659** | 816 | **659** | 816 |
| - later than five years | **-** | - | **-** | - |
| | **1,080** | 1,214 | **1,080** | 1,214 |

**Notes:**

(i) The finance leases on selected property, plant and equipment are part of a progressive drawdown facility, with a 60 month term, with lease payments made monthly in advance.

(ii) The property leases are non-cancellable with terms ranging from 2 to 5 years. Rent is payable monthly in advance and the amounts disclosed do not include GST. Contingent rental provisions within the leases require the minimum lease payments to be increased by CPI on the anniversary of the lease agreement. No options exist to renew the leases.

# Notes to the Financial Statements

## YEAR ENDED 30 JUNE 2010

### 23. SHARE-BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2010:

| | | Issue date | Expiry date | Exercise Price | As at 1 July 2009 | Issued | Exercised/ transferred/ expired | As at 30 June 2010 |
|---|---|---|---|---|---|---|---|---|
| Directors Performance Shares | (a) | 29/11/06 | 29/11/09 | $6 in total | 200,000 | - | 200,000 | - |
| | (b) | 29/11/07 | 29/11/10 | $1 in total | 100,000 | - | - | 100,000 |
| | (c) | 28/11/08 | 29/11/11 | $2 in total | 200,000 | - | - | 200,000 |
| ESOP | (d) | 18/10/06 | 18/10/09 | nil | 300,000 | - | 300,000 | - |
| | (e) | 04/09/07 | 04/09/10 | nil | 1,040,000 | - | 272,500 | 767,500 |

(a) On 29 November 2006, at the Company's Annual General Meeting, 600,000 performance shares were granted to executive directors to take up ordinary shares at an exercise price of $6 in total. The fair value of these performance shares at the date of grant was $304,000. The fair value has been calculated using a Hull-White trinomial option pricing model using the following inputs:

| | |
|---|---|
| Weighted average exercise price | nil |
| Maximum life of option | 3 years |
| Underlying share price | $0.62 |
| Expected share price volatility | 24% |
| Risk free interest rate | 6% |
| Dividend yield | 10% |

The issue of these performance shares in three equal tranches is contingent upon the Company's share price exceeding certain levels for specified periods between 30 November 2006 and 29 November 2009, as follows:

| No. of shares to be issued | Conditions which must be satisfied |
|---|---|
| 200,000 | The highest quoted (buy) price of CPT Global shares reaching or exceeding $0.90 for 5 consecutive business days during the period 30 November 2006 to 29 November 2007 (both dates inclusive) |
| 200,000 | The highest quoted (buy) price of CPT Global shares reaching or exceeding $1.10 for 5 consecutive business days during the period 30 November 2007 to 29 November 2008 (both dates inclusive) |
| 200,000 | The highest quoted (buy) price of CPT Global shares reaching or exceeding $1.30 for 5 consecutive business days during the period 30 November 2008 to 29 November 2009 (both dates inclusive) |

On 4 December 2006 the share price criteria for the issuance of the first tranche of these performance shares were met. The market price at this date was $0.94. On 13 December 2007, the share price criteria for the issuance of the second tranche of these options were met and these options exercised. The weighted average share price at that date was $1.45. On the 29 November 2009, the final tranche of performance shares did not meet the share price criteria for the issuance of these shares and therefore lapsed. For the year ended 30 June 2010, nil (2009: $20,000) had been expensed in relation to these share options.

Historic volatility has been used as a basis for determining expected share price volatility as it is assumed that this is indicative of future trends.

# Notes to the Financial Statements

## YEAR ENDED 30 JUNE 2010

### 23. SHARE-BASED PAYMENTS (Continued)

(b) On 29 November 2007, at the Company's Annual General Meeting, 100,000 performance shares were granted to executive directors to take up ordinary shares at an exercise price of $1 in total. The fair value of these performance shares at the date of grant was $105,000. The fair value has been calculated using a Hull-White trinomial option pricing model using the following inputs:

| | |
|---|---|
| Weighted average exercise price | nil |
| Maximum life of option | 3 years |
| Underlying share price | $1.34 |
| Expected share price volatility | 36% |
| Risk free interest rate | 6.5% |
| Dividend yield | 6% |

The issue of these performance shares in one tranche is contingent upon the Company's share price exceeding certain levels for specified periods between 30 November 2009 and 29 November 2010, as follows:

| No. of shares to be issued | Conditions which must be satisfied |
|---|---|
| 100,000 | The highest quoted (buy) price of CPT Global shares reaching or exceeding $2.40 for 5 consecutive business days during the period 30 November 2009 to 29 November 2010 (both dates inclusive) |

As at reporting date, the share price criteria for the issuance of these performance shares had not been met. For the year ended 30 June 2010, a total of $37,000 (2009: $37,000) has been expensed in relation to these share options.

Historic volatility has been used as a basis for determining expected share price volatility as it is assumed that this is indicative of future trends.

(c) On 28 November 2008, at the Company's Annual General Meeting, 200,000 performance shares were granted to executive directors to take up ordinary shares at an exercise price of $1 in total. The fair value of these performance shares at the date of grant was $49,000. The fair value has been calculated using a Hull-White trinomial option pricing model using the following inputs:

| | |
|---|---|
| Weighted average exercise price | nil |
| Maximum life of option | 3 years |
| Underlying share price | $0.33 |
| Expected share price volatility | 36% |
| Risk free interest rate | 6.5% |
| Dividend yield | 10% |

The issue of these performance shares in one tranche is contingent upon the Company's share price exceeding certain levels for specified periods between 30 November 2010 and 29 November 2011, as follows:

| No. of shares to be issued | Conditions which must be satisfied |
|---|---|
| 200,000 | The highest quoted (buy) price of CPT Global shares reaching or exceeding $1.40 for 5 consecutive business days during the period 30 November 2010 to 29 November 2011 (both dates inclusive) |

# Notes to the Financial Statements

YEAR ENDED 30 JUNE 2010

## 23. SHARE-BASED PAYMENTS (Continued)

For the year ended 30 June 2010, a total of $20,000 (2009: $8,000) has been expensed in relation to these share options.

Historic volatility has been used as a basis for determining expected share price volatility as it is assumed that this is indicative of future trends.

(d) On 18 October 2006, 900,000 share entitlements were granted to certain employees under the CPT Share and Option Incentive Plan to take up ordinary shares at an exercise price of nil. The fair value of these entitlements at the date of grant was $334,000. The fair value has been calculated using a Hull-White trinomial option pricing model using the following inputs:

| | |
|---|---|
| Weighted average exercise price | nil |
| Maximum life of option | 3 years |
| Underlying share price | $0.62 |
| Expected share price volatility | 24% |
| Risk free interest rate | 6% |
| Dividend yield | 10% |

The shares are to be held in escrow and are transferable to the relevant employees in three equal tranches on 18 October 2007, 2008 and 2009. The shares hold voting and dividends rights, but are not transferable whilst held in escrow. On 18 October 2007, 300,000 of these share entitlements were transferred out of escrow. The weighted average share price on that date was $1.40. On the 20 October 2008 an additional 300,000 of these share entitlements were transferred out of escrow. The weighted average share price on that date was $0.52. On the 19 October 2009, the final 300,000 of these share entitlements were transferred out of escrow. The weighted average share price on that date was $0.89. For the year ended 30 June 2010, nil (2009: $31,000) had been expensed in relation to these shares.

Historic volatility has been used as a basis for determining expected share price volatility as it is assumed that this is indicative of future trends.

(e) On 4 September 2007, 1,090,000 share entitlements were granted to certain employees under the CPT Share and Option Incentive Plan to take up ordinary shares at an exercise price of nil. The fair value of these entitlements at the date of grant was $815,000. The fair value has been calculated using a Hull-White trinomial option pricing model using the following inputs:

| | |
|---|---|
| Weighted average exercise price | nil |
| Maximum life of option | 3 years |
| Underlying share price | $1.34 |
| Expected share price volatility | 36% |
| Risk free interest rate | 6.5% |
| Dividend yield | 6% |

The shares are to be held in escrow and are transferable to the relevant employees in three tranches on 4 September 2008, 2009 and 2010. The shares hold voting and dividend rights but are not transferable whilst held in escrow. On the 20 October 2008, 50,000 of these share entitlements were transferred out of escrow. The weighted average share price on that date was $0.52. On the 4 September 2009, 272,500 of these share entitlements were transferred out of escrow. The weighted average share price on that date was $0.80. For the year ended 30 June 2010, $187,000 (2009: $314,000) has been expensed in relation to these shares.

Historic volatility has been used as a basis for determining expected share price volatility as it is assumed that this is indicative of future trends.

# Notes to the Financial Statements

YEAR ENDED 30 JUNE 2010

## 23. SHARE-BASED PAYMENTS (continued)

(f) Information with respect to the number of options granted is as follows:

| | Economic Entity | | | | Parent Entity | | | |
|---|---|---|---|---|---|---|---|---|
| | 2010 | | 2009 | | 2010 | | 2009 | |
| | Number of options | Weighted average exercise price $ | Number of options | Weighted average exercise price $ | Number of options | Weighted average exercise price $ | Number of options | Weighted average exercise price $ |
| Outstanding at the beginning of the year | **500,000** | **0.00** | 300,000 | 0.00 | **500,000** | **0.00** | 300,000 | 0.00 |
| Granted | **-** | **0.00** | 200,000 | 0.00 | **-** | **0.00** | 200,000 | 0.00 |
| Forfeited | **-** | **-** | - | - | **-** | **-** | - | - |
| Exercised | **-** | **-** | - | - | **-** | **-** | - | - |
| Expired | **200,000** | **-** | - | - | **200,000** | **-** | - | - |
| Outstanding at year end | **300,000** | **0.00** | 500,000 | 0.00 | **300,000** | **0.00** | 500,000 | 0.00 |

At 30 June 2010 none of the outstanding options have vested or are exercisable.

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.08 years (2009: 1.41 years). The exercise price of outstanding shares at the reporting date was $0.57. There are no other options granted by CPT Global Limited to any other party. Options do not confer on the holder any right to vote or participate in the dividends of the economic entity and are not transferable.

For the year ended 30 June 2010 $244,000 (2009:$410,000) has been expensed in relation to share-based payments.

## 24. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

**(a) Contingent liabilities**

**Guarantees**

CPT Global Limited has provided guarantees of $196,799 to third parties in relation to its performance and obligations in respect of property lease rentals and lease finance facilities. The guarantees are for the term of the facilities and leases. The guarantee for lease covers the period one to two years.

## 25. EVENTS AFTER THE REPORTING PERIOD

**(a)** On 6th August 2010 CPT Global Limited announced its intention to extend the on-market share buy back for a further twelve months until 7th August 2011. A maximum of 3,000,000 shares may be bought back during the buy back period, which will run from 27th August 2009 until 27th August 2014.

**(b)** The financial report was authorised for issue on 30 September 2010 by the Board of Directors.

# Notes to the Financial Statements

YEAR ENDED 30 JUNE 2010

## 26. EARNINGS PER SHARE

| **(a) The following reflects the income and share data used in the calculations of basic and diluted earnings per share:** | 2010 $'000 | 2009 $'000 |
|---|---|---|
| Net profit | **(3,133)** | 2,171 |
| **Adjustments:** | **-** | - |
| Earnings used in calculating basic and diluted earnings per share | **(3,133)** | 2,171 |
| | **Number of shares** | **Number of shares** |
| Weighted average number of ordinary shares used in calculating basic earnings per share | **36,746,364** | 36,786,364 |
| Weighted average number of options outstanding | **499,993** | 499,990 |
| Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share | **37,246,357** | 37,286,354 |

## 27. AUDITORS' REMUNERATION

| | Economic Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| Amounts received or due and receivable by Moore Stephens for: | $'000 | $'000 | $'000 | $'000 |
| • an audit or review of the financial report of the parent and any other entity in the consolidated group | **137** | 113 | **130** | 93 |
| • other services in relation to the entity and any other entity in the consolidated group | | | | |
| - tax compliance | **11** | 19 | **11** | 10 |
| - other services | **3** | 25 | **3** | 10 |

Other services relate to accounting and taxation services.

## 28. KEY MANAGEMENT PERSONNEL COMPENSATION

**(a) Names and positions held of economic and parent entity key management personnel in office at any time during the financial year are:**

| **Key Management Person** | **Position** |
|---|---|
| Fred S Grimwade | Non-executive Chairman |
| Gerry Tuddenham | Managing Director |
| Ian MacDonald | Non-executive Director |
| Peter Wright | Executive Director |
| Alan Mackenzie | Technical Director CPT Global Ltd (UK) |
| Kevin Akom | Chief Operating Officer |
| Stephan Scheffer | Company Secretary and Chief Financial Officer |

# Notes to the Financial Statements

YEAR ENDED 30 JUNE 2010

## 28. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

### (b) Key Management Personnel Compensation

Refer to the Remuneration Report contained in the Director's Report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2010.

The totals of remuneration paid to key management personnel of the company and the Group during the year are as follows:

| | 2010 | 2009 |
|---|---|---|
| Short-term employee benefits | **$1,728,605** | $1,537,303 |
| Post-employment benefits | **$220,857** | $319,388 |
| Other long-term benefits | **-** | - |
| Termination benefits | **-** | - |
| Share-based payments | **-** | $48,954 |
| | **$1,949,462** | $1,905,645 |

### (c) Compensation Options

*Options Granted As Compensation*

| | Balance at beginning of period 1 July 2009 | Granted as Remuneration | Options Exercised | Options Lapsed | Balance at end of period 30 June 2010 | Vested at end of period 30 June 2010 | Excercisable at end of period 30 June 2010 | Vested and unexercised at end of period 30 June 2010 |
|---|---|---|---|---|---|---|---|---|
| Gerry Tuddenham | 250,000 | - | - | 100,000 | 150,000 | - | - | - |
| Peter Wright | 250,000 | - | - | 100,000 | 150,000 | - | - | - |
| **Total** | **500,000** | **-** | **-** | **200,000** | **300,000** | **-** | **-** | **-** |

| | Balance at beginning of period 1 July 2008 | Granted as Remuneration | Options Exercised | Options Lapsed | Balance at end of period 30 June 2009 | Vested at end of period 30 June 2009 | Excercisable at end of period 30 June 2009 | Vested and unexercised at end of period 30 June 2009 |
|---|---|---|---|---|---|---|---|---|
| Gerry Tuddenham | 150,000 | 100,000 | - | - | 250,000 | - | - | - |
| Peter Wright | 150,000 | 100,000 | - | - | 250,000 | - | - | - |
| **Total** | **300,000** | **200,000** | **-** | **-** | **500,000** | **-** | **-** | **-** |

# Notes to the Financial Statements

YEAR ENDED 30 JUNE 2010

## 28. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

### (d) Shareholdings

Shares held by key management personnel directly, indirectly or beneficially including their related parties:

| Shares held in CPT Global Limited | Balance 1 July 2009 | Granted as Remuneration | On Exercise of Options | Net Change Other | Balance 30 June 2010 |
|---|---|---|---|---|---|
| | Ord | Ord | Ord | Ord | Ord |
| Fred S Grimwade | 718,200 | - | - | - | 718,200 |
| Ian MacDonald | 402,511 | - | - | - | 402,511 |
| Gerry Tuddenham | 12,940,828 | - | - | 65,421 | 13,006,249 |
| Peter Wright | 164,500 | - | - | - | 164,500 |
| **Specified Executives** | | | | | |
| Kevin Akom | 565,013 | - | - | | 565,013 |
| Alan Mackenzie | 346,623 | - | - | - | 346,623 |
| Stephan Scheffer | 40,000 | - | - | - | 40,000 |
| **Total** | 15,177,675 | - | - | 65,421 | 15,243,096 |

| Shares held in CPT Global Limited | Balance 1 July 2008 | Granted as Remuneration | On Exercise of Options | Net Change Other | Balance 30 June 2009 |
|---|---|---|---|---|---|
| | Ord | Ord | Ord | Ord | Ord |
| Fred S Grimwade | 718,200 | - | - | - | 718,200 |
| Ian MacDonald | 402,511 | - | - | - | 402,511 |
| Gerry Tuddenham | 12,678,701 | - | - | 262,127 | 12,940,828 |
| Peter Wright | 364,500 | - | - | (200,000) | 164,500 |
| **Specified Executives** | | | | | |
| Kevin Akom | 565,013 | - | - | | 565,013 |
| Alan Mackenzie | 346,623 | - | - | | 346,623 |
| Stephan Scheffer | 40,000 | - | - | | 40,000 |
| **Total** | 15,115,548 | - | - | 62,127 | 15,177,675 |

# Notes to the Financial Statements

YEAR ENDED 30 JUNE 2010

## 29. RELATED PARTY DISCLOSURES

### (a) Subsidiaries

Interests in subsidiaries are set out in note 11.

### (b) Key management personnel

Disclosures relating to key management personnel are set out in note 28.

### (c) Transactions with related parties

The following transactions occurred with related parties:

| | Economic Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $'000 | $'000 | $'000 | $'000 |
| Sales of consulting services to subsidiaries | - | - | 6,134 | 6,916 |
| Purchases of consulting services from subsidiaries | - | - | 5,135 | 4,668 |

The sales to and purchases from subsidiaries were made on terms of cost plus a fixed margin, in accordance with the Group's transfer pricing policy.

### (d) Outstanding balances arising from sales/purchase of goods and services with subsidiaries

| | Economic Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $'000 | $'000 | $'000 | $'000 |
| Current receivables (sales of services) | - | - | 3,127 | 4,283 |
| Current payables (purchases of services) | | | 27 | 62 |

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties. Outstanding balances are unsecured and are repayable in cash.

### (e) Loans to/from subsidiaries

| | Economic Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $'000 | $'000 | $'000 | $'000 |
| Loans to/(from)subsidiaries | | | | |
| Beginning of the year | - | - | 416 | 968 |
| Loans advanced | - | - | 33 | 21 |
| Loan repayments made/(received) | - | - | (427) | (648) |
| Loans received | | | (457) | - |
| Interest charged | - | - | (5) | (7) |
| Interest received | - | - | 25 | 82 |
| End of year | - | - | (415) | 416 |

# Notes to the Financial Statements

**YEAR ENDED 30 JUNE 2010**

## 29. RELATED PARTY DISCLOSURES (Continued)

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties. There are no fixed terms for the repayment of loans between group companies. The interest rate charged on intercompany loans during the year was 8.05% (2009: 8.05%).

## 30. OPERATING SEGMENTS

**Identification of Reportable Segments**

CPT Global Limited has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing the performance and determining the allocation of resources. The reportable segments disclosed are based on a geographical basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- services provided by the segment;
- the type of customer for the services provided; and
- external regulatory requirements

**Types of Services by Segment**

Below outlines the major lines of services provided to customers for each reportable segment:

*Australia*

- Capacity Planning
- Cost Reduction Sustainable
- Mainframe & Midrange performance
- Project & Program management
- Technical Support services
- Management IT (MIT)
- Management, Functional & Automation Testing

*Europe*

- Mainframe & Midrange performance
- Technical Support services

*USA*

- Mainframe & Midrange performance
- Management, Functional & Automation Testing

**Basis of accounting for purposes of reporting by reportable segments**

*Accounting policies adopted*

Unless stated otherwise, all amounts reported to the Board of Directors with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of CPT Global Limited.

# Notes to the Financial Statements

## YEAR ENDED 30 JUNE 2010

### 30. OPERATING SEGMENTS (Continued)

*Inter-segment transactions*

Segment revenues, expenses and results exclude transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar services to parties outside of the consolidated group on an arm's length basis. These transfers are eliminated on consolidation.

*Segment Assets*

Segment assets reported are based on the internal reports reviewed by the Board of Directors. These include trade debtors and work in progress (WIP) balances.

*Unallocated items*

The Board of Directors review segment performance to only the gross profit level. All other items of revenue and expenses are not allocated to geographical segments as they are not considered part of the core operations of any segment. Liabilities are not reported by segment for internal reporting purposes for the Board of Directors and therefore have been treated as unallocated items.

**Comparative Information**

This is the first annual reporting period in which AASB 8 Operating Segments has been adopted. Comparative information has been restated to conform to the requirements of this standard.

**Segment Performance**

| | Australia | | Europe | | United States | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | Jun-10 | Jun-09 | Jun-10 | Jun-09 | Jun-10 | Jun-09 | Jun-10 | Jun-09 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **REVENUE** | | | | | | | | |
| External Sales | **27,992** | 30,901 | **6,002** | 8,391 | **3,744** | 4,641 | **37,738** | 43,933 |
| *Reconciliation of segment revenue to group revenue* | | | | | | | | |
| - Miscellaneous Revenue | | | | | | | **141** | 217 |
| **Total Group Revenue** | | | | | | | **37,879** | 44,150 |
| **Segment Gross Profit before tax** | **7,866** | 8,707 | **1,938** | 4,119 | **1,312** | 2,184 | **11,258** | 15,227 |
| *Reconciliation of segment result to group profit/loss before tax* | | | | | | | | |
| Unallocated Items | | | | | | | | |
| - Overheads | | | | | | | **(14,360)** | (11,897) |
| **Profit/ (Loss) before tax** | | | | | | | **(3,102)** | 3,330 |

# Notes to the Financial Statements

YEAR ENDED 30 JUNE 2010

## 30. OPERATING SEGMENTS (Continued)

Segment Assets

| | Australia | | Europe | | USA | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 |
| **Segment Assets** | **5,862** | 6,128 | **2,370** | 4,057 | **1,832** | 2,405 | **10,064** | 12,590 |
| Segment asset increases for the period: | | | | | | | | |
| - Capital Expenditure | **44** | 96 | **-** | - | **-** | - | **44** | 96 |
| | **5,906** | 6,224 | **2,370** | 4,057 | **1,832** | 2,405 | **10,108** | 12,686 |
| *Reconciliation of segment assets to group assets* | | | | | | | | |
| Unallocated assets: | | | | | | | | |
| - Goodwill | | | | | | | **7,261** | 9,661 |
| - Property, plant & equipment | | | | | | | **381** | 509 |
| - Other Assets | | | | | | | **2,003** | 1,989 |
| **Total Group Assets** | | | | | | | **19,753** | 24,845 |

**Major Customers**

CPT Global Limited has a number of customers which it provides services to. CPT Global Limited supplies two external customers in the Australian segment being a major Telecommunications supplier which accounts for 25% (2009: 27%) of external revenue and a large financial institution representing 11% (2009: 7%) of external revenue. In the European segment, one external customer accounts for 10% of external revenue (2009: 7%).

## 31. FINANCIAL INSTRUMENTS

**Financial Risk Management**

The group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable, and loans to and from subsidiaries.

The main purpose of non-derivative financial instruments is to raise finance for group operations.

Derivatives may be used by the Group for hedging purposes. Such instruments include forward exchange and currency option contracts. The Group does not speculate in the trading of derivative instruments.

The board of directors is responsible for monitoring and managing financial risk exposures of the Group. The board reviews the effectiveness of internal controls relating to interest rate risk and foreign currency risk. The overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, while minimising potential adverse effects on financial performance in regards to financial and currency rate risk.

**(i) Financial Risks**

The main risks the group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk.

**Interest rate risk**

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value and cash flows will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

# Notes to the Financial Statements

YEAR ENDED 30 JUNE 2010

## 31. FINANCIAL INSTRUMENTS (Continued)

| Economic Entity | Floating interest rate | | Fixed interest rate maturing in 1 to 5 years | | Non-interest bearing | | Total carrying amount as per statement of financial position | | Weighted average effective interest rate | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 | 2010 % | 2009 % |
| *(i) Financial assets* | | | | | | | | | | |
| Cash and cash equivalents | **1,050** | 1,245 | **-** | - | **-** | - | **1,050** | 1,245 | **0.05** | 0.16 |
| Trade receivables | **-** | - | **-** | - | **8,061** | 8,519 | **8,061** | 8,519 | | |
| Total financial assets | **1,050** | 1,245 | **-** | - | **8,061** | 8,519 | **9,111** | 9,764 | | |
| *(ii) Financial liabilities at amortised cost* | | | | | | | | | | |
| Bank overdrafts | **527** | - | **-** | - | **-** | - | **527** | - | **11.80** | - |
| Trade and sundry payables | **-** | - | **-** | - | **5,740** | 5,909 | **5,740** | 5,909 | | |
| Lease Liability | **-** | - | **98** | 131 | **-** | - | **98** | 131 | **9.20** | 9.06 |
| Total financial liabilities | **527** | - | **98** | 131 | **5,740** | 5,909 | **6,365** | 6,040 | | |

| Parent Entity | Floating interest rate | | Fixed interest rate maturing in 1 to 5 years | | Non-interest bearing | | Total carrying amount as per statement of financial position | | Weighted average effective interest rate | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 | 2010 % | 2009 % |
| *(i) Financial assets* | | | | | | | | | | |
| Cash and cash equivalents | **-** | 333 | **-** | - | **-** | (14) | **-** | 319 | **-** | - |
| Trade receivables | **-** | - | **-** | - | **8,723** | 10,418 | **8,723** | 10,418 | | |
| Amounts due from related parties | **-** | - | **76** | 478 | **-** | - | **76** | 478 | **8.05** | 8.05 |
| Total financial assets | **-** | 333 | **76** | 478 | **8,723** | 10,404 | **8,799** | 11,215 | | |
| *(ii) Financial liabilities at amortised cost* | | | | | | | | | | |
| Bank overdrafts | **527** | - | | | **-** | - | **527** | - | **11.80** | 11.21 |
| Trade and sundry payables | **-** | - | | | **4,657** | 4,919 | **4,657** | 4,919 | | |
| Lease Liability | **-** | - | **98** | 131 | **-** | - | **98** | 131 | **9.20** | 9.06 |
| Amounts due to related parties | **-** | - | **491** | 62 | **-** | - | **491** | 62 | **8.05** | 8.05 |
| Total financial liabilities | **527** | - | **589** | 193 | **4,657** | 4,919 | **5,773** | 5,112 | | |

Interest rate risk arises on cash and cash equivalents and bank overdrafts. Interest rate risk is managed by monitoring and reviewing cash flow forecasts and the trade receivables balance of the Group.

# Notes to the Financial Statements

## YEAR ENDED 30 JUNE 2010

### 31. FINANCIAL INSTRUMENTS (Continued)

**Interest rate sensitivity analysis**

The sensitivity analysis below has been determined based on the exposure to interest rates for bank overdrafts as this is the only financial instrument materially exposed to floating interest rates. Since the bank overdraft is held by the parent entity, the disclosures below relate to both the Economic Entity and Parent Entity. The analysis is based on actual monthly overdraft balances throughout the year, as reported to management, with the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 120 basis point increase or decrease has been used and represents management's assessment of the possible changes in interest rates. At the reporting date, if interest rates had been 120 basis points higher or lower and all other variables were held constant, the Group's profit before income tax would increase by $17,000 and decrease by $17,000 (2009: increase by $18,000 and decrease by $18,000).

**Foreign currency risk**

The group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the group's functional currency, and the translation of foreign subsidiary results on consolidation. The group may from time to time enter into forward exchange contracts to buy and sell specified amounts of foreign currencies in the future at stipulated exchange rates within approved policy parameters. The objective in entering the forward exchange contracts is to protect the economic entity against unfavourable exchange rate movements for both the contracted and anticipated future sales and purchases undertaken in foreign currencies.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period is as follows:

| Economic Entity | Liabilities | | Assets | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $'000 | $'000 | $'000 | $'000 |
| Australian dollars | **2,789** | 2,592 | **9** | 102 |
| US dollars | **139** | 92 | **1,568** | 1,445 |
| Sterling | **383** | 428 | **2** | 237 |
| Euro | **2,074** | 2,325 | **2,794** | 2,573 |
| Other | **-** | - | **11** | 29 |

The amounts disclosed above in relation to Australian dollars relate to intercompany payables in a US resident group company whose functional currency is not Australian dollars.

| Parent Entity | Liabilities | | Assets | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $'000 | $'000 | $'000 | $'000 |
| Australian dollars | **-** | - | **-** | - |
| US dollars | **5** | 70 | **1,558** | 1,445 |
| Sterling | **19** | 19 | **-** | 235 |
| Euro | **2** | 3 | **142** | 111 |
| Other | **-** | - | **11** | 29 |

# Notes to the Financial Statements

## YEAR ENDED 30 JUNE 2010

### 31. FINANCIAL INSTRUMENTS (continued)

**Foreign currency sensitivity analysis**

The Group is mainly exposed to US dollars, Euros and Sterling.

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currencies. 10% is the sensitivity rate used as it represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external assets and liabilities as well as loans, receivables and payables balances with foreign subsidiaries where the denomination of the balance is in a currency other than the functional currency of the lender or borrower. A positive number indicates an increase in profit or loss and other equity where the Australian dollar strengthens against the respective currency. For a weakening of the Australian dollar against the respective currency there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

| Economic Entity | USD Impact | | Sterling Impact | | Euro Impact | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Profit or loss | **(371)** | (327) | **(12)** | (10) | **(67)** | (44) |
| Other equity | **-** | - | **-** | - | **-** | - |

| Parent Entity | USD Impact | | Sterling Impact | | Euro Impact | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Profit or loss | **(155)** | (125) | **(13)** | (20) | **(27)** | (10) |
| Other equity | - | - | **-** | - | **-** | - |

The above impacts are mainly attributable to the exposure of intercompany payables, receivables and loan balances at the end of the reporting period.

**Forward foreign exchange contracts**

Forward exchange contracts are used to hedge cash flow risk associated with future transactions. Gains and losses arising from changes in the fair value of forward contracts are recognised directly in the statement of comprehensive income. Outstanding forward contracts at 30 June 2010 were EUR250,000, USD50,000 and USD200,000 (2009: nil), gains and losses pertaining to these forward contracts have been recognised in the statement of comprehensive income.

| | Economic Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $'000 | $'000 | $'000 | $'000 |
| Forward exchange contracts | **10** | - | **10** | - |

**Liquidity risk**

Liquidity risk is the risk the group will not be able to meet its financial obligations as they fall due.

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. Included in Note 15 is a listing of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk. The bank overdraft and unused finance lease facilities may be drawn at any time and may be terminated by the bank without notice. All facilities are subject to annual review.

# Notes to the Financial Statements

## YEAR ENDED 30 JUNE 2010

### 31. FINANCIAL INSTRUMENTS (continued)

The table below analyses the Group's and parent entity's financial liabilities:

| | Economic Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $'000 | $'000 | $'000 | $'000 |
| Bank overdrafts | **527** | - | **527** | - |
| Lease liability | **98** | 131 | **98** | 131 |
| Trade payables | **3,440** | 3,772 | **2,796** | 3,076 |
| Sundry payables and accrued expenses | **1,563** | 1,429 | **1,124** | 1,136 |
| | **5,628** | 5,332 | **4,545** | 4,343 |

For details of expenditure commitments and maturity profile of the lease liability, refer to Note 21. The trade and sundry payables listed above are due for payment within 3 months.

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and essentially arises from holdings of cash and deposits, trade receivables and loans receivable as well as from the parent's potential obligations under the indemnity guarantee provided to banks. The risk is largely managed through a policy of only dealing with creditworthy counterparties. Periodic assessments of debtor balances are undertaken and provisions for impairment are recognised where appropriate.

The maximum credit risk exposure, is the carrying value of cash and deposits, trade receivables and loan receivables as disclosed in notes 6 and 7.

**(ii) Net Fair Values**

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

**Recognised financial instruments**

*Cash and cash equivalents:* The carrying amount approximates fair value because of their short-term to maturity, because of their short-term maturity.

*Trade receivables and trade payables:* The carrying amount approximates fair value.

*Short-term borrowings:* The carrying amount approximates fair value because of their short-term maturity.

*Non-current investments/securities:* For financial instruments traded in organised financial markets, fair value is the current quoted market bid price for an asset or offer price for a liability, adjusted for transaction costs necessary to realise the asset or settle the liability. For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows or the underlying net asset base of the investment/security. The net fair value of the unlisted options is determined to be the difference between the market price and the exercise price of the underlying shares.

*Forward exchange contracts:* The fair values of forward exchange contracts is determined as the recognised gain or loss at reporting date calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

# Notes to the Financial Statements

## YEAR ENDED 30 JUNE 2010

### 31. FINANCIAL INSTRUMENTS (continued)

*Financial instruments measured at fair value:* The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- Quoted prices in active market for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

A forward exchange contract of $10,000 (2009: nil) is included in level 2 of the faire value hierarchy.

# Notes to the Financial Statements

YEAR ENDED 30 JUNE 2010

# Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 22 to 71, are in accordance with the *Corporations Act 2001* and:
    a. comply with Accounting Standards and the Corporations Regulations 2001; and
    b. give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the company and economic entity;
2. the Managing Director has declared that:
    a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
    b. the financial statements and notes for the financial year comply with the Accounting Standards; and
    c. the financial statements and notes for the financial year give a true and fair view;
3. in the directors' opinion there are reasonable grounds to believe that the company 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 Board of Directors.

Gerry Tuddenham

Managing Director

Melbourne, 30 September 2010

MOORE STEPHENS
ACCOUNTANTS & ADVISORS

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Melbourne VIC 3000

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**INDEPENDENT AUDITOR'S REPORT**

**TO THE MEMBERS OF CPT GLOBAL LIMITED AND CONTROLLED ENTITIES**

We have audited the accompanying financial report of CPT Global Limited (the company) and Controlled Entities (the consolidated entity), which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

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

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

*Matters Relating to the Electronic Presentation of the Audited Financial Report*

This audit report relates to the financial report of the consolidated entity for the year ended 30 June 2010 included on the website of CPT Global Limited. The directors of the company are responsible for the integrity of the website and we have not been engaged to report on its integrity. This audit report refers only to the financial report identified above and it does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of this financial report are concerned about the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the company's website.

*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 CPT Global Limited (the company) and Controlled Entities (the consolidated entity), is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the company and consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

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

*Significant Uncertainty Regarding Accounting Estimate*

Without qualification to the opinion expressed above, we draw your attention to Note 13 in the financial report. The impairment analysis performed on the goodwill is based on cash flow projections that use a range of assumptions and accounting estimates whose outcome depends on future events. Given the current economic uncertainty, it is extremely difficult to forecast future cash flows with the degree of confidence required to be able to state that goodwill is fully recoverable at the amount disclosed in the financial report. The recoverable amount of the goodwill is sensitive to reasonable possible changes in these key assumptions.

Notwithstanding the directors' belief that the goodwill is fully recoverable, the sensitivity analysis indicates the existence of a material uncertainty should key assumptions change which may cast doubt on whether the consolidated entity will realise the value of the goodwill at the amount disclosed in the financial report.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 15 to 18 of the report of the directors for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's Opinion*

In our opinion the Remuneration Report of CPT Global Limited for the year ended 30 June 2010, complies with s 300A of the *Corporations Act 2001.*

MOORE STEPHENS
Chartered Accountants

S David Pitt
Partner

Melbourne, 30 September 2010

# Corporate Information

ACN 083 090 895
ABN 16 083 090 895

**Directors**

**Fred Grimwade**
(Non-executive Chairman)

**Gerard (Gerry) Tuddenham**
(Managing Director)

**Ian MacDonald**
(Non-executive Director)

**Peter Wright**
(Executive Director)

**Acting Company Secretary**

**Gerry Tuddenham**

**Principal Registered Office**
Level 1, 4 Riverside Quay
Southbank VIC 3006
Telephone: +61 (0)3 9684 7900
Facsimile: +61 (0)3 9684 7999
Internet: www.CPTglobal.com

**2010 Annual General Meeting**

The Annual General Meeting of CPT Global Limited members will be held on Friday the 26th November 2010 at 11.30am at: Level 1, 4 Riverside Quay Southbank VIC 3006

**Auditors**

**Moore Stephens**
Level 10, 530 Collins Street
Melbourne VIC 3000

**Share Register**

**Computershare Investor Services Pty Ltd**
Yarra Falls, 452 Johnston Street
Abbotsford VIC 3067
Telephone: 1300 850 505
Facsimile: +61 (0)3 9473 2500

**Solicitors**

**Gadens Lawyers**

**Bankers**

**ANZ Banking Group Limited**

**ASX Code**

**CGO**

**CPT Global on the Web**

For an introduction to the company and access to company announcements, descriptions of our core business, services and careers, and our corporate governance policies and procedures visit our website at www.CPTglobal.com

# ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 27th September 2010.

**(a) Distribution of equity securities**

The number of shareholders, by size of holding, in each class of share are:

| | | | Ordinary shares | | Preference shares | |
|---|---|---|---|---|---|---|
| | | | Number of holders | Number of shares | Number of holders | Number of shares |
| 1 | - | 1,000 | **74** | **59,826** | - | - |
| 1,001 | - | 5,000 | **454** | **1,306,441** | - | - |
| 5,001 | - | 10,000 | **212** | **1,684,684** | - | - |
| 10,001 | - | 100,000 | **310** | **9,449,454** | - | - |
| 100,001 | | and over | **42** | **24,215,959** | - | - |
| | | | **1,092** | **36,716,364** | - | - |
| The number of shareholders holding less than a marketable parcel of shares are: | | | **29** | **15,085** | - | - |

**(b) Twenty largest shareholders**

The names of the twenty largest holders of quoted shares are:

| | | Listed ordinary shares | |
|---|---|---|---|
| | | Number of shares | Percentage of ordinary shares |
| 1 | TUDDY SUPER PTY LTD | 8,611,546 | 23.5% |
| 2 | GNP NOMINEES PTY LTD | 5,537,172 | 15.1% |
| 3 | HSBC CUSTODY NOMINEES | 2,507,363 | 6.8% |
| 4 | MR BEN TUDDENHAM | 732,026 | 2.0% |
| 5 | MR LUKE TUDDENHAM | 607,411 | 1.7% |
| 6 | MR MICHAEL LAZORIK | 500,000 | 1.4% |
| 7 | FRED GRIMWADE | 500,000 | 1.4% |
| 8 | BRETT DAVID NORRIS | 424,246 | 1.2% |
| 9 | MR PHILIP ADAM | 378,995 | 1.0% |
| 10 | FIVE TALENTS LIMITED | 377,000 | 1.0% |
| 11 | MR IAN GRAHAM MACDONALD | 330,000 | 0.9% |
| 12 | MR ALAN MACKENZIE | 327,812 | 0.9% |
| 13 | MR JOHN CAREY | 326,000 | 0.9% |
| 14 | MR KEVIN AKOM | 300,727 | 0.8% |
| 15 | K & D CONSULTING PTY LTD | 264,286 | 0.7% |
| 16 | FORBAR CUSTODIANS LIMITED | 235,700 | 0.6% |
| 17 | MR NEVILLE WINSTON HASKETT | 233,108 | 0.6% |
| 18 | STRACHAN ENTERPRISES PTY LTD | 227,784 | 0.6% |
| 19 | INVESTMENT CUSTODIAL SERVICES | 217,839 | 0.6% |
| 20 | MRS SELINA DALLY | 212,320 | 0.6% |
| | | 22,851,335 | 62.2% |

# ASX Additional Information

**(c) Shares held in escrow**

As at 27 September 2010, there were nil fully paid ordinary shares held in escrow for the benefit of participants in the CPT Share and Option Incentive Plan.

**(d) Substantial shareholders**

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

| | Number of Shares |
|---|---|
| GNP NOMINEES PTY LTD AS TRUSTEE FOR THE CPT TRUST | 5,537,172 |
| MR GERARD (GERRY) TUDDENHAM AND HIS ASSOCIATES (EXCLUDING HIS 54.43% BENEFICIAL INTEREST IN THE CPT TRUST) | 8,615,546 |

**(e) Voting rights**

All ordinary shares (whether fully paid or not) carry one vote per share without restriction. Options do not carry voting rights.