CTI Logistics Limited

ACN 008 778 925

ANNUAL REPORT 2022

Contents

Directory

DIRECTORS
David Robert Watson
(Executive Chairman)

David Anderson Mellor
(Executive)

Bruce Edmond Saxild
(Executive)

Owen Roy Venter
(Executive)

Matthew David Watson
(Executive)

Peter James Leonhardt
(Non-Executive)

William Edward Moncrieff
(Non-executive)

SECRETARY
Owen Roy Venter

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

SHARE REGISTRY
Computershare Investor Services Pty Ltd
Level 11, 172 St. Georges Terrace
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The financial report covers the Group consisting of CTI Logistics Limited and its subsidiaries.

The financial report is presented in Australian dollars.

The financial report was authorised for issue by the directors on 30 August 2022.

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

Chairman’s Statement

Our 35th year listed on the ASX has been a year of records for the Company, with revenue of $283m, EBITDA of $50m, net profit after tax of $15m, and earnings per share of 20.15 cents. The Company declared dividends of 6.5 cents per share, fully franked.

In what is also now our 50th year since the business was started, as Mercury Messengers, in 1973, we have also achieved ISO certifications for Quality, Environment and Health and Safety across all Company activities including transport, warehousing, security and related services. In going forward from here, we are developing plans to reduce and off-set our carbon footprint by adopting ESG initiatives where practicable, including with our new and existing properties, through solar power and LED lighting. The transition from fossil fuels will take longer to adopt and implement.

All of the above has been achieved in an unprecedented operating environment that has included COVID lockdowns and isolation protocols, massive supply chain disruptions and extreme labour shortages including drivers, warehousing and other key staff. It would not have been possible without the efforts and commitment of the entire CTI team, including management, staff and drivers plus our large team of dedicated subcontractors. Going forward we face continuing uncertainties, but we believe we have the right people to guide the Company to continued success.

David Watson
EXECUTIVE CHAIRMAN

Directors' Report

YOUR DIRECTORS PRESENT THEIR REPORT ON THE GROUP CONSISTING OF CTI LOGISTICS LIMITED AND THE ENTITIES IT CONTROLLED AT THE END OF, OR DURING, THE YEAR ENDED 30 JUNE 2022.

Directors
Directors of the Company who were in office during the financial year and up to the date of this report are (unless otherwise indicated):

David Robert Watson (Executive Chairman)
Mr Watson is the founder, executive chairman and chief executive officer of the Group. Mr Watson is a member of the remuneration and nomination committee. Mr Watson has not held any other directorships in listed companies over the past 4 years.

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

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

Owen Roy Venter (Executive Director – appointed 2 September 2021)
Mr Venter is a Chartered Accountant who has been with the Group since 2014. He is the Company Secretary and has finance and accounts responsibilities for the Group. Mr Venter has previously been a director with PricewaterhouseCoopers in the UK as well as a senior manager with KPMG in Perth. During his career of over 30 years he has worked in audit and advisory in public accounting in South Africa, the UK and the US across various industries and sectors. Mr Venter has not held any other directorships in listed companies over the past 4 years.

Matthew David Watson (Executive Director – appointed 2 September 2021)
Mr Watson is a Chartered Management Accountant who has been with the Group since 2019 and previously was a non-executive director of CTI Logistics from 2010 to 2019. During his career of 25 years, Mr Watson has worked for Rio Tinto in Perth, Cisco Systems in London and Accenture in Europe in various financial, operational and project management positions. Mr Watson is a member of the audit and risk committee and has compliance and operational responsibilities for the Group. Mr Watson has not held any other directorships in listed companies over the past 4 years.

Peter James Leonhardt (Non-Executive Director)
Mr Leonhardt is a non-executive director of CTI Logistics Limited and has been with the Group since 1999. During the past 4 years Mr Leonhardt has served as Chairman of Carnarvon Petroleum Limited. Mr Leonhardt is a former managing partner of Coopers & Lybrand (now PricewaterhouseCoopers). Mr Leonhardt is the chairman of the audit and risk committee and the remuneration and nomination committee.

William Edward Moncrieff (Non-Executive Director – appointed 2 September 2021)
Mr Moncrieff is a non-executive director of CTI Logistics Limited following his appointment in 2021. Mr Moncrieff is counsel with the law firm Blackwall Legal LPP and a proprietor of the legal consulting practice McKenzie Moncrieff Consulting and has previously been a partner with leading independent WA law firm Jackson McDonald, a director of boutique corporate law firm McKenzie Moncrieff Lawyers, a partner of the national law firm Clayton Utz and an executive officer with ASX Limited. During his career of 30 years he has advised many listed companies on corporate compliance, mergers and acquisitions, capital raisings, public offerings and commercial contracts. Mr Moncrieff is a member of the audit and risk committee and the remuneration and nomination committee.

Principal activities of the Group
The principal activities of the Group during the year were the provision of logistics and transport services, specialised flooring logistics and provision of security services, rental of property.

Dividends

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

Declared and paid during the year	Cents per share	Total amount Franked	Date of payment
Final 2021			
Ordinary	2.0	$1,503,758 Franked	12 November 2021
Interim 2022			
Ordinary	2.5	$1,883,700 Franked	8 April 2022

Declared after end of year

After the balance sheet date the directors have declared the following dividend. The dividend has not been provided and there are no income tax consequences.

Declared	Cents per share	Total amount Franked	Date of expected payment
Final 2022			
Ordinary	4.0	$3,029,835 Franked	7 October 2022

The financial effect of this post year dividend has not been brought to account in the financial statements for the year ended 30 June 2022 and will be recognised in subsequent financial reports.

Review of operations and results

The Company is a national transport and logistics provider with its head office based in Perth. Transport operations cover couriers and taxi trucks, business to business (B2B) and business to customer (B2C) parcel distribution, container handling, fleet management, WA regional road freight and interstate freight. Logistics includes third party logistics (3PL), offsite fourth party logistics (4PL), supply chain and distribution centre (DC) warehousing, flooring logistics, e-commerce fulfilment, temperature-controlled warehousing, minerals and energy supply base services, quarantine and preservation wrapping and fumigation, document storage, media destruction and recycling. The Company also has a security business providing installation, maintenance and monitoring of alarms, CCTV visual verification and lone worker protection.

For the year ended 30 June 2022 revenue from operations was up 18.5% to $283.2m.

The profit before tax of $22.0m and EBITDA of $50.0m were up 95% and 32% respectively on the previous year.

The strong result for the year ended 30 June 2022 has been driven by:

- 21% revenue growth in the transport segment due to increased freight volumes across the transport network, increased levels of project work in WA regional freight including the addition of the Port Hedland depot to the network, the impact of supply chain disruptions and growth in interstate and WA metro volumes
- The increased volume combined with strong demand for premium freight services across the transport network has resulted in the transport segment profit margin percentage increasing significantly from that of the previous year despite critical shortages of drivers and adverse weather events for interstate rail earlier in the year
- 11% revenue growth in the logistics segment due to increased volumes in both the flooring sector and warehousing as well as WA warehouse project work in the period
- The logistics segment margin percentage is marginally down on the previous year impacted by volatility of activity due to supply chain disruptions, rising wage costs and site closures; offset in part by productivity gains flowing from successful system implementations
- Across the business continued focus on quality revenue and cost savings as a result of ongoing cost control measures despite ongoing impacts staff absenteeism and isolation due to COVID protocols, as well as increasing illness as a result of the flu

Despite the challenging market conditions, operating cash flow has remained strong at $39.9m for the year, up 28% on the prior year. The Company's receivables and cash flow management remained well controlled with debtors' days outstanding in line with the prior year. With a diverse and large customer base, the strength of the Company's focus on receivables management is reflected in the value of receivables written off during the year representing only 0.03% of revenue.

The Company decreased interest bearing debt by another $9.0m in addition to $10.8m in the previous year, further reducing the gearing ratio for the Company from 54% to 46%, while at the same time increasing the available cash balance by $3.0m to $9.4m at 30 June 2022.

The Company has successfully achieved ISO certifications for Quality (9001:2015), Environment (14001:2015) and Health and Safety (45001:2018) across all Company activities including transport, logistics, security and related services following a substantial commitment from staff over the past twelve months. This integrated system demonstrates our commitment to building a culture of operational excellence and continuous improvement as we work with our key stakeholders. Customers are becoming more focused on environmental, social and governance (ESG) issues and placing increased importance on ISO certification when awarding contracts.

The Company's excellent safety record is a priority and has been maintained while operating at significantly higher volumes. The health and safety system continues to strengthen, including alignment with the recently released WA Work Health and Safety Act (March 2022) and ISO certification. Staff are invested in a positive health and safety culture, and this reflects in the Company's strong operational results.

The Company has commenced the $22.6m development of the 23,000 sqm transport hub on two of the three lots of the undeveloped land at our Hazelmere site. Costs of $1.8m have been incurred as of 30 June 2022, with completion now expected in March 2023. This development is a significant investment for the Company which expands the WA metro and regional transport capacity and will generate returns on the developed land as well as reduce leasing costs. The development will be funded from both available cash and bank facilities. In addition, the Company will relocate its Queensland operations to a new strategically located facility between Brisbane and Gold Coast. The new 22,000 sqm facility combines two sites generating operational synergies and positions CTI for growth ahead of the 2032 Brisbane Olympics.

Considering a number of the above factors affecting the results in the current period, forecasting the future operating environment and outlook remains difficult. However, the Company continues to generate strong cash flow and is poised to take advantage of and benefit from opportunities as they arise despite the changing economic conditions.

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

Events subsequent to balance date
The directors are not aware of any other matters or circumstances that have significantly or may significantly affect the operations of the Group, the results of those operations, or the affairs of the Group in subsequent financial years.

Likely developments
The major objectives encompassed in the Business Plan of the Group are:
(i) expansion of existing operations by targeted marketing and by acquisition;
(ii) establishment or acquisition of businesses in fields related to or compatible with the Group's existing core operations; and
(iii) to maximise the profits and returns to shareholders by constant review of existing operations.

Company secretary
The company secretary is Mr O R Venter. He was appointed to the position on 26 August 2016.

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

Directors' Report

Board of Directors

	Number held whilst in office	Number Attended
P J Leonhardt	11	11
D A Mellor	11	11
W E Moncrieff⁺	9	9
B E Saxild	11	11
O R Venter⁺	9	9
D R Watson	11	11
M D Watson⁺	9	9

Audit and Risk Committee

	Number held whilst in office	Number Attended
P J Leonhardt	3	3
W E Moncrieff⁺	2	2
B E Saxild	3	3
M D Watson⁺	2	2

Remuneration and Nomination Committee

	Number held whilst in office	Number Attended
P J Leonhardt	2	2
W E Moncrieff⁺	1	1
D R Watson	2	2

⁺Directors appointed 2 September 2021

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

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

	Direct Holding	Indirect Holding
P J Leonhardt	-	696,595
D A Mellor*	522,080	2,538,864
W E Moncrieff	-	-
O R Venter*	-	-
B E Saxild*	347,120	2,337,605
D R Watson	18,260,702	7,273,093
M D Watson	324,512	-

*The above do not include Employee Share Plan shares (refer page 7)

Directors' and officers' indemnity insurance

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

Environmental regulation

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

Directors' Report

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

Details of the amounts paid or payable to the auditor, KPMG, for audit services provided during the year are set out in Note 20 of the financial statements. There were no non-audit services provided during the year. The directors are satisfied the auditor did not compromise the auditor independence requirements of the Corporations Act 2001.

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 10.

Remuneration report - audited

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

A. *Principles used to determine the nature and amount of remuneration*
B. *Details of remuneration*
C. *Service agreements*
D. *Key management personnel transactions*
E. *Additional information*

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

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

Non-executive directors
Remuneration of non-executive directors is determined by the board within the maximum amount of $900,000, approved by shareholders at the annual general meeting on 25 November 2021.

B. *Details of remuneration*
Details of the nature and amount of each element of the emoluments of each director of the Company and the Group is set out in the following table.

	Short-term		Post-employment	
	Cash salary and fees	Non-monetary benefits	Superannuation	Total
	$	$	$	$
2022				
P J Leonhardt	75,000	-	-	75,000
D A Mellor	488,527	12,710	27,492	528,729
W E Moncrieff*	56,818	-	5,682	62,500
B E Saxild	593,663	19,647	27,492	640,802
O R Venter*	218,460	8,592	21,666	248,718
D R Watson	539,870	7,732	27,492	575,094
M D Watson*	228,812	-	21,666	250,478
Total	2,201,150	48,681	131,490	2,381,321

*Directors appointed 2 September 2021

	Cash salary and fees	Non-monetary benefits	Superannuation	Total
2021				
P J Leonhardt	72,500	-	-	72,500
D A Mellor	447,712	13,115	24,960	485,787
B E Saxild	532,634	14,949	24,960	572,543
D R Watson	500,640	19,357	24,960	544,957
Total	1,553,486	47,421	74,880	1,675,787

Any movement up or down is due to variations in the amount of accrued leave taken or not taken during the financial year by the director concerned.

Directors’ Report

Remuneration report – audited (continued)

C. Service agreements

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

D. Key management personnel transactions

Movement in shares

The number of ordinary shares in the Company held during the financial year by each director of CTI Logistics Limited, including their personally-related entities, are set out below. There were no shares granted during the reporting period as remuneration, additions relate to additional shares purchased during the year or issued as part of the dividend reinvestment plan.

	Balance at the start of the year	When appointed	Additions during the year	Disposed during the year	Balance at the end of the year
P J Leonhardt	666,310	-	30,285	-	696,595
D A Mellor	3,704,182	-	-	(643,238)	3,060,944
W E Moncrieff*	-	-	-	-	-
B E Saxild	3,327,963	-	-	(643,238)	2,684,725
O R Venter*	-	-	-	-	-
D R Watson	25,335,776	-	198,019	-	25,533,795
M D Watson*	-	324,512	-	-	324,512

*Directors appointed 2 September 2021

E. Consequences of performance on shareholder wealth

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

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

Employee Share Plan

ESP shares

The number of ESP shares in the Company held during the financial year by each director of CTI Logistics Limited, including their personally-related entities, are set out below.

	Number at the start of the year	When appointed	Exercised	Number at the end of the year
D A Mellor (issued 05/12/11, 01/12/14)	330,000	-	-	330,000
B E Saxild (issued 05/12/11, 01/12/14)	330,000	-	-	330,000
O R Venter* (issued 28/11/14, 18/01/17, 22/12/17)	-	60,000	-	60,000

The shares vested 2 years after issue and may be purchased with the assistance of an interest-free, limited recourse loan. The shares were priced using a Black-Scholes pricing model to determine the fair value and amortised through the statement of profit or loss and other comprehensive income.

DAVID MELLOR
Director

Perth, WA
30 August 2022

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of CTI Logistics Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of CTI Logistics Limited for the financial year ended 30 June 2022 there have been:

i. No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. No contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Jane Bailey

Jane Bailey
Partner
Perth
30 August 2022

Consolidated Statement of Profit or Loss and other Comprehensive Income for the year ended 30 June 2022

	Notes	Consolidated 2022 $	Consolidated 2021 $
Revenue from operations	5	283,231,580	239,044,247
Other income	6	1,381,434	2,367,612
Changes in inventories of finished goods and work in progress		(77,344)	132,599
Raw materials and consumables used		(1,377,530)	(1,053,292)
Employee benefits expense		(81,940,650)	(74,869,047)
Subcontractor expense		(86,903,726)	(80,271,717)
Depreciation and amortisation expense	7	(24,489,938)	(22,506,025)
Motor vehicle and transport costs		(42,945,255)	(28,241,637)
Property costs		(4,797,118)	(4,329,009)
Other expenses		(16,540,806)	(14,978,917)
Results from operating activities		25,540,647	15,294,814
Finance income		16,699	3,323
Finance expenses	7	(3,567,840)	(4,035,425)
Net finance costs		(3,551,141)	(4,032,102)
Profit before income tax		21,989,506	11,262,712
Income tax expense	8	(6,799,851)	(3,094,013)
Profit for the year		**15,189,655**	**8,168,699**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Equity investments at FVOCI – net change in fair value		855	6,084
Total comprehensive income		**15,190,510**	**8,174,783**
Earnings per share for profit attributable to the ordinary equity holders of the Company		Cents	Cents
Basic earnings per share	25a	20.15	10.88
Diluted earnings per share	25b	20.14	10.88

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position as at 30 June 2022

	Notes	Consolidated 2022 $	Consolidated 2021 $
ASSETS			
Current assets			
Cash and cash equivalents		9,409,550	6,493,618
Trade and other receivables	9	38,909,043	33,073,591
Inventories		220,614	297,958
Total current assets		48,539,207	39,865,167
Non-current assets			
Other investments		54,056	52,836
Property, plant and equipment	10	90,601,672	88,101,780
Right-of-use assets	11	35,325,131	45,350,001
Investment properties	12	2,210,548	2,207,021
Deferred tax assets	8	1,240,584	3,170,678
Intangible assets	13	29,546,589	31,118,628
Total non-current assets		158,978,580	170,000,944
Total assets		207,517,787	209,866,111
LIABILITIES			
Current liabilities			
Trade and other payables	15	20,542,812	18,650,995
Lease liabilities	16	19,200,736	17,404,357
Current tax liabilities		2,829,716	1,407,694
Employee benefits provision		8,341,346	6,914,405
Total current liabilities		50,914,610	44,377,451
Non-current liabilities			
Lease liabilities	16	30,950,546	42,505,951
Loans and borrowings	16	22,905,000	31,905,000
Employee benefits provision		1,956,695	2,646,392
Total non-current liabilities		55,812,241	77,057,343
Total liabilities		106,726,851	121,434,794
Net assets		**100,790,936**	**88,431,317**
EQUITY			
Contributed equity	17	27,947,489	27,390,922
Reserves		1,933,417	1,932,562
Retained profits		70,910,030	59,107,833
Total equity		**100,790,936**	**88,431,317**

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

Consolidated Statement of Changes in Equity for the year ended 30 June 2022

	Notes	Contributed equity $	Reserves $	Retained profits $	Total equity $
Consolidated					
Balance at 1 July 2020		27,248,025	1,926,478	52,439,682	81,614,185
Total comprehensive income for the year		-	6,084	8,168,699	8,174,783
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity/share issue	17	132,553	-	-	132,553
Dividends provided for/paid	18	10,344	-	(1,500,548)	(1,490,204)
Balance at 30 June 2021		27,390,922	1,932,562	59,107,833	88,431,317
Balance at 1 July 2021		27,390,922	1,932,562	59,107,833	88,431,317
Total comprehensive income for the year		-	855	15,189,655	15,190,510
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity/share issue	17	332,931	-	-	332,931
Dividends provided for/paid	18	223,636	-	(3,387,458)	(3,163,822)
Balance at 30 June 2022		27,947,489	1,933,417	70,910,030	100,790,936

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

Consolidated Statement of Cash Flows
for the year ended 30 June 2022

	Notes	Consolidated 2022 $	Consolidated 2021 $
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		304,339,594	260,641,772
Payments to suppliers and employees (inclusive of goods and services tax)		(257,588,325)	(224,793,899)
Dividends received		2,208	2,212
Interest received		16,699	3,323
Interest paid		(3,219,103)	(3,767,254)
Income taxes paid net of income tax refunded		(3,663,237)	(998,740)
Net cash inflow from operating activities	24	39,887,836	31,087,414
Cash flows from investing activities			
Payments for property, plant and equipment		(7,339,443)	(4,640,941)
Payments for intangibles - security lines		(5,486)	(28,173)
Payments for intangibles - software		(89,641)	(104,136)
Proceeds from sale of property, plant and equipment		1,822,777	911,952
Net cash outflow from investing activities		(5,611,793)	(3,861,298)
Cash flows from financing activities			
Proceeds from borrowings		-	13,905,000
Repayment of borrowings		(9,000,000)	(24,770,000)
Repayment of lease liabilities		(19,529,220)	(16,120,911)
Dividend paid to Company's shareholders net of Dividend reinvestment/Bonus share plan shares issued		(2,830,891)	(1,357,651)
Net cash outflow from financing activities		(31,360,111)	(28,343,562)
Net increase/(decrease) in cash and cash equivalents		2,915,932	(1,117,446)
Cash and cash equivalents at the beginning of the financial year		6,493,618	7,611,064
Cash and cash equivalents at the end of the financial year		9,409,550	6,493,618

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

Notes to the Financial Statements

REPORTING ENTITY

CTI Logistics Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is 1 Drummond Place, West Perth, Western Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2022 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group is a for-profit entity and is primarily involved in the provision of logistics and transport services, rental of property and provision of security services.

As the COVID-19 pandemic continues to impact Australia and the world, the Group's focus remains on keeping its people well, and maintaining safe and reliable operations. The Group has considered the impact of COVID-19 on each of its significant accounting judgements and estimates, particularly with respect to assumptions used in determining expected credit losses on receivables, impairment of non-current assets and going concern. At this stage no further significant estimates have been identified as a result of COVID-19, however management is continuing to monitor the ongoing increased level of uncertainty in all future cash flow forecasts used in asset valuation and financial viability.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) BASIS OF PREPARATION OF FINANCIAL REPORT

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

Compliance with IFRS

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

The consolidated financial statements were authorised for issue by the board of directors on 30 August 2022.

Historical cost convention

These financial statements have been prepared under the historical cost convention except for "Fair value through other comprehensive income" (FVOCI) investments which are measured at fair value.

Functional and presentation currency

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

(b) PRINCIPLES OF CONSOLIDATION

Subsidiaries

The financial statements incorporate the assets and liabilities of all entities controlled by CTI Logistics Limited as at 30 June 2022 and the results of all subsidiaries for the period the Company controlled them during the year then ended.

Subsidiaries are entities controlled by the Group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

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

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

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) SEGMENT REPORTING

Determination and presentation of operating segments

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

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

(d) INCOME TAX

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

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

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

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

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

Tax consolidation

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) LEASES

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in AASB 16.

i. As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which compromises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of use has been reduced to zero.

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' or 'right-of-use assets' and lease liabilities in 'lease liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise the right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ii. As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease, if not, then it is an operating lease, as part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the lead lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies AASB 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from AASB 16.

(f) BUSINESS COMBINATIONS

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

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

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

(g) IMPAIRMENT OF ASSETS

Non-derivative financial assets
Financial instruments
The Group recognises loss allowances for Expected Credit Losses ("ECLs") on financial assets measured at amortised cost, being trade and other receivables.

These loss allowances are measured at an amount equal to lifetime ECLs. Lifetime ECLs are ECLs that result from all possible default events over the expected life of a financial instrument.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any held).

Measurement of ECLs
ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 60 days past due;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position
Loss allowance for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Write-off
The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment of customers with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of the amount due.

(i) Assets classified as available-for-sale
Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss.

Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Non-financial assets
Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. Value-in-use calculations are described in note 14.

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

(i) INVENTORIES
Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value.

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

(j) FINANCIAL ASSETS

(i) Recognition and initial measurement
Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held with the objective to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss de-recognition is recognised in profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(iii) De-recognition

The Group de-recognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(k) PROPERTY, PLANT AND EQUIPMENT

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

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

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

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

(l) INVESTMENT PROPERTY

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

(m) INTANGIBLE ASSETS

(i) Goodwill

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

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

(ii) Security Lines

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

(iii) Software

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

(iv) Trade names

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

(v) Customer relationships

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

Subsequent expenditure

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

Amortisation

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Security lines	5 - 7 years
Software	2.5 - 4 years
Trade names	5 - 8 years
Customer relationships	5 - 10 years

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

(n) TRADE AND OTHER PAYABLES

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

(o) BORROWINGS

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

The Group de-recognises a financial liability when its contractual obligations are discharged or cancelled or expire.

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

(p) BORROWING COSTS

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

(q) PROVISIONS

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

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

(r) EMPLOYEE BENEFITS

(i) Short-term obligations

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

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using Group of 100 Discount Rates provided by Milliman at the end of the reporting period with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Retirement benefit obligations

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

(*iv*) *Bonus*

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

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

An Employee Share Plan ("ESP") allows certain Group employees to acquire shares of the Company. The grant date fair value of the shares granted to employees is recognised as an employee expense with a corresponding increase in equity, over the period during which the employees become unconditionally entitled to the shares. The fair value of the shares granted is measured using a Black-Scholes pricing model, taking into account the terms and conditions upon which the shares were granted. The amount recognised as an expense is adjusted to reflect the actual number of shares that vest.

Employees have been granted a limited recourse 10 year interest-free loan in which to acquire the shares. The loan has not been recognised as the Company only has recourse to the value of the shares.

(s) CONTRIBUTED EQUITY

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

(t) DIVIDENDS

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

(u) EARNINGS PER SHARE

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(v) GOODS AND SERVICES TAX ("GST")

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

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

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

(w) PARENT ENTITY FINANCIAL INFORMATION

The financial information for the parent entity, CTI Logistics Limited, disclosed in note 26 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Investments in subsidiaries
Investments in subsidiaries are accounted for at cost less any impairment in the financial statements of CTI Logistics Limited.

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

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

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

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

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

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

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

(x) SHARE-BASED PAYMENT RESERVE
The share-based payment reserve comprises the expenses incurred from the issue of the Company's share under the Employee Share Plan.

(y) REVENUE RECOGNITION

Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgment. The details of the Group's revenue recognition for major business activities are set out below:

(i) Logistics and transport
Revenue is recognised over the period of time that the goods or services are being delivered to or collected by a customer in accordance with the arrangements made within the Group. The provision of these services and sale of goods is in most cases either performed on the same day, or within a week for long distance freight.

(ii) Security, manufacturing and other
A sale is recorded when goods have been despatched to a customer pursuant to a sales order and control has transferred to the customer. A sale is recorded for services over the period of time the service is performed.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other income outside the scope of AASB 15

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

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

(v) Other revenue
Revenue from outside the operating activities includes rent. This revenue is recognised over time on a straight-line basis.

(z) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED
The Group has adopted all new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period.

There are no accounting standards issued but not yet effective at 30 June 2022 which are expected to have a material impact on the financial statements of the Group.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Intangible assets
The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(g). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations as described in note 14.

The fair value of trade names acquired in a business combination is based on the discounted estimated royalty payments that are expected to be avoided as a result of the trade names being owned. The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

Property, plant and equipment and Right-of-use assets
Property, plant and equipment and Right-of-use assets are tested for impairment where there is an indicator of impairment, in accordance with the accounting policy stated in note 1(g). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations or fair value less cost to dispose as described in note 14.

3. FINANCIAL RISK MANAGEMENT

Overview
The Group has exposure to the following risks from their use of financial instruments:
(a) *Market risk*
(b) *Credit risk*
(c) *Liquidity risk*

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

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

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

(a) Market risk
(i) *Price risk*
The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified on the balance sheet as other investments.

The price risk for listed and unlisted securities is immaterial in terms of the possible impact on profit or loss or total equity. Therefore no sensitivity analysis is completed.

The Group is not exposed to commodity price risk, or foreign exchange risk from currency exposure.

Notes to the Financial Statements

3. FINANCIAL RISK MANAGEMENT (continued)

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from borrowings and cash and cash equivalents. Borrowings and Lease liabilities (hire purchases component only) issued at variable rates expose the Group to cash flow interest rate risk. Borrowings and lease liabilities (hire purchases component only) issued at fixed rates expose the Group to fair value interest rate risk. At the year end 18.88% (2021 – 11.98%) of borrowings and lease liabilities were at fixed rates.

(iii) Borrowings and cash and cash equivalents

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

	Consolidated			
	Weighted average interest rate 2022 %	**2022 $**	**Weighted average interest rate 2021 %**	**2021 $**
Cash and cash equivalents	0.17	9,409,550	0.10	6,493,618
Bank loans	1.35	22,905,000	0.83	31,905,000
Lease liabilities	4.03	50,151,282	4.33	59,910,308

An analysis by maturities is provided in 3(c) below.

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

The Group monitors loan covenants on a regular basis to ensure compliance with agreements.

Group sensitivity

The Group's main interest rate risk arises from loans and cash and cash equivalents. At 30 June 2022, if the interest rates had changed by -/+ 100 basis points from the year-end rates with all other variables held constant, post-tax profit for the year would have been higher/lower by $160,335 (2021 - change of 100bps: $223,335 higher/lower) for loans and higher/lower by $65,867 (2021 - change of 100bps: $45,455 higher/lower) for cash and cash equivalents, mainly as a result of higher/lower interest expense from borrowings and higher/lower interest income from cash and cash equivalents.

(b) Credit risk

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

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

There is no independent rating of individual customers. Financial institutions have credit ratings of AA* and higher at 30 June 2022. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Customers that are graded as "high risk" are placed on a restricted customer list and monitored on a weekly basis. Receivables balances are monitored on an ongoing basis.

**Standard and Poor credit rating*

Notes to the Financial Statements

3. FINANCIAL RISK MANAGEMENT (continued)

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

	Consolidated	
	2022	**2021**
	$	**$**
Cash and cash equivalents	9,409,550	6,493,618
Trade receivables	33,830,833	29,133,308
Other receivables	3,684,678	2,253,207
	46,925,061	37,880,133

Trade receivables are non-interest bearing and terms of trade are 30 days from month end. At 30 June 2022, 7.49% (2021 – 6.56%) of trade receivables of the Group exceed 30 days.

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

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

	Past due but not impaired		
	30-60 days	**> 60 days**	**Total**
	$	**$**	**$**
2022			
Consolidated			
Trade receivables	2,024,151	538,624	2,562,775
2021			
Consolidated			
Trade receivables	1,304,449	626,200	1,930,649

The Group uses an allowance matrix to measure the expected credit losses (ECLs) of trade receivables from individual customers, which comprise a very large number of small balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Loss rates are based on actual credit loss experience over the past 5 years, adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The Group's monitoring of recoverability of receivables has increased due to the changes in market conditions arising from COVID 19. Credit limits continue to be monitored.

The following table provides information about the ECLs for trade receivables as at 30 June.

	Consolidated	
	2022	**2021**
	$	**$**
1 to 30 days	113,469	96,407
31 to 60 days	89,616	41,154
Over 60 days	184,283	171,907
Total	387,368	309,468

3. FINANCIAL RISK MANAGEMENT (continued)

	Consolidated 2022 $	Consolidated 2021 $
Provision for expected credit losses		
Movements in the ECLs of receivables are as follows:		
Balance 1 July	309,468	409,391
Net loss allowance recognised/(reversed)	153,808	(52,070)
Receivables written off during the year as uncollectable	(75,908)	(47,853)
Balance 30 June	387,368	309,468

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

(c) Liquidity risk

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

Financing arrangements

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

	Consolidated 2022 $	Consolidated 2021 $
Floating rate		
Expiring beyond one year (note 16c)	26,001,167	16,692,070
	26,001,167	16,692,070

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

Maturities of financial liabilities

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

Variable rate borrowings mature between October 2023 and March 2024, and are revised on an ongoing basis. The Group expects these borrowings to be renewed for a further period prior to maturity.

3. FINANCIAL RISK MANAGEMENT (continued)

Consolidated	Maturity 1 year or less $	1 to 2 years $	2 to 5 years $	> 5 Years $	Total contractual cash flows $	Carrying amount $
2022						
Trade and other payables (Non-interest bearing)	20,542,812	-	-	-	20,542,812	20,542,812
Lease liabilities*	21,006,530	14,773,930	17,871,003	843,358	54,494,821	50,151,282
Borrowings	308,585	23,066,714	-	-	23,375,299	22,905,000
Total	41,857,927	37,840,644	17,871,003	843,358	98,412,932	93,599,094
2021						
Trade and other payables (Non-interest bearing)	18,650,995	-	-	-	18,650,995	18,650,995
Lease liabilities*	19,878,298	17,043,100	25,863,451	3,701,048	66,485,897	59,910,308
Borrowings	265,188	147,628	32,030,418	-	32,443,234	31,905,000
Total	38,794,481	17,190,728	57,893,869	3,701,048	117,580,126	110,466,303

*Lease liability cash flows include fixed rate contractual cash flows of $5,513,452 (2021 - $4,486,080) which are linked to hire purchase liabilities with a carrying value of $5,331,762 (2021 - $4,340,658) (included within lease liabilities).

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The Group has not disclosed the fair value for financial instruments such as short-term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair values. The Group's assets measured and recognised at fair value at 30 June 2022 comprises of 'Level 1' equity securities of $54,056 (2021 - $52,836).

Capital risk management

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

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

Consistently with others in the industry, the Group monitors capital on the basis of the gearing ratio (a non-IFRS measure). This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'lease liabilities' and 'trade and other payables' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The gearing ratios at 30 June 2022 and 30 June 2021 were as follows:

	Notes	Consolidated 2022 $	Consolidated 2021 $
Total payables and borrowings	15,16	93,599,094	110,466,303
Less: cash and cash equivalents		(9,409,550)	(6,493,618)
Net debt		84,189,544	103,972,685
Total equity		100,790,936	88,431,317
Total capital		184,980,480	192,404,002
Gearing ratio		46%	54%

Notes to the Financial Statements

4. SEGMENT INFORMATION

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the Group's Executive Chairman.

The Group's Executive Chairman considers the business from a product and services perspective and has identified three reportable segments: logistics, transport and property.

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

- Transport services - includes the provision of courier, taxi truck, parcel distribution and fleet management and line haul freight.
- Logistics services - includes the provision of warehousing and distribution, specialised flooring logistics, supply based management services and document storage services.
- Property - rental of owner-occupied and investment property.

"Other" segments includes the provision of security services. These segments do not meet any of the quantitative thresholds for determining reportable segments.

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

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

(b) Accounting policies

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

Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an arm's length basis and are eliminated on consolidation.

Segment assets and liabilities

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

Unallocated amounts

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

(c) Information about reportable segments

The segment information provided to the Group's Executive Chairman for the reportable segments for the year ended 30 June 2022 is as follows:

Notes to the Financial Statements

4. SEGMENT INFORMATION (continued)

	Transport $	Logistics $	Property $	Other $	Consolidated $
2022					
Reportable segment revenue					
Sales to external customers	173,062,518	103,765,627	191,736	6,198,036	283,217,917
Intra and inter-segment revenue	23,618,362	60,055	4,035,521	675,036	28,388,974
Total segment revenue	196,680,880	103,825,682	4,227,257	6,873,072	311,606,891
Other income	253,169	914,193	130,653	78,006	1,376,021
Interest expense	549,090	2,161,925	217,220	-	2,928,235
Depreciation and amortisation	9,053,513	12,532,128	820,394	336,571	22,742,606
Reportable segment profit before income tax	16,203,979	6,830,097	1,904,735	774,414	25,713,225
Reportable segment assets	59,565,883	72,947,171	67,039,182	1,402,751	200,954,987
Reportable segment liabilities	32,356,474	46,467,793	26,876,271	1,589,949	107,290,487
2021					
Reportable segment revenue					
Sales to external customers	139,627,383	93,091,379	174,349	6,108,911	239,002,022
Intra and inter-segment revenue	23,138,148	59,747	3,759,191	625,553	27,582,639
Total segment revenue	162,765,531	93,151,126	3,933,540	6,734,464	266,584,661
Other income	168,540	833,331	-	-	1,001,871
Interest expense	555,002	2,593,421	294,956	-	3,443,379
Depreciation and amortisation	7,166,636	13,254,221	821,448	405,876	21,648,181
Reportable segment profit before income tax	5,480,269	6,502,994	1,441,111	607,414	14,031,788
Reportable segment assets	55,894,320	77,507,703	66,019,333	1,590,892	201,012,248
Reportable segment liabilities	32,288,850	53,848,669	30,791,329	1,629,719	118,558,567

(d) Reconciliations of reportable segment revenues, profit, assets and liabilities and other material items

	Notes	Consolidated 2022 $	Consolidated 2021 $
Revenues			
Total segment revenue for reportable segments		311,606,891	266,584,661
Elimination of intra-segment and inter-segment revenue		(28,388,974)	(27,582,639)
Unallocated revenue		13,663	42,225
Consolidated revenue	5	283,231,580	239,044,247
Profit			
Total profit before tax for reportable segments		25,713,225	14,031,788
Unallocated amounts		(3,723,719)	(2,769,076)
Consolidated profit before income tax		21,989,506	11,262,712

Notes to the Financial Statements

4. SEGMENT INFORMATION (continued)

	Note	Consolidated 2022 $	Consolidated 2021 $
Assets			
Total assets for reportable segments		200,954,987	201,012,248
Elimination of intersegment receivables		(5,473,572)	(2,771,831)
Unallocated amounts		12,036,372	11,625,694
Consolidated total assets		207,517,787	209,866,111
Liabilities			
Total liabilities for reportable segments		107,290,487	118,558,567
Elimination of intersegment payables		(5,473,572)	(2,771,831)
Unallocated amounts		4,909,936	5,648,058
Consolidated total liabilities		106,726,851	121,434,794
Other material items			
Interest Income			
Unallocated amounts		16,699	3,323
Consolidated interest income		16,699	3,323
Other income			
Total for reportable segments		1,376,021	1,001,871
Unallocated amounts		5,413	1,365,741
Consolidated other income		1,381,434	2,367,612
Interest expense			
Total for reportable segments		2,928,235	3,443,379
Unallocated amounts		356,700	374,555
Consolidated interest expense		3,284,935	3,817,934
Depreciation and amortisation			
Total for reportable segments		22,742,606	21,648,181
Unallocated amounts		1,747,332	857,844
Consolidated depreciation and amortisation	7	24,489,938	22,506,025

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

Notes to the Financial Statements

5. REVENUE FROM OPERATIONS

The Group generates revenue primarily from the provision of transport, logistics and security services. Other sources of revenue include rental income from investment properties and dividends from other investments (refer note 1(y)).

In the following table, revenue from contracts with customers is disaggregated by major services provided.

	Consolidated	
	2022	2021
	$	$
Revenue from contracts with customers		
Sales revenue		
Transport	173,062,518	139,627,383
Logistics	103,765,627	93,091,379
Security services	6,198,036	6,108,911
Other	11,455	40,013
	283,037,636	238,867,686
Other revenue		
Dividends	2,208	2,212
Rent	191,736	174,349
	193,944	176,561
	283,231,580	239,044,247

6. OTHER INCOME

Net gain on disposal of:		
- motor vehicles	334,184	233,940
- plant and equipment	340,666	9,940
JobKeeper	-	1,312,500
Other	706,584	811,232
	1,381,434	2,367,612

7. EXPENSES

Profit before income tax includes the following specific expenses:

Employee benefits		
Defined contribution superannuation	6,018,913	5,264,518
Depreciation and amortisation		
Buildings	1,250,372	1,268,996
Investment property	881	-
Plant and equipment and motor vehicles	6,681,330	6,224,087
Right-of-use assets	14,890,189	13,201,849
Security lines	25,981	24,600
Software	392,717	523,292
Trade name and customer relationships	1,248,468	1,263,201
	24,489,938	22,506,025
Finance expenses		
Interest	3,301,634	3,817,934
Finance charges	266,206	217,491
	3,567,840	4,035,425

Notes to the Financial Statements

8. INCOME TAXES

	Consolidated 2022 $	Consolidated 2021 $
(a) Income tax expense		
Current tax	4,909,199	2,775,424
Deferred tax	1,930,464	834,779
Over provided in prior years	(39,812)	(516,190)
Income tax expense	6,799,851	3,094,013
Deferred income tax (benefit) included in income tax expense comprises:		
Decrease/(Increase) in deferred tax assets (note 8d)	234,430	(209,974)
Increase in deferred tax liabilities (note 8e)	1,696,034	1,044,753
	1,930,464	834,779
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	21,989,506	11,262,712
Tax at the Australian rate of 30% (2021 - 30%)	6,596,852	3,378,814
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation	108,113	112,532
Rebatable dividends	(946)	(948)
Sundry items	135,644	119,805
	6,839,663	3,610,203
Over provision in prior years	(39,812)	(516,190)
Income tax expense	6,799,851	3,094,013
(c) Amounts recognised directly in equity		
Net deferred tax – debited directly to equity (note 8d)	370	2,608
(d) Deferred tax assets		
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Doubtful debts	116,210	92,840
Employee benefits	3,089,412	2,868,239
Depreciation and amortisation	263,684	377,107
Right-of-use assets	2,714,799	3,065,895
Other	26,417	38,263
	6,210,522	6,442,344
Amounts recognised directly in equity		
Other investments	370	2,608
	6,210,892	6,444,952
Set-off of deferred tax liabilities (note 8e)	(4,970,308)	(3,274,274)
Net deferred tax assets	1,240,584	3,170,678

Notes to the Financial Statements

8. INCOME TAXES (continued)

	Consolidated	
	2022	**2021**
	$	**$**
Movements (deferred tax assets)		
Balance 1 July	6,444,952	6,233,350
(Debited)/credited to profit or loss	(234,430)	209,974
Debited to equity	370	1,628
Balance 30 June	6,210,892	6,444,952

(e) Deferred tax liabilities

The balance comprises temporary differences attributable to:

Amounts recognised in profit or loss		
Depreciation and amortisaton	4,421,596	2,459,134
Intangible assets	548,712	815,140
	4,970,308	3,274,274
Set-off of deferred tax assets (note 8d)	(4,970,308)	(3,274,274)
Net deferred tax liabilities	-	-
Movements (deferred tax liabilities)		
Balance 1 July	3,274,274	2,229,521
Credited to profit or loss	1,696,034	1,044,753
Balance 30 June	4,970,308	3,274,274

9. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

Trade receivables	34,218,201	29,442,776
Provision for impairment of receivables (note 3(b))	(387,368)	(309,468)
	33,830,833	29,133,308
Other receivables	3,684,678	2,253,207
Prepayments	1,393,532	1,687,076
	5,078,210	3,940,283
	38,909,043	33,073,591

Notes to the Financial Statements

10. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

Consolidated	Freehold land $	Freehold buildings $	Plant and equipment and fixtures and fittings $	Motor vehicles $	Total $
1 July 2020					
Cost	44,499,191	33,903,003	31,044,069	38,563,485	148,009,748
Accumulated depreciation	(6,371,500)	(6,679,345)	(22,664,040)	(22,293,328)	(58,008,213)
Net book amount	38,127,691	27,223,658	8,380,029	16,270,157	90,001,535
Year ended 30 June 2021					
Opening net book amount	38,127,691	27,223,658	8,380,029	16,270,157	90,001,535
Additions	-	360,032	1,427,300	4,496,695	6,284,027
Disposals	-	(15,500)	(82,869)	(592,330)	(690,699)
Depreciation charge	-	(1,268,996)	(2,367,125)	(3,856,962)	(7,493,083)
Closing net book amount	38,127,691	26,299,194	7,357,335	16,317,560	88,101,780
At 30 June 2021					
Cost	44,499,191	34,247,535	31,701,349	39,981,994	150,430,069
Accumulated depreciation*	(6,371,500)	(7,948,341)	(24,344,014)	(23,664,434)	(62,328,289)
Net book amount	38,127,691	26,299,194	7,357,335	16,317,560	88,101,780
Year ended 30 June 2022					
Opening net book amount	38,127,691	26,299,194	7,357,335	16,317,560	88,101,780
Additions	-	2,213,652	2,000,600	7,427,211	11,641,463
Disposals	-	(275,500)	(248,988)	(685,381)	(1,209,869)
Depreciation charge	-	(1,250,372)	(2,244,905)	(4,436,425)	(7,931,702)
Closing net book amount	38,127,691	26,986,974	6,864,042	18,622,965	90,601,672
At 30 June 2022					
Cost	44,499,191	35,353,648	27,913,822	43,839,696	151,606,357
Accumulated depreciation*	(6,371,500)	(8,366,674)	(21,049,780)	(25,216,731)	(61,004,685)
Net book amount	38,127,691	26,986,974	6,864,042	18,622,965	90,601,672

* includes depreciation and historical impairment charges

During the year the Group entered into a contract for the development of new buildings on two of the vacant lots of land held in Western Australia. As at 30 June 2022 there is $1,808,449 included within freehold buildings which relate to assets under construction.

(a) Non-current assets pledged as security

Refer to note 16(b) for information on non-current assets pledged as security.

11. NON-CURRENT ASSETS – RIGHT-OF-USE ASSETS

A. Leases as lessee

The Group leases warehouse and transport depot facilities. These leases typically run for a period of 5 years, however range from 1 year to 12 years, generally with an option to renew the lease after that date. Lease payments increase with CPI or fixed percentages based on the underlying lease, with market reviews generally coming into effect at the time of renewal.

Notes to the Financial Statements

11. NON-CURRENT ASSETS – RIGHT-OF-USE ASSETS (continued)

These property leases provide for the payment of outgoings in addition to rent payments. These payments are determined to be variable in nature and have not been included within the calculation of the lease liability.

The Group also leases plant and equipment.

Information about leases for which the Group is a lessee is presented below.

(i) Right-of-use assets

	Land and buildings	Plant and equipment	Total
	$	**$**	**$**
Year ended 30 June 2021			
Balance at 1 July 2020	41,550,648	1,682,940	43,233,588
Depreciation for the period	(12,140,303)	(1,061,546)	(13,201,849)
Additions to right-of-use assets	14,524,982	793,280	15,318,262
Balance at 30 June 2021	43,935,327	1,414,674	45,350,001
Year ended 30 June 2022			
Balance at 1 July 2021	43,935,327	1,414,674	45,350,001
Depreciation for the period	(12,869,046)	(2,021,143)	(14,890,189)
Additions to right-of-use assets	2,373,813	3,108,714	5,482,527
Disposal of right-of-use assets	(598,791)	(18,417)	(617,208)
Balance at 30 June 2022	32,841,303	2,483,828	35,325,131

Included within the balance sheet caption Property, plant and equipment are right-of-use assets with a carrying value of $8,884,033 at 30 June 2022 (2021 - $7,690,210), these assets have hire purchase liabilities. Additions to these assets during the year totalled $4,306,428 (2021 - $1,552,123) with depreciation of $1,108,177 (2021 - $1,183,013).

(ii) Amounts recognised in profit or loss

	2022	2021
	$	**$**
Interest on lease liabilities	2,655,324	3,060,242
Income from sub-leasing right-of-use assets presented in “other income”	(428,736)	(643,740)
Expenses relating to short-term leases	2,380,920	3,432,888
Variable lease payments excluded from lease liability calculations	2,034,137	2,001,010

(iii) Extension options

Some property leases contain certain extension options exercisable by the Group prior to the end of the non-cancellable contract period. Where practicable, the Group seeks to include the extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

B. Leases as lessor

The Group leases out its investment property. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Rental income recognised by the Group during the period was $191,736 (2021: $174,349).

Notes to the Financial Statements

12. NON-CURRENT ASSETS - INVESTMENT PROPERTIES

(a) Valuations

Investment freehold land and buildings were recorded at cost (net of prior impairments) at 30 June 2022 at $2,210,548, which approximates fair value (2021 - $2,207,021). The basis of the valuation for impairment testing purposes of investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

(b) Contractual obligations

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

13. NON-CURRENT ASSETS - INTANGIBLE ASSETS

Consolidated	Goodwill	Trade names	Customer relationships	Security lines	Software	Consolidated Total
	$	$	$	$	$	$
1 July 2020						
Cost	26,461,029	3,726,914	9,178,756	1,597,667	2,812,041	43,776,407
Accumulated amortisation	-	(2,143,672)	(5,701,703)	(1,513,592)	(1,620,028)	(10,978,995)
Net book amount	26,461,029	1,583,242	3,477,053	84,075	1,192,013	32,797,412
Year ended 30 June 2021						
Opening net book amount	26,461,029	1,583,242	3,477,053	84,075	1,192,013	32,797,412
Additions	-	-	-	28,173	104,136	132,309
Amortisation charge	-	(457,871)	(805,330)	(24,600)	(523,292)	(1,811,093)
Closing net book amount	26,461,029	1,125,371	2,671,723	87,648	772,857	31,118,628
At 30 June 2021						
Cost	26,461,029	3,726,914	9,178,756	1,625,840	2,916,177	43,908,716
Accumulated amortisation	-	(2,601,543)	(6,507,033)	(1,538,192)	(2,143,320)	(12,790,088)
Net book amount	26,461,029	1,125,371	2,671,723	87,648	772,857	31,118,628
Year ended 30 June 2022						
Opening net book amount	26,461,029	1,125,371	2,671,723	87,648	772,857	31,118,628
Additions	-	-	-	5,486	89,641	95,127
Amortisation charge	-	(443,137)	(805,331)	(25,981)	(392,717)	(1,667,166)
Closing net book amount	26,461,029	682,234	1,866,392	67,153	469,781	29,546,589
At 30 June 2022						
Cost	26,461,029	3,726,914	9,178,756	1,631,326	2,355,640	43,353,665
Accumulated amortisation	-	(3,044,680)	(7,312,364)	(1,564,173)	(1,885,859)	(13,807,076)
Net book amount	26,461,029	682,234	1,866,392	67,153	469,781	29,546,589

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

	Transport	Logistics	Other	Total
	$	$	$	$
2021	8,548,942	17,868,016	44,071	26,461,029
2022	8,548,942	17,868,016	44,071	26,461,029

14. IMPAIRMENT

The Group annually tests whether cash-generating units (CGUs) that include goodwill has suffered any impairment. At year end the Group identified an impairment indicator for the Group as a whole due to the ongoing deficit between the Group's market capitalisation as well as the ongoing uncertainty within the national economy due to the COVID 19 pandemic. CGUs within the transport, logistics and other segments were tested for impairment utilising value-in-use calculations whilst vacant land within the property segment was tested against market valuations. Cash flows from value-in-use models indicate that the carrying amounts of the CGUs do not exceed their recoverable amounts and that there is no impairment.

The summary of assets tested for impairment is presented below.

	2022 Total $	2021 Total $
Property, plant and equipment	90,601,672	88,101,780
Right-of-use assets	35,325,131	45,350,001
Intangible asset – Goodwill	26,461,029	26,461,029
Intangible assets – Other	3,085,560	4,657,599
Segment assets subject to testing	155,473,392	164,570,409

Transport, Logistics and other segments - Key assumptions used for value-in-use calculations
Key assumptions utilised in the value-in-use calculations are as follows:

- Cash flows for year 1 are based on the 30 June 2023 budgets. This budget represents the current forecast sustainable earnings of CGUs as approved by the Board. The budget does not forecast any significant improvement in cash flows, and excludes costs associated with significant events during the 30 June 2022 year end.
- Cash flows for years 2 to 5 are extrapolated based on the budget, adjusted for changing market conditions, with a growth rate of 2.5% (2021 – nil to 2.0%). Terminal value calculations utilise a long term expected growth rate of 2.5% (2021 – 2.5%).
- Nominal post tax discount rate of 8.5% (2021 – 8.5%) is used to discount the forecast future attributable post-tax cash flows when performing the value-in-use calculations.

Cash flows indicate that the carrying amounts are recoverable and that there is no impairment.

Management considered reasonably possible changes of assumptions associated with the CGUs as a 1% (2021 - 1%) increase in the discount rate, or a 7.5% (2021 - 7.5%) reduction in EBITDA margins. Management have not identified any reasonably possible change in the key assumptions of the cashflow model that would cause the carrying amount to exceed the recoverable amount of the CGU. Should a combination of these sensitivities occur in the same manner there may be a potential impairment.

Management have determined that there are no other reasonably possible changes that could result in material impairments to the CGUs, however management recognise the uncertainty associated with the national economy due to the COVID 19 pandemic which could result in a significant worsening of the Group's performance should there be a material change in the national economy. These outcomes have not been reflected in management's assessment.

Property segment – fair value less cost to dispose
The independent valuation of property as at 30 June 2020 noted the heightened risk of material market movements as a result of the COVID-19 environment, which is expected to continue into the foreseeable future. As such there remains inherent uncertainty surrounding the impact that the COVID-19 pandemic will have on the fair value of property in future periods. Management will continue to monitor movements in valuations. At 30 June 2022 management have assessed there have been no material movements in the market, no further impairments or reversal of impairment have been recognised.

Notes to the Financial Statements

14. IMPAIRMENT (continued)

Other property that is held within the Property segment is expected to be recovered through value-in-use as the property is utilised within the underlying operations of the business. No impairment has been recognised in relation to other property.

15. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated	
	2022	**2021**
	$	**$**
Trade payables	10,194,635	8,185,823
Other payables	10,348,177	10,465,172
	20,542,812	18,650,995

16. LEASE LIABILITIES AND LOANS AND BORROWINGS

Lease liabilities - current	19,200,736	17,404,357
Lease liabilities – non-current	30,950,546	42,505,951
Bank loans – non-current	22,905,000	31,905,000
Total interest-bearing borrowings	73,056,282	91,815,308

(a) Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

Secured		
Bank loans	22,905,000	31,905,000
Lease liabilities*	5,331,762	4,340,658
Total secured liabilities	28,236,762	36,245,658

*Represents hire purchase liabilities included within the lease liabilities balance.

(b) Assets pledged as security

Bank overdrafts and bank loans are secured by mortgages over the Group's freehold land and buildings, investment properties and fixed and floating charges over the remaining Group assets (excluding AASB 16 right-of-use assets).

Hire purchase liabilities are effectively secured as the rights to the assets recognised in the financial statements revert to the financier in the event of default.

The carrying amounts of assets pledged as security for current and non-current interest-bearing liabilities are:

	Consolidated	
	2022	**2021**
Current	**$**	**$**
Floating charge		
Cash and cash equivalents	9,409,550	6,493,618
Receivables	37,515,511	31,386,515
Inventories	220,614	297,958
Total current assets pledged as security	47,145,675	38,178,091

Notes to the Financial Statements

16. LEASE LIABILITIES AND LOANS AND BORROWINGS (continued)

	Consolidated 2022 $	Consolidated 2021 $
First mortgage		
Freehold land and buildings	36,300,585	37,097,228
Floating charge		
Other investments	54,056	52,836
Plant, equipment and motor vehicles	25,487,007	23,674,895
Freehold land and buildings	28,814,080	27,329,657
Investment properties	2,210,548	2,207,021
Intangible assets	536,934	860,505
	57,102,625	54,124,914
Total non-current assets pledged as security	93,403,210	91,222,142
Total assets pledged as security	140,548,885	129,400,233

(c) Financing arrangements

Unrestricted access was available at balance date to the following lines of credit:

	2022 $	2021 $
Credit standby arrangements		
Total facilities		
Secured financial guarantee and documentary credit	2,381,833	2,690,930
Secured bill acceptance facility	48,906,167	48,597,070
	51,288,000	51,288,000
Utilised		
Secured bill acceptance facility	22,905,000	31,905,000
Secured financial guarantee and documentary credit facility	2,381,833	2,690,930
	25,286,833	34,595,930
Bank loan facility		
Total facility	51,288,000	51,288,000
Used at balance date	(25,286,833)	(34,595,930)
Unused at balance date	26,001,167	16,692,070

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

The current interest rates are 0.76% - 1.43% per annum on bill facilities, 5.84% on overdraft (2021 - bill facilities 0.88% - 2.34%, overdraft – 4.59%).

(d) Interest rate risk exposure

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

(e) Fair value

The carrying amounts of interest-bearing liabilities approximate their fair value at balance date.

Notes to the Financial Statements

17. CONTRIBUTED EQUITY

(a) Share capital

	Consolidated	
Ordinary shares (fully paid)	**Number of shares**	**$**
At 30 June 2021		
Opening balance	75,027,420	27,248,025
Dividend reinvestment plan	152,360	132,553
Bonus share plan	11,889	10,344
Closing balance	75,191,669	27,390,922
At 30 June 2022		
Opening balance	75,191,669	27,390,922
Dividend reinvestment plan	332,577	332,931
Bonus share plan	221,637	223,636
Closing balance	75,745,883	27,947,489

At 30 June 2022 there were 2,685,000 contingently issuable shares (2021 – 2,685,000) relating to shares issued under the Company's Employee Share Plan. During the year no contingently issuable shares were issued to any employees under the Company's Employee Share Plan (2021 - nil). There is no expiry on these shares subject to exercise by the employee.

(b) Ordinary shares

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

18. DIVIDENDS

	Parent Entity	
	2022 $	**2021 $**
(a) Ordinary shares		
Final dividend for the year ended 30 June 2021 of 2.0 cents (2020 – nil cents) per fully paid share		
Fully franked dividend based on tax paid @ 30% (2020 - 30%)	1,503,758	-
Less – bonus issue of ordinary shares under the Company's Bonus Share Plan.	(10,758)	-
	1,493,000	-
Interim dividend for the year ended 30 June 2022 of 2.5 cents (2021 – 2.0 cents) per fully paid share		
Fully franked dividend based on tax paid @ 30% (2021 - 30%)	1,883,700	1,500,548
Less – bonus issue of ordinary shares under the Company's Bonus Share Plan.	(212,878)	(10,344)
	1,670,822	1,490,204
(b) Dividends not recognised at the end of the reporting period		
In addition to the above dividends, since year end the directors have declared the payment of a final dividend of 4.0 cents per fully paid ordinary share, (2021 – 2.0 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 7 October 2022 out of retained profits at 30 June 2022, but not recognised as a liability at year end, is	3,029,835	1,503,833

(c) Franked dividends

Franking credits available at 30 June 2022 for subsequent financial years based on a tax rate of 30% - $24,134,555 (2021 - $22,196,361 - 30%).

Notes to the Financial Statements

19. RELATED PARTIES

(a) Parent entity

CTI Logistics Limited is the ultimate Australian parent entity of the Group and head entity of the tax consolidated Group.

(b) Transactions with key management personnel

Key management personnel compensation

	Consolidated	
	2022	**2021**
	$	**$**
Key management personnel compensation comprised the following:		
Short-term	2,249,831	1,600,907
Post-employment	131,490	74,880
	2,381,321	1,675,787

20. REMUNERATION OF AUDITORS

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

Audit services		
KPMG Australia		
Audit and review of financial reports	213,000	195,200

21. COMMITMENTS

Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities comprises of plant and equipment of $6,174,237 (2021 - $1,820,022) and freehold buildings of $20,759,393. The commitments are payable within one year.

Notes to the Financial Statements

22. SUBSIDIARIES

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

Name of entity	Country of Incorporation	Equity holding (Ordinary shares) 2022 %	2021 %
CTI Logistics Limited	Australia		
Directly controlled by CTI Logistics Limited			
Controlled entities			
Bring Transport Industries Pty Ltd	Australia	100	100
Mercury Messengers Pty Ltd	Australia	100	100
CTI Security Services Pty Ltd	Australia	100	100
CTI Transport Systems Pty Ltd	Australia	100	100
CTI Taxi Trucks Pty Ltd	Australia	100	100
CTI Security Systems Pty Ltd	Australia	100	100
CTI Transport Services Pty Ltd	Australia	100	100
CTI Freight Management Pty Ltd	Australia	100	100
Action Logistics (WA) Pty Ltd	Australia	100	100
CTI Freight Systems Pty Ltd	Australia	100	100
CTI Couriers Pty Ltd	Australia	100	100
CTI Swinglift Services Pty Ltd	Australia	100	100
CTI Xpress Systems Pty Ltd	Australia	100	100
CTI Nationwide Logistics Pty Ltd	Australia	100	100
Consolidated Transport Industries Pty Ltd	Australia	100	100
CTI Logistics (NSW) Pty Ltd	Australia	100	100
Australian Fulfilment Services Pty Ltd	Australia	100	100
Other controlled entities			
Directly controlled by CTI Nationwide Logistics Pty Ltd			
Lafe (WA) Pty Ltd	Australia	100	100
CTI Freightlines Pty Ltd	Australia	100	100
Blackwood Industries Pty Ltd	Australia	100	100
Directly controlled by Blackwood Industries Pty Ltd			
CTI Logistics (Vic) Pty Ltd	Australia	100	100
CTI Online Pty Ltd	Australia	100	100
CTI Records Management Pty Ltd	Australia	100	100
CTI Quarantine & Fumigation Services Pty Ltd	Australia	100	100
Directly controlled by Consolidated Transport Industries Pty Ltd			
Foxline Logistics Pty Ltd	Australia	100	100
Directly controlled by CTI Logistics (NSW) Pty Ltd			
G.M. Kane & Sons Pty Ltd	Australia	100	100

These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 2016/785 issued by the Australian Securities and Investments Commission. For further information refer to note 23.

23. DEED OF CROSS GUARANTEE

CTI Logistics Limited and its wholly-owned entities are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 2016/785 issued by the Australian Securities and Investments Commission. The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee, they also represent the Extended Closed Group.

23. DEED OF CROSS GUARANTEE (continued)

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

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

	Consolidated	
	2022	**2021**
	$	**$**
Profit for the year	15,189,655	8,168,699
Depreciation and amortisation	24,489,938	22,506,025
Provision for doubtful debts	(77,900)	(99,923)
Net gain on sale of non-current assets	(674,850)	(243,880)
Change in operating assets and liabilities		
(Increase) in trade and other debtors	(5,835,452)	(3,136,780)
Increase/(decrease) in inventories	77,344	(132,599)
Increase in provision for income taxes	1,422,022	1,269,830
Decrease in deferred tax assets	1,930,094	791,911
Increase in trade creditors, employee benefits and other provisions	3,366,985	1,964,131
Net cash inflow from operating activities	39,887,836	31,087,414

25. EARNINGS PER SHARE

	Consolidated	
	2022	**2021**
	Cents per share	
(a) Basic earnings per share		
Basic earnings per share attributable to the ordinary equity holders of the Company.	20.15	10.88
	$	**$**
Profit attributable to ordinary shareholders used in calculating basic earnings per share.	15,189,655	8168,699
	Number	**Number**
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share.	75,383,432	75,056,220

	2022	**2021**
	Cents per share	
(b) Diluted earnings per share		
Diluted earnings per share attributable to the ordinary equity holders of the Company.	20.14	10.88
	$	**$**
Profit attributable to ordinary shareholders used in calculating diluted earnings per share.	15,189,655	8,168,699

Notes to the Financial Statements

25. EARNINGS PER SHARE (continued)

	2022 Number	2021 Number
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share.		
Weighted average number of shares (basic)	75,383,432	75,056,220
The effect of the vesting of contingently issuable shares	43,624	-
Weighted average number of shares (diluted)	75,427,056	75,056,220

The average market value of the Company's shares for the purposes of calculating the dilutive effect of the vesting of contingently issuable shares was based on quoted market prices for the period during which the contingently issuable shares were outstanding, as at 30 June 2022 these shares are considered anti-dilutive and excluded from the calculation.

26. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

	2022 $	2021 $
Balance sheet		
Current assets	12,639,137	9,715,427
Total assets	47,809,035	45,563,221
Current liabilities	13,776,620	11,401,169
Total liabilities	14,044,288	11,710,627
Net assets	33,764,747	33,852,594
Shareholders' equity		
Issued capital	27,947,489	27,390,922
Reserves	1,933,420	1,932,558
Retained earnings	3,883,838	4,529,114
	33,764,747	33,852,594
Profit for the year	2,742,181	5,029,173
Total comprehensive income	2,743,036	5,035,259

(b) Guarantees entered into by the parent entity

Carrying amount included in Group		
- current liabilities	2,858,851	2,451,658
- non-current liabilities	25,377,911	33,794,000
	28,236,762	36,245,658

The parent entity has provided financial guarantees in respect of loans and hire purchase commitments of subsidiaries amounting to $28,236,762 (2021 - $36,245,658). The loans are secured by registered mortgages over the freehold properties of the subsidiaries.

In addition, there are cross guarantees given by CTI Logistics Limited, as described in note 23. No deficiencies of assets exist in any of these entities.

Notes to the Financial Statements

27. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There are no other events since the end of the financial year that provide additional evidence of conditions that existed at the end of the financial year or that reveal for the first time a condition that existed at the end of the financial year.

Directors' Declaration

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

(a) the consolidated financial statements and notes that are set out on pages 15 to 49 and the remuneration report on pages 8 to 9 in the Directors' Report, are in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance, for the financial year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

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

There are reasonable grounds to believe that the Company and the Group entities identified in note 22 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those Group entities pursuant to ASIC Class Order 2016/785.

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

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

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

DAVID MELLOR
Director

Perth, WA
30 August 2022

Independent Auditor's Report

To the shareholders of CTI Logistics Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of CTI Logistics Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the ***Group***'*s* financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
- Complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2022;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for Opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

<table>
<tr><th colspan="2">Value of property, plant and equipment, right-of-use assets and intangible assets ($155,473,392)</th></tr>
<tr><td colspan="2">Refer to Note 14 to the Financial Report</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>
The carrying value of property, plant and equipment, right-of-use assets and intangible assets is a key audit matter due to the:

Size of property, plant and equipment, right-of-use assets and intangible assets balances which, in aggregate, represent 75% of total assets. The intangible assets also include goodwill acquired in business combinations which is allocated to Cash Generating Units (CGUs) which are required to be tested for impairment annually irrespective of whether there is any indication of impairment.
Group's market capitalisation was less than the carrying amount of the Group's net assets at year-end. This increases the possibility of property, plant and equipment, right-of-use assets and intangible assets being impaired and, as a result, increased our audit effort in this area.
There is continued uncertainty as the business normalises post COVID-19. This further increases the risk of inaccurate forecasts or a wider range of possible outcomes for us to consider.
Group's valuation of vacant land adjacent to one of its operating businesses, based on its fair value less cost of disposal determined through external valuation and assessed by management for any changes due to market fluctuations from the date the external valuation was completed.

We focused on the significant forward-looking assumptions the Group applied in its value in use models, including:

Forecast operating cash flows, EBITDA margins, growth rates and terminal growth rates. Forward looking assumptions of this nature are inherently judgemental which drives additional audit effort specific to their feasibility.

The Group also has many operating businesses and service lines necessitating our consideration of the Group's determination of CGUs, based on their ability to generate independent cash flows.
</td><td>
Our procedures included:

Considering the appropriateness of the value in use method applied by the Group to assess the carrying value of property, plant and equipment, right-of-use assets and intangible assets against the criteria in the accounting standards.
We considered the Group's determination of their CGUs based on our understanding of the operations of the Group's business, how the identifiable CGUs generate independent cash inflows, and against the requirements of the accounting standards.
We assessed the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the models.
We considered the sensitivity of the models by varying key assumptions, such as forecast EBITDA margins, discount rate, within a reasonably possible range. We did this to identify those CGUs at higher risk of impairment and to focus our further procedures.
We challenged the Group's forecast cash flows, EBITDA margin and growth assumptions considering the uncertainty in business activity. We compared forecasts to Board approved budgets and we assessed forecast EBITDA margins through comparison to historical performance. We applied increased scepticism where previous forecasts were not achieved, using our knowledge of the challenging economic environment.
We compared forecast growth rates and terminal growth rates to published studies of industry trends and expectations, and considered differences for the Group's operations. We used our knowledge of the Group, its past performance, business and customers, and our industry experience.
Working with our valuation specialists, we:

Independently developed a discount rate range considered comparable using publicly available market data for comparable entities.

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</table>

We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.	– Assessed the integrity of the value in use model used, including the accuracy of the underlying calculation formulas. – Assessed the Group's analysis of the difference between the market capitalisation and net assets of the Group. We did this by comparing the implicit earnings multiple in the Group's models to market multiples of comparable entities and calculating the impact of the illiquidity and minority interest discounts of the Group's shares. • For the vacant land we considered the basis of the valuation and compared the fluctuations in the market to the expert's valuation to carrying amount of the vacant land. • We assessed the disclosures in the financial report, including those related to most sensitive key assumptions used in the estimation of the recoverable amount, using the results of our testing and against the requirements of the accounting standards.

Other Information

Other Information is financial and non-financial information in CTI Logistics Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- Preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- Assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- To obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- To issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of CTI Logistics Limited for the year ended 30 June 2022 with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 8 to 9 of the Directors' report for the year ended 30 June 2022.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Jane Bailey

Jane Bailey
Partner
Perth
30 August 2022

Corporate Governance Statement

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

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

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

Role of the Board

Due to the size and structure of the group and the nature of its operations, the executive directors have a close involvement with the management of the businesses. A Board Charter was formally adopted in June 2021.

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

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

The Board has delegated responsibilities and authorities to management to enable management to conduct the Company's day to day businesses. Core business management issues are handled by the Executive Committee which comprises senior managers from within the Company. Matters which are not within these delegations, such as expenditure and activity approvals which exceed certain parameters, require separate Board approval.

Some of the directors have not entered into letters of appointment with the Company.

Board Composition

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

The Board has, and will continue to consider the appointment of additional non-executive directors, including a process for succession. The Company has combined the nomination committee with the remuneration committee with its members comprised of the non-executive directors and the Chairman which is considered appropriate given the size and nature of the Company and the relative infrequency of Board changes. When appointing a new director, the Company performs checks which include a check on a person's character, experience, education, criminal record and bankruptcy history.

Non-executive directors Peter Leonhardt and William Moncrieff are independent directors.

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

The directors have a broad range of qualifications, experience and expertise. External professional advisors are engaged by the Company to supplement the Board's skills when required. Details of individual directors are set out in the Annual Report. The role of chairman and chief executive officer is filled by David Watson the founder of the business, who is also a substantial shareholder. His knowledge, experience and understanding of the businesses comprising the group are considered essential to perform these roles. The Board considers that no value would be added by separating the roles.

Corporate Governance Statement

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

Company Secretary

The appointment and removal of a company secretary is a matter for decision by the Board. The company secretary is accountable directly to the Board (through the Chairman) on all matters to do with the proper functioning of the Board. Details of the company secretary are set out in the Annual Report.

Ethical and Responsible Decision Making

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

The Company's business conduct and ethics policy, anti-bribery and anti-corruption policy, code of conduct, and the policy on trading in company securities, are published on the Company's web site, www.ctilogistics.com.

Diversity

The Company is committed to diversity and equality in all areas and all levels of its operations. Diversity means those attributes which may differ from person to person, including gender, age, ethnicity and cultural background.

The Company recognises that the strength of the business is built on the understanding of individual strengths and differences and seeks to respect these. The Company is committed to providing an inclusive work environment with equal opportunities for all current and prospective employees, customers and suppliers and does not condone harassment or unlawful discrimination of any kind.

The Company recognises that there are many areas in which people experience discrimination and will continue to work towards an anti-discriminatory environment, based on open discussions with employees, customers, suppliers and others on perceptions of discrimination and by ensuring that our practices reflect relevant legislation and good practice.

The Company reports annually to the Workplace Gender Equality Agency (WGEA) and WGEA has confirmed that the Company is compliant with the Workplace Gender Equality Act 2012 (ACT).

Currently the gender split of the group's employees is 72% male : 28% female. At management levels the split is 88% male : 12% female. There are no female board members. The Company's diversity policy is published on the Company's web site www.ctilogistics.com.

Integrity in Financial Reporting

The Company has formed an audit and risk committee consisting of independent directors Peter Leonhardt (chair) and William Moncrieff, and executive director Bruce Saxild. Meetings are also attended by David Mellor (executive director and chief financial officer), Owen Venter (executive director and company secretary) and Matthew Watson (executive director). The audit and risk committee has a formal charter which has been approved by the Board. The charter is published on the Company's website, www.ctilogistics.com. The size and composition of the audit and risk committee is considered to be appropriate for the size and complexity of the Company.

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

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

Corporate Governance Statement

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

Timely and Balanced Disclosure

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

The Company's continuous disclosure policy aims to ensure that:

- there is full and timely disclosure of CTI's activities to shareholders, investors and other interested parties (stakeholders) in accordance with all statutory obligations;
- all parties have equal access to externally available information about the Company.

The Policy reflects CTI's responsibility to comply with the disclosure requirements of the Australian Securities Exchange (ASX) and is reviewed regularly to reflect any changes in legislative or regulatory requirements and best practice. The continuous disclosure policy is published on the Company's website www.ctilogistics.com.

Rights of Shareholders

The Board encourages direct communication with shareholders.

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

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

Shareholders may also communicate freely with Board members at any time either directly or via our investor relations email address communications@ctilogistics.com.

The Company recognises the importance and value of keeping shareholders fully informed of all matters, in addition to those prescribed by law, which may impact upon their financial interest in the Company. The Company's shareholder communication strategy is published on the Company's website www.ctilogistics.com.

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

Risk Recognition and Management

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

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

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

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

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

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

The directors sign a letter of representation to the external auditors in relation to the matters contained in the annual accounts.

Corporate Governance Statement

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

Enhanced Performance

The Board evaluates the performance of key executives in an annual review process measured against a range of performance criteria determined by the Board.

The Board evaluates the performance of its committees annually, however the size of the Company does not warrant an independent assessment.

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

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

Remuneration

The Company has established a remuneration committee comprising Peter Leonhardt (chair), William Moncrieff and David Watson, which is considered appropriate given the size and nature of the Company. This committee reviews and makes recommendations on remuneration policies for the Company including, in particular, those governing the directors. Remuneration of directors is periodically benchmarked against similar listed companies.

Although the Company has an Employee Share and Option Plan the Board has the discretion to reward employees via equity based remuneration.

Interests of Stakeholders

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

The Company has adopted a code of conduct to provide a set of guiding principles, practices and standards of behaviour which are to be observed by all employees, contractors and business partners.

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

Shareholder Information

THE TWENTY LARGEST SHAREHOLDERS AS AT 30 SEPTEMBER 2022

	NUMBER OF SHARES	PERCENTAGE
David R Watson	18,260,702	23.28
Dynamic Supplies Investments Pty Ltd	9,708,025	12.38
David Watson Nominees Pty Ltd	5,395,969	6.88
Simon Dirk Kenworthy-Groen	3,863,536	4.93
Parmelia Pty Ltd	3,730,961	4.76
DAM Nominees Pty Ltd	2,798,871	3.57
Bruce E Saxild and Michelle P Saxild	2,579,302	3.29
Citicorp Nominees Pty Ltd	2,103,320	2.68
HGL Investments Pty Ltd	2,092,794	2.67
Catherine R Watson	1,823,486	2.32
Dixson Trust Pty Ltd	1,686,633	2.15
NCH Pty Ltd	1,423,171	1.81
Coram Pty Ltd	733,614	0.94
JP Morgan Nominees Australia Pty Ltd	675,201	0.86
David A Mellor	522,080	0.67
Mr Walter Hall and Mrs Hilary Hall	521,000	0.66
Dewver Pty Ltd	500,000	0.64
HSBC Custody Nominees (Australia) Limited – A/C 2	449,628	0.57
Keiser Investments Pty Ltd	390,000	0.50
Geolyn Pty Ltd	363,182	0.46
	59,621,475	76.02

SUBSTANTIAL SHAREHOLDERS AS AT 30 SEPTEMBER 2022

The Company's register of substantial shareholders recorded the following information as at 30 September 2022.

	NUMBER OF SHARES	PERCENTAGE
David R Watson	25,902,933	33.41
Dynamic Supplies Investments Pty Ltd	9,064,737	11.64

DISTRIBUTION OF EQUITY SECURITIES AS AT 30 SEPTEMBER 2022

(i) Distribution schedule of holdings

			NUMBER OF SHAREHOLDERS ORDINARY SHARES
1	-	1,000	92,380
1,001	-	5,000	839,271
5,001	-	10,000	1,116,367
10,001	-	100,000	8,893,848
100,001 and over			67,489,017
			78,430,883

(ii) There were 66 shareholders holding less than a marketable parcel of ordinary shares.

(iii) There were a total of 78,430,883 ordinary shares on issue.

VOTING RIGHTS

Ordinary shares carry voting rights of one vote per share.