



CPI Group Limited
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24 February 2011

The Manager
Company Announcements Office
Australian Stock Exchange Limited
Level 4 Stock Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam,

Statement to Australian Stock Exchange and Media Release for the six months ended 31 December 2010

CPI Group Limited today announced its results for the six months ended 31 December 2010. The company recorded an underlying EBITDA of \$2,660,000 profit.

Earnings Summary

	Dec '10 \$ '000s	Dec '09 \$ '000s
EBITDA underlying	2,660	4,468
Less		
Depreciation	(567)	(643)
EBIT underlying	2,093	3,825
Less non-recurring items	(854)	(289)
EBIT	1,239	3,536
Interest from other persons	41	383
Finance costs	(2,019)	(1,873)
NET PROFIT/(LOSS) before tax for the half year	(739)	2,046

Working Capital and Cash Flow Management

The Group continues to focus very strongly on working capital management and cash flow. Net debt stood at \$32.5 million at 31 December 2010, the lowest level in over 3 years. The Group's finance facility extends to February 2013 and all covenants have been met. The net debt position is summarised below:

	Dec 2010	Dec 2009
	<i>\$ millions</i>	<i>\$ millions</i>
Cash and cash equivalents	1.8	1.2
Borrowings	(34.3)	(40.5)
Net Debt	(32.5)	(39.3)

Dividend

In view of the still difficult conditions in the industry the Board determined not to declare a dividend at this time.

Outlook

Trading

Trading conditions remain difficult with volumes still below the levels of two years ago. In response to these conditions we are witnessing some aggressive market pricing as competitors seek to quit stock and maintain volumes. Following our recent re-organisation we believe the Group is now appropriately positioned to meet this competition. Further cost reductions are expected as the warehouse rationalisation program is continued over the next twelve months. Working capital and overheads control will remain a major focus for the Group going forward.

Scheme of Arrangement

On 17 January 2011, the Group announced that it has entered into a scheme implementation deed for the proposed acquisition by PagePack (AU) Pty Ltd of all the issued shares in the Group. The proposed acquisition of the shares is to be implemented by a scheme of arrangement between the Group and its shareholders, and if successful will result in the Group becoming a wholly owned subsidiary of PagePack (AU) Pty Ltd. The Scheme consideration of 45 cents may be paid in part by payment of a special dividend. Depending on the amount of realised trading profits from which a dividend can be sourced, the Board is of the view that the dividend component (if any), is likely to be in the range of 17 cents to 19 cents.

Yours sincerely,



Bernard P Cassell
Managing Director

For further information please contact:

Bernard Cassell, Managing Director
Lachlan Duncan, Chief Operating Officer & Company Secretary
Ph: (03) 8587 3500

**CPI GROUP LIMITED
ABN 33 006 364 067**

**FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2010**

This half-year financial report is to be read in conjunction
with the financial report for the year ended 30 June 2010

CPI GROUP LIMITED
FINANCIAL REPORT FOR THE HALF-YEAR ENDED
31 DECEMBER 2010

TABLE OF CONTENTS

	Page
Directors' Report	3
Auditor's Independence Declaration	4
Financial Report for the half year ended 31 December 2010	
Condensed Consolidated Statement of Comprehensive Income	5
Condensed Consolidated Statement of Financial Position	6
Condensed Consolidated Statement of Changes in Equity	7
Condensed Consolidated Statement of Cash Flows	8
Notes to the Half Year Consolidated Financial Statements	9
Directors' Declaration	13
Independent Auditor's Review Report	14

CPI GROUP LIMITED
ABN 33 006 364 067

DIRECTORS' REPORT

The Directors present their report together with the condensed financial report of the consolidated entity consisting of CPI Group Limited and the entities it controlled, for the half-year ended 31 December 2010 and independent review report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

Directors Names

The names of the directors in office at any time during or since the end of the half-year are:

Mr Peter Thomas Reilly	Chairman
Mr Bernard Phillip Cassell	Managing Director
Mr Denis William Goodrem	Executive Director
Mr David Gordon Bull	Executive Director
Mr Darryl Abotomey	Non-executive Director

The directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

Review of Operations

The Group announced its results for the six months ended 31 December 2010, recording an underlying EBIT of \$2,093,000 profit.

The consolidated loss of the economic entity for the period was \$739,000 after income tax.

During the period, the Group continued to engage in its principal activity, the results of which are disclosed in the attached financial statements. The comparative period, six months ended December 2009, includes sales revenue derived from conventional printing machinery products.

Market conditions to December 2010 have remained difficult and challenging for this industry. The impact of rising interest rates and the appreciating Australian dollar, after its dramatic fall at the end of the last financial year, have affected the buoyancy of the market. The Group continues to maintain a very strong focus on cost control and ensuring that its funds are appropriately employed across the Group. The warehouse rationalisation plan previously announced is continuing to take place as part of the Group's overall savings initiatives. This plan includes the Group consolidating its current warehouses, and thereby establish in most states, single warehouses for its operations and is aimed to be completed over the next twelve months. As of February 2011, all business units have consolidated onto single sites in South Australia and Queensland.

In the financial report for the year ended 30 June 2010, the Group disclosed a potential exposure of an uninsured debtor, Quality Group, of \$3.1 million prior to any provisioning. CPI holds an unregistered second mortgage over the principal's residence. The Mortgagor has advised CPI that the amount owing on the first mortgage is approximately \$2.4 million and the house was sold for \$4.8 million. Provisions have been allocated for the amount of \$1 million, based on the amount expected to be recoverable after allowing for funds expected to be available to the Group from its second mortgage. CPI continues to seek clarification of the first mortgage position in order to determine the recovery that might be expected. If the amount of the first mortgage debt exceeds the amount advised by the Mortgagor or other unknown security exists which limits CPI's ability to recover under its second mortgage, additional provisioning will be required to that extent.

The Group's finance facility extends to February 2013 and all covenants have been met. The Group's level of underlying net debt, represented by the gross debt less cash and cash equivalents is summarised below:

	Dec-10	Jun-10
	\$'000s	\$'000s
Cash and cash equivalents	1,830	851
Borrowings	<u>(34,277)</u>	<u>(36,629)</u>
	<u>(32,447)</u>	<u>(35,778)</u>

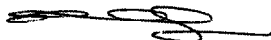
Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 in relation to the review of the half-year is provided with this report.

Rounding of Amounts

The company is of a kind referred to in ASIC Class Order 98/100, issued by the Australian Securities and Investments Commission. In accordance with that Class Order, amounts in this report and the accompanying financial statements have been rounded to the nearest thousand dollars, unless otherwise stated.

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



.....
P.T. Reilly
Chairman



.....
B. P. Cassell
Managing Director

Dated this 24th day of February 2011

Grant Thornton Audit Pty Ltd
ACN 130 913 594

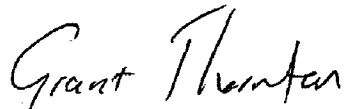
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**Auditor's Independence Declaration
To The Directors of CPI Group Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of CPI Group Limited for the half-year ended 31 December 2010, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



A.J. Pititto
Director - Audit & Assurance Services

Melbourne, 24 February 2011

CPI GROUP LIMITED
ABN 33 006 364 067
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

		31 December 2010 \$'000s	31 December 2009 \$'000s
	Note		
Sales	3	169,444	206,400
Cost of sales		<u>(136,242)</u>	<u>(169,977)</u>
Gross margin		<u>33,202</u>	<u>36,423</u>
Other Income	3	84	425
Distribution expenses		(15,083)	(16,311)
Selling and marketing expenses		(9,223)	(9,569)
Administration expenses		(7,236)	(6,848)
Restructuring	4	(459)	(197)
(Loss) on sale of non-current assets	3	<u>(5)</u>	<u>(4)</u>
Profit before finance costs and income tax expense		1,280	3,919
Finance costs		<u>(2,019)</u>	<u>(1,873)</u>
Profit / (Loss) before income tax expense		<u>(739)</u>	<u>2,046</u>
Income tax benefit / (expense)		-	-
Profit / (Loss) for the half-year		<u>(739)</u>	<u>2,046</u>
Other comprehensive income			
Cash flow hedges		-	(394)
Exchange differences on translation of foreign operations		(137)	8
Income tax benefit / (expense) relating to components of other comprehensive income		-	-
Other comprehensive income for the half-year, net of tax		<u>(137)</u>	<u>(386)</u>
Total comprehensive income for the half-year		<u>(876)</u>	<u>1,660</u>
Earnings per share			
Basic earnings per share		(1.3)¢	3.4¢
Diluted earnings per share		(1.3)¢	3.4¢

The condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes which form an integral part of these financial statements.

CPI GROUP LIMITED
ABN 33 006 364 067
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	31 December 2010	30 June 2010
Note	\$'000s	\$'000s
Current Assets		
Cash and cash equivalents	1,830	851
Receivables	77,444	79,401
Inventories	70,856	76,139
Derivative financial assets	-	528
Other	1,793	1,127
Total Current Assets	151,923	158,046
Non Current Assets		
Receivables	597	653
Other financial assets	100	100
Property, plant & equipment	3,233	3,725
Total Non Current Assets	3,930	4,478
Total Assets	155,853	162,524
Current Liabilities		
Payables	62,305	67,677
Short term borrowings	247	260
Derivative financial liabilities	2,731	-
Provisions	6,329	7,085
Total Current Liabilities	71,612	75,022
Non Current Liabilities		
Long term borrowings	34,030	36,369
Provisions	192	182
Total Non Current Liabilities	34,222	36,551
Total Liabilities	105,834	111,573
Net Assets	50,019	50,951
Equity		
Contributed equity	80,305	80,361
Reserves	(783)	(646)
Accumulated losses	(29,503)	(28,764)
Total Equity	50,019	50,951

The condensed consolidated statement of financial position should be read in conjunction with the accompanying notes which form an integral part of these financial statements.

CPI GROUP LIMITED
ABN 33 006 364 067
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Note	Contributed equity \$'000s	Reserves \$'000s	Retained earnings \$'000s	Total Equity \$'000s
Balance at 1 July 2009		80,491	(272)	(30,079)	50,140
Profit / (Loss) for the year		-	-	2,046	2,046
Cash flow hedges		-	(394)	-	(394)
Exchange differences on translation of foreign operations		-	8	-	8
Total comprehensive income for the half-year		<u>-</u>	<u>(386)</u>	<u>2,046</u>	<u>1,660</u>
Transactions with owners in their capacity as owners					
Ordinary shares bought back and issuances during the half-year		(98)	-	-	(98)
		<u>(98)</u>	<u>-</u>	<u>-</u>	<u>(98)</u>
Balance at 31 December 2009		<u>80,393</u>	<u>(658)</u>	<u>(28,033)</u>	<u>51,702</u>
Balance at 1 July 2010		80,361	(646)	(28,764)	50,951
Profit / (Loss) for the year		-	-	(739)	(739)
Exchange differences on translation of foreign operations		-	(137)	-	(137)
Total comprehensive income for the half-year		<u>-</u>	<u>(137)</u>	<u>(739)</u>	<u>(876)</u>
Transactions with owners in their capacity as owners					
Ordinary shares bought back during the half-year	8	(56)	-	-	(56)
		<u>(56)</u>	<u>-</u>	<u>-</u>	<u>(56)</u>
Balance at 31 December 2010		<u>80,305</u>	<u>(783)</u>	<u>(29,503)</u>	<u>50,019</u>

The condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes which form an integral part of these financial statements.

CPI GROUP LIMITED
ABN 33 006 364 067
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	31 December 2010 \$'000s	31 December 2009 \$'000s
Cash Flows From Operating Activities		
Receipts from customers	188,834	230,031
Payments to suppliers and employees	(183,408)	(198,039)
Interest received	41	383
Borrowing costs	(2,019)	(1,873)
Net operating cash flows	3,448	30,502
Cash Flow From Investing Activities		
Payment for purchases of property, plant and equipment	(49)	(35)
Proceeds from sale of property, plant and equipment	21	2
Net investing cash flows	(28)	(33)
Cash Flows From Financing Activities		
Net Proceeds from/ (Repayment of) borrowings	(2,292)	(31,349)
Repayment of finance leases	(114)	(79)
Net financing cash flows	(2,406)	(31,428)
Net increase/(decrease) in cash and cash equivalents	1,014	(959)
Cash and cash equivalents at beginning of period	851	2,166
Effects of exchange rate changes on the balances of cash held in foreign currencies	(35)	1
Cash and cash equivalents at end of the half-year	1,830	1,208

The condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes which form an integral part of these financial statements.

CPI GROUP LIMITED
ABN 33 006 364 067
NOTES TO THE CONSOLIDATED FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

NOTE 1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This half-year financial report does not include all the notes of the type normally included in an annual financial report. It is recommended that this financial report be read in conjunction with the financial report for the year ended 30 June 2010. This report must also be read in conjunction with any public announcements made by CPI Group Limited during the half-year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of preparation of the half-year financial report

This general purpose half-year consolidated financial report has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain classes of assets and financial instruments. Cost is based on the fair values of the consideration given in exchange of assets.

(b) Summary of significant accounting policies

The half-year consolidated financial report has been prepared using the same accounting policies as used in the annual financial report for the year ended 30 June 2010.

In December 2009, the AASB issued AASB 9 Financial Instruments which addresses the classification and measurement of financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group classifies its financial instruments in the following categories: financial assets at cost, financial assets including derivatives that are designated and qualified as fair value hedges are measured at fair value with changes recognised in the profit and loss, loans and receivables and financial liabilities.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period. New and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the Group include:

AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process* introduces amendments into Accounting Standards that are equivalent to those made by the IASB under its program, of annual improvements to its standards. A number of the amendments are largely technical, clarifying particular terms, or eliminating unintended consequences. Other changes are more substantial, such as the current / non-current classification of convertible instruments, the classification of expenditures on unrecognised assets in the statement of cash flows and the classification of leases of land and buildings.

AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* amends a number of pronouncements as a result of the IASB's 2008-2010 cycle of annual improvements to provide clarification of certain matters. The key clarification include:

- (i) The measurement of non-controlling interests in a business combination
- (ii) Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised AASB 3 Business Combinations (2008)
- (iii) Transition requirements for amendments arising as a result of AASB 127 Consolidated and Separate Financial Statements.

The adoption of these instruments has not resulted in any changes to the Group's accounting policies and have no effect on the amounts reported for current or prior periods.

(c) Principles of Consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities, which CPI Group Limited controlled from time to time during the half-year and at reporting date.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist. All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation.

(d) Rounding of Amounts

The company is of a kind referred to in ASIC Class Order CO 98/0100 and in accordance with that Class Order, amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(e) Comparatives

The comparative balances of prior year had been amended to reflect the reclassification of rebates and settlement discounts against sales revenue. The prior year sales revenue balance had been reduced by \$2,599,000 to \$206,400,000 with a corresponding decrease in cost of sales of \$354,000 to \$169,977,000 and selling and marketing expenses of \$2,245,000 to \$9,223,000.

The comparative period, six months ended December 2009, includes sales revenue derived from conventional printing machinery products.

CPI GROUP LIMITED
ABN 33 006 364 067
NOTES TO THE CONSOLIDATED FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

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

(f) Critical Accounting Estimates and Judgements

The Group disclosed in the financial report for the year ended 30 June 2010, a potential exposure of an uninsured debtor, Quality Group, of \$3.1 million prior to any provisioning. CPI holds an unregistered second mortgage over the principal's residence. The Mortgagor has advised CPI that the amount owing on the first mortgage is approximately \$2.4 million and the house was sold for \$4.8 million. Provisions have been allocated for the amount of \$1 million, based on the amount expected to be recoverable after allowing for funds expected to be available to the Group from its second mortgage. CPI continues to seek clarification of the first mortgage position in order to determine the recovery that might be expected. If the amount of the first mortgage debt exceeds the amount advised by the Mortgagor or other unknown security exists which limits CPI's ability to recover under its second mortgage, additional provisioning will be required to that extent.

NOTE 2. SUBSEQUENT EVENTS

On 17 January 2011, the Group announced that it has entered into a scheme implementation deed for the proposed acquisition by PagePack (AU) Pty Ltd of all the issued shares in the Group. The proposed acquisition of the shares is to be implemented by a scheme of arrangement between the Group and its shareholders, and if successful will result in the Group becoming a wholly owned subsidiary of PagePack (AU) Pty Ltd.

NOTE 3. OPERATING PROFIT

	31 December 2010 \$'000s	31 December 2009 \$'000s
Revenue from continuing operations:		
Sales Revenue		
Product sales	169,444	206,400
Other revenues		
Interest from other persons	41	383
Foreign exchange gain	1	7
Other income	42	35
Total other revenue	<u>84</u>	<u>425</u>
Total revenue	<u>169,528</u>	<u>206,825</u>
Expenses excluding borrowing costs from continuing operations:		
Depreciation	567	643
Net loss on sale of plant and equipment	5	4
Bad Debts written off against provision	614	191
Operating lease rentals	6,862	6,860

NOTE 4. SIGNIFICANT ITEMS OF REVENUE OR EXPENSE FROM ORDINARY ACTIVITIES

	31 December 2010 \$'000s	31 December 2009 \$'000s
Profit / (Loss) after income tax includes the following items of revenue and expense whose disclosure is relevant in explaining the performance of the entity:		
Expense		
Legal fees and other non-recurring charges	395	92
Restructuring (i)	459	197

(i) At reporting date the Group had incurred \$459,000 of restructuring expenses primarily due to its warehouse rationalisation program. The Group continues to focus on the streamlining of its processes and operations through back office and warehouse consolidation, to establish in most states a single warehouse for the Group's operations.

NOTE 5. DIVIDENDS

The Directors have not declared a dividend for the half-year ended 31 December 2010 for the Ordinary Shares.

CPI GROUP LIMITED
ABN 33 006 364 067
NOTES TO THE CONSOLIDATED FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

NOTE 6. SEGMENT REPORTING INFORMATION

Management has determined the operating segment based on the reports reviewed by the strategic steering committee that are used to make strategic decisions. The strategic steering committee currently consists of the managing director and the Board.

The committee considers the business to be the supply of product to the printing industry. This comprises the sale and distribution of media, equipment and related products.

The segment information provided to the strategic steering committee for the reportable segment for the half-year ended 31 December 2010 is as follows:

	Note	31 December 2010 \$'000s	31 December 2009 \$'000s
Segment Revenue (i)			
Revenue from external customers	3	169,444	206,400
		2,660	4,468
Adjusted EBITDA (ii)			
Depreciation and amortisation	3	567	643
Legal expenses	4	395	92
Restructuring	4	459	197
		155,853	162,524
Total segment assets (iii)			
Total assets includes:			
Additions to non-current assets (other than financial assets and deferred tax)		103	545
		105,834	111,573

(i) Segment revenue

The revenue from external parties to the strategic committee is measured in a manner consistent with that in the statement of comprehensive income. The entity is domiciled in Australia. The amount of its revenue from external customers in Australia is \$168,684,000 (2009: \$204,917,000), and the total revenue from external customers in other countries is \$760,000 (2009: \$1,483,000). There is no single customer that accounts for more than 10% of the Group's revenue.

(ii) Adjusted EBITDA

The strategic steering committee assesses the performance of the segment based on a measure of adjusted EBITDA. This measurement basis excludes the effects of abnormal income and non-recurring expenditure such as employee redundancies and restructuring costs, legal expenses and goodwill impairment when the impairment is the result of an isolated, non-recurring event.

(iii) The amounts provided to the strategic steering committee with respect to total assets and liabilities are measured in a manner consistent with that of the financial assets.

A reconciliation of adjusted EBITDA to operating profit / (loss) before income tax is provided as follows:

	Note	31 December 2010 \$'000s	31 December 2009 \$'000s
Adjusted EBITDA		2,660	4,468
Finance costs		(2,019)	(1,873)
Depreciation and amortisation	3	(567)	(643)
Interest from other persons	3	41	383
Legal fees and other non-recurring charges	4	(395)	(92)
Restructuring	4	(459)	(197)
Profit / (Loss) before income tax expense		(739)	2,046

CPI GROUP LIMITED
ABN 33 006 364 067
NOTES TO THE CONSOLIDATED FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

NOTE 7. CONTINGENT LIABILITIES

There have been no material changes to contingent liabilities since 30 June 2010.

NOTE 8. ISSUANCES, REPURCHASES AND REPAYMENT OF DEBT AND EQUITY SECURITIES

	31 December 2010	30 June 2010
Movements in contributed equity for the year (number of shares):		
Ordinary Shares:		
	No. '000	No. '000
Opening number of shares	59,196	59,572
Share buy-back - Employee Shares (i)	(200)	(376)
Closing number of shares	<u>58,996</u>	<u>59,196</u>
Movements in contributed equity for the year:		
Ordinary Shares:		
	\$'000s	\$'000s
Opening balance	80,361	80,491
Share buy-back - Employee Shares	(56)	(130)
Closing number of shares	<u>80,305</u>	<u>80,361</u>

(i) Employee share buy-back

200,000 ordinary shares were bought back from former employees and cancelled pursuant to an off market buy back and in accordance with the Employee Share Purchase Plan (ESPP) rules as at 31 December 2010. The ESPP shares were bought back at the original issue price.

(ii) Repayment of Debt

Repayments of bank loans amounting to \$2,292,000 (December 2009: \$31,349,000) had been made during the period in accordance with previously disclosed borrowing terms.

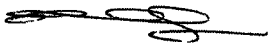
CPI GROUP LIMITED
ABN 33 006 364 067
DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 5 to 12 are in accordance with the Corporations Act 2001:

- (a) Comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) Give a true and fair view of the financial position of the consolidated entity as at 31 December 2010 and of its performance as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the directors' opinion there are reasonable grounds to believe that CPI Group Limited will be able to pay its debts as and when they become due and payable.

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



.....
P.T. Reilly
Melbourne
24th February 2011



.....
B. P. Cassell
Melbourne
24th February 2011



Grant Thornton Audit Pty Ltd
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Independent Auditor's Review Report To the Members of CPI Group Limited

We have reviewed the accompanying half-year financial report of CPI Group Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

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

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

Independence

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

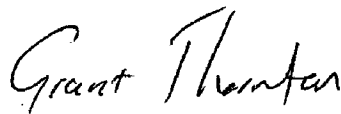
Conclusion

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

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Significant uncertainty regarding collection of outstanding trade receivable

Without qualification to the conclusion expressed above, we draw attention to Note 1(f) in the half-year financial report. The Group is currently pursuing the collection of a certain trade receivable outstanding and past due as at 31 December 2010 from Quality Group. The ultimate outcome of the matter and likely recovery of the receivable cannot presently be determined. These conditions along with other matters as set forth in Note 1(f) indicate the existence of a significant uncertainty. Other than the amount already provided in this half-year financial report, no additional provision for any additional non-recovery of the debt that may result on the finalisation of the matter has been made in the half-year financial report.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



A.J. Pititto
Director - Audit & Assurance Services

Melbourne, 24 February 2011

Appendix 4D**Half Year Report for the six months to 31 December 2010**

Name of Entity	CPI GROUP LIMITED
ABN	33 006 364 067

Reporting period

Report for the half year ended	31 DECEMBER 2010
Previous corresponding period	31 DECEMBER 2009

Results for announcement to the market

				\$'000s
Revenues from ordinary activities (Item 2.1)	Down	18.0%	to	169,528
Underlying EBIT from ongoing operations	Down	45.3%	to	2,093
Profit / (Loss) from ordinary activities after tax attributable to members (item 1)	Down	136.1%	to	(739)
Net profit / (loss) for the period attributable to members (item 1)	Down	136.1%	to	(739)
Dividends (item 2.4)		Amount per security		Franked amount per security
Interim dividend		NIL¢		NIL¢
Final dividend		NIL¢		NIL¢
Previous corresponding period		NIL¢		NIL¢
Record date for determining entitlements to the dividend (item 2.5)		N/A		
Brief explanation of any of the figures reported above necessary to enable the figures to be understood (item 2.6):				
To be read in conjunction with accompanying ASX announcement.				
The comparative period, six months ended December 2009, includes sales revenue derived from conventional printing machinery products. The sale of the conventional printing machinery assets in Australia and New Zealand was completed on 26 March 2010.				

Net tangible assets per security (item 3)

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	0.85	0.87

Details of entities over which control has been gained or lost during the period: (item 4)**Assets acquired during the period**Name of businesses *(item 4.1)*

N/A

Date(s) of gain of control *(item 4.2)*

N/A

Contribution to consolidated profit (loss) from ordinary activities after tax by the acquired businesses since the date(s) in the current period on which control was acquired *(item 4.3)*

N/A

Assets disposed during the periodName of businesses *(item 4.1)*

N/A

Date(s) of loss of control *(item 4.2)*

N/A

Contribution to consolidated profit (loss) from ordinary activities after tax by the disposed business to the date(s) in the current period when control was lost *(item 4.3)*.

N/A

Profit (loss) from ordinary activities after tax of the disposed businesses for the whole of the previous corresponding period *(item 4.3)*

N/A

Dividends (item 5)

Final dividend – year ended 30 June 2010

Interim dividend – half year ended 31 December 2010

Date of payment	Total amount of Dividend
N/A	N/A
N/A	N/A

Amount per security

	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign sourced dividend
Interim dividend: Current year	NIL¢	NIL¢	NIL¢
Previous year	NIL¢	NIL¢	NIL¢

Interim dividend on all securitiesOrdinary securities *(each class separately)*Preference securities *(each class separately)*Other equity instruments *(each class separately)***Total**

Current period \$A'000	Previous corresponding Period - \$A'000
N/A	-
-	-
-	-
-	-

Details of dividend or distribution reinvestment plans in operation are described below (item 6):


These plans are not currently operating

The last date(s) for receipt of election notices for participation in the dividend or distribution reinvestment plan

N/A

The information provided in the Appendix 4D is based on the interim financial report (attached), which has been prepared in accordance with Australian accounting standards.

The financial report has been independently reviewed. The financial report is not subject to a qualified review statement.

Sign here: 
 Director

Date: 24th February 2011

Print name: B.P. Cassell