

CTI Logistics Limited

ABN 69 008 778 925

Appendix 4D Half-year Report

Half-year ended 31 December 2018

For announcement to the market

Extracts from this report for announcement to the market

\$A'000

Revenue	Up	27.3%	to	\$111,805
Profit from ordinary activities after tax attributable to members	Down	73%	to	\$914
Net profit for the period attributable to members	Down	73%	to	\$914
Dividends		Amount per security	Franked amount per security	
Final dividend	Year ended 30 June 2018	2.0 cents	2.0 cents	
	Previous corresponding period	1.75 cents	1.75 cents	
Interim dividend	Current period	2.0 cents	2.0 cents	
	Previous corresponding period	2.0 cents	2.0 cents	
†Record date for determining entitlements to the dividend		2 April 2019		

Net profit for the period excluding contingent consideration and sale of property

The table below shows the change in net profit in the period attributable to members after excluding the additional contingent consideration related to acquisition of Jayde Transport and profit on sale of non-core property in the previous corresponding period.

Reconciliation of net profit for the period attributable to members

	As reported \$A'000	Adjustments \$A'000	Excluding Adjustments \$A'000	
Net profit for the period to 31 December 2017	\$3,336	(\$293)	\$3,043	
Net profit for the period to 31 December 2018	\$914	\$2,340	\$3,254	
Net profit for the period attributable to members as adjusted for additional contingent consideration and sale of properties	Up	6.9%	to	\$3,254

NTA backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	76 cents	77 cents

Dividend

Details of dividends declared or paid during or subsequent to the period ended 31 December 2017 are as follows:

	Payment date	Amount per security	Total dividend	Franked amount per security
Final dividend – year ended 30 June 2018 (fully franked at 30%)	14 November 2018	2.0 cents	\$1,489,076	2.0 cents
Interim dividend – Current period (fully franked at 30%)	17 April 2019	2.0 cents	\$1,496,822	2.0 cents

A Dividend Re-investment Plan and Bonus Share Plan are currently in operation.

Controlled entities acquired or disposed of

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

CTI Logistics Limited

ABN 69 008 778 925

Half-year Report - 31 December 2018

Lodged with the ASX under Listing Rule 4.2A

This half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by CTI Logistics Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Directors' Report

Your directors present their report on the group consisting of CTI Logistics Limited and the entities it controlled during the half-year ended 31 December 2018 and the review report thereon.

Directors

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

David Robert Watson (Chairman)
Peter James Leonhardt
David Anderson Mellor
Bruce Edmond Saxild
Matthew David Watson (Resigned 18 January 2019)

Principal activities of the group

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

Dividends

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

	Cents per share	Total amount	Franked	Date of payment
Declared and paid during the half-year				
Final 2018 - ordinary	2.0	\$1,489,076	Franked	14 November 2018
Declared after end of half-year				
Interim 2019 - ordinary	2.0	\$1,496,822	Franked	17 April 2019

After the half-year end the directors have declared a fully franked interim dividend of 2.0 cents per ordinary share.

The financial effect of this post half-year dividend has not been brought to account in the financial statements for the half-year ended 31 December 2018 and will be recognised in subsequent financial reports.

Review of operations and results

Profit before tax for the period was \$1,751,699 (2017 - \$4,803,227) after allowing for the \$2,340,000 contingent consideration relating to the Jayde Transport acquisition. The profit before tax excluding the additional contingent consideration was \$4,091,669, down 9.3% on the previous corresponding period (2017 - \$4,509,862 after excluding profit on sale of non-core property of \$293,365). Revenue from operations was up 27.3%, to \$111,804,931.

On 2 July 2018 the group acquired, through its subsidiary CTI Freight Management Pty Ltd, the business operations and assets of the Western Australian regional freight carrier business trading as Stirling Freight Express ("Stirling"). The purchase price was \$4,500,000. Stirling provides freight services across Western Australia, operating depots in Perth, Bunbury, Albany, Geraldton, Kalgoorlie, Merredin and regional agents covering smaller towns.

The results for the period after allowing for the contribution from recent acquisitions, have been impacted by expansion costs relating to East coast operations in Melbourne, Sydney and Brisbane, the consolidation of our Western Australian regional freight operations, the costs associated with the transfer of warehouse operations from a leased to an owned premises and challenging trading conditions in December.

The group continues to focus on cost reduction and productivity initiatives to maintain and improve margins as well as benefit from organic growth and growth through acquisition, whilst maintaining similar gearing levels.

Review of operations and results (continued)

We are also looking at several opportunities for expansion and growth throughout Australia.

The directors have decided to declare an interim dividend of 2.0 cents per share fully franked, payable on 17 April 2019.

Changes in the state of affairs

On 2 July 2018 the group acquired the business operations of Stirling Freight Express (refer to Note 6 for further details).

No other significant changes in the state of affairs of the group have occurred.

Subsequent events

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

Likely developments

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

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

Lead Auditor's independence declaration

The lead auditor's independence declaration is set out on page 4 and forms part of the directors' report for the half-year ended 31 December 2018.

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



DAVID MELLOR
Director

Perth, WA
27 February 2019



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 review of CTI Logistics Limited for the half-year ended 31 December 2018 there have been:

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

A handwritten signature of 'KPMG' in blue ink.

KPMG

A handwritten signature in blue ink that appears to read 'G L + 177'.

Graham Hogg
Partner
Perth
27 February 2019

Contents	Page
Condensed consolidated statement of profit or loss and other comprehensive income	6
Condensed consolidated statement of financial position	7
Condensed consolidated statement of changes in equity	8
Condensed consolidated statement of cash flows	9
Notes to the condensed consolidated financial statements	10-15
Directors' declaration	16
Independent auditor's review report on the condensed consolidated financial Report	17-18

Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2018

	Note	2018 \$	2017 \$
Revenue		111,804,931	87,812,468
Other income		567,019	585,293
Raw materials and consumables used		(479,071)	(498,024)
Employee benefits expense		(36,137,917)	(28,813,924)
Subcontractor expense		(35,126,723)	(23,941,843)
Depreciation and amortisation expense		(4,582,949)	(4,100,029)
Motor vehicle and transportation costs		(14,915,059)	(12,658,026)
Property costs		(8,743,030)	(7,072,380)
Other expenses		(9,546,250)	(5,639,137)
Results from operating activities		<u>2,840,951</u>	<u>5,674,398</u>
Finance income		25,841	21,779
Finance expense		(1,115,093)	(892,950)
Net finance costs		<u>(1,089,252)</u>	<u>(871,171)</u>
Profit before income tax		1,751,699	4,803,227
Income tax expense		(838,054)	(1,467,151)
Profit for the half-year		<u>913,645</u>	<u>3,336,076</u>
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net change in fair value of available-for-sale financial assets		2,209	(5,469)
Total comprehensive income for the half-year		<u>915,854</u>	<u>3,330,607</u>
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company			
Basic earnings per share	5c	1.23	4.62
Diluted earnings per share	5c	1.22	4.62

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

**Condensed consolidated statement of financial position
as at 31 December 2018**

	31 December 2018 \$	30 June 2018 \$
ASSETS		
Current assets		
Cash and cash equivalents	3,531,235	1,990,790
Trade and other receivables	30,154,569	28,955,356
Inventories	184,384	161,626
Total current assets	<u>33,870,188</u>	<u>31,107,772</u>
Non-current assets		
Available-for-sale financial assets	50,808	47,653
Property, plant and equipment	99,083,434	96,755,569
Investment properties	2,207,021	2,207,021
Deferred tax assets	467,340	-
Intangible assets	34,681,678	34,588,747
Total non-current assets	<u>136,490,281</u>	<u>133,598,990</u>
Total assets	<u>170,360,469</u>	<u>164,706,762</u>
LIABILITIES		
Current liabilities		
Trade and other payables	23,188,081	21,145,324
Borrowings	1,974,553	1,603,866
Current tax liabilities	362,716	566,729
Provisions	5,418,279	4,845,941
Total current liabilities	<u>30,943,629</u>	<u>28,161,860</u>
Non-current liabilities		
Borrowings	45,205,875	42,283,158
Deferred tax liabilities	-	119,485
Provisions	2,492,940	2,282,341
Total non-current liabilities	<u>47,698,815</u>	<u>44,684,984</u>
Total liabilities	<u>78,642,444</u>	<u>72,846,844</u>
Net assets	<u>91,718,025</u>	<u>91,859,918</u>
EQUITY		
Contributed equity	27,095,244	26,727,285
Reserves	1,844,112	1,778,533
Retained profits	62,778,669	63,354,100
Total equity	<u>91,718,025</u>	<u>91,859,918</u>

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

**Condensed consolidated statement of changes in equity
for the half-year ended 31 December 2018**

Consolidated	Note	Contributed equity	Reserves	Retained profits	Total equity
		\$	\$	\$	\$
Balance at 1 July 2017		24,053,602	1,698,399	62,006,699	87,758,700
Total comprehensive income for the half-year		-	(5,469)	3,336,076	3,330,607
Transactions with equity holders in their capacity as equity holders:					
Issuance of shares	5a	1,237,755	-	-	1,237,755
Share-based payment		-	32,372	-	32,372
Dividends provided or paid		17,088	-	(1,257,923)	(1,240,835)
Balance at 31 December 2017		<u>25,308,445</u>	<u>1,725,302</u>	<u>64,084,852</u>	<u>91,118,599</u>
Balance at 1 July 2018		26,727,285	1,778,533	63,354,100	91,859,918
Total comprehensive income for the half-year		-	2,209	913,645	915,854
Transactions with equity holders in their capacity as equity holders:					
Issuance of shares	5a	356,760	-	-	356,760
Share-based payments		-	63,370	-	63,370
Dividends provided or paid		11,199	-	(1,489,076)	(1,477,877)
Balance at 31 December 2018		<u>27,095,244</u>	<u>1,844,112</u>	<u>62,778,669</u>	<u>91,718,025</u>

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

**Condensed consolidated statement of cash flows
for the half-year ended 31 December 2018**

	Note	2018 \$	Half-year 2017 \$
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		122,118,232	89,587,421
Payments to suppliers and employees (inclusive of goods and services tax)		(114,008,171)	(83,829,015)
		<u>8,110,061</u>	<u>5,758,406</u>
Interest received		25,841	21,779
Dividends received		1,598	2,189
Interest paid		(928,702)	(795,878)
Income taxes paid		(1,435,853)	(1,868,614)
Net cash inflow from operating activities		<u>5,772,945</u>	<u>3,117,882</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(2,756,192)	(1,032,894)
Payment for purchase of business	6	(4,043,620)	(6,500,000)
Proceed from sale of investment property		-	1,650,000
Proceeds from sale of property, plant and equipment		395,026	214,639
Net cash (outflow) from investing activities		<u>(6,404,786)</u>	<u>(5,668,255)</u>
Cash flows from financing activities			
Proceeds from borrowing		11,718,570	6,500,000
Repayment of borrowings		(8,425,167)	(4,458,728)
Proceeds from issue of shares (net of transaction costs)		-	1,078,250
Dividends paid to Company's shareholders		(1,121,117)	(1,081,330)
Net cash inflow from financing activities		<u>2,172,286</u>	<u>2,038,192</u>
Net increase/(decrease) in cash and cash equivalents		1,540,445	(512,181)
Cash and cash equivalents at the beginning of the half-year		<u>1,990,790</u>	<u>4,273,005</u>
Cash and cash equivalents at the end of the half-year		<u>3,531,235</u>	<u>3,760,824</u>

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

1. BASIS OF PREPARATION OF HALF-YEAR REPORT

This general purpose financial report for the half-year reporting period ended 31 December 2018 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. CTI Logistics Limited and its subsidiaries (together referred to as the "group") is a for-profit entity.

This condensed interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by CTI Logistics Limited (a for profit Company) during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Changes in significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the group's consolidated financial statements as at and for the year ended 30 June 2018.

The changes in accounting policies are also expected to be reflected in the group's consolidated financial statements as at and for the year ending 30 June 2019.

The group has initially adopted AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* from 1 July 2018.

The effect of initially applying these standards has not had a material impact on the financial statements of the group.

A. AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced existing revenue recognition guidance, including AASB 118 *Revenue*, AASB 111 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*.

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 judgement.

The group has applied the new standard from 1 July 2018. The application of the standard did not result in a material change to the recognition and measurement of revenue compared to the previous accounting policy for revenue.

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. This has changed from the previous revenue recognition policy which was for the recognition of revenue to be once the good or service had been delivered. 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, as such there has been no material impact to the recognition of revenue.

(ii) Security, manufacturing and other

A sale is recorded when goods have been despatched to a customer pursuant to a sales order and the associated risks of ownership have transferred to the customer. A sale is recorded for services over the period of time the service is performed. This is not materially changed from the prior policy.

(ii) Interest income

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

(iv) Dividends

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

(v) Other revenue

Revenue from outside the operating activities includes rent. This revenue is recognised on a straight-line basis.

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

B. AASB 9 Financial Instruments

AASB 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaced AASB 139 *Financial Instruments: Recognition and Measurement*.

The group has applied the new standard on 1 July 2018 using a simplified approach for measuring expected credit losses relating to trade receivables using a lifetime expected credit loss allowance. To measure the expected credit losses, trade receivables are grouped based on common credit risk characteristics such as credit risk grade, geographic region and ageing of receivable. Customers with heightened credit risk are provided for specifically based on historical default rates and forward-looking information. Where there is no reasonable expectation of recovery, balances are written-off. Upon adoption of AASB 9, there was no significant impact on current financial instrument classification and measurement practice.

New accounting standards not yet adopted

Other than as detailed below, 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.

In relation to AASB 16 *Leases*, the group disclosed in its 30 June 2018 financial statements the expected impacts of the initial assessment that had been made. The detailed assessment of impacts remains ongoing at the date of this report with initial application of the standard being 1 July 2019.

Estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2018.

2. 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: transport, logistics and property.

The reportable segments 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 – 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 include the provision of security services, the corporate head office and other unallocated items. Neither of these segments meets any of the quantitative thresholds for determining reportable segments.

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

CTI LOGISTICS LIMITED
Notes to the condensed consolidated financial statements
31 December 2018

2. SEGMENT INFORMATION (continued)

(b) Information about reportable segments

The segment information provided to the group's Executive Chairman for the reportable segments for the half-year ended 31 December 2018 is as follows:

Half-year 2018	Transport	Logistics	Property	Other	Reconciling/ unallocated	Total
	\$	\$	\$	\$	\$	\$
External revenues	63,778,253	44,738,457	90,295	3,011,444	186,482	111,804,931
Intra and inter-segment revenue	7,131,161	86,771	1,712,396	406,245	(9,336,573)	-
Interest expense	111,367	32,383	401,455	-	393,758	938,963
Depreciation and amortisation	1,984,247	1,654,046	414,610	276,022	254,024	4,582,949
Total segment profit before income tax	1,534,552	1,849,967	282,497	297,771	(2,213,088)	1,751,699
31 December 2018						
Total segment assets	45,822,846	43,523,409	74,674,598	2,600,966	3,738,650	170,360,469
Total segment liabilities	25,128,782	8,250,364	38,822,528	1,456,786	4,983,984	78,642,444
Half-year 2017						
External revenues	41,750,567	42,723,129	104,001	3,050,829	183,942	87,812,468
Intra and inter-segment revenue	6,101,451	37,994	1,859,071	513,359	(8,511,875)	-
Interest expense	101,129	26,821	354,503	374	315,297	798,124
Depreciation and amortisation	1,817,572	1,156,533	182,055	283,291	660,578	4,100,029
Total segment profit before income tax	2,235,544	3,216,447	1,207,851	407,618	(2,264,233)	4,803,227
30 June 2018						
Total segment assets	40,893,997	43,622,786	74,555,742	3,566,436	2,067,801	164,706,762
Total segment liabilities	20,897,852	8,192,263	37,181,552	1,827,009	4,748,168	72,846,844

CTI LOGISTICS LIMITED
Notes to the condensed consolidated financial statements
31 December 2018

3. PROPERTY, PLANT AND EQUIPMENT

Consolidated	Freehold land \$	Freehold buildings \$	Plant and equipment \$	Motor vehicles \$	Total \$
At 1 July 2018					
Cost	43,899,191	32,957,066	28,467,528	31,387,725	136,711,510
Accumulated depreciation	-	(4,391,119)	(18,318,180)	(17,246,642)	(39,955,941)
Net book amount	43,899,191	28,565,947	10,149,348	14,141,083	96,755,569
Half-year ended 31 December 2018					
Opening net book amount	43,899,191	28,565,947	10,149,348	14,141,083	96,755,569
Additions	-	166,362	2,170,592	93,950	2,430,904
Purchase of business (Note 6)	-	-	178,500	3,820,700	3,999,200
Disposals	-	-	(1,375)	(255,795)	(257,170)
Depreciation charge	-	(537,428)	(1,238,151)	(2,069,490)	(3,845,069)
Closing net book amount	43,899,191	28,194,881	11,258,914	15,730,448	99,083,434
At 31 December 2018					
Cost	43,899,191	33,123,428	30,732,645	34,471,125	142,226,389
Accumulated depreciation	-	(4,928,547)	(19,473,731)	(18,740,677)	(43,142,955)
Net book amount	43,899,191	28,194,881	11,258,914	15,730,448	99,083,434

4. INTANGIBLE ASSETS

Consolidated	Goodwill \$	Trade names \$	Customer relationships \$	Security lines \$	Software \$	Total \$
At 1 July 2018						
Cost	26,461,029	3,221,391	9,178,756	1,520,820	2,106,907	42,488,903
Accumulated amortisation	-	(1,191,142)	(4,081,043)	(1,483,327)	(1,144,644)	(7,900,156)
Net book amount	26,461,029	2,030,249	5,097,713	37,493	962,263	34,588,747
Half-year ended 31 December 2018						
Opening net book amount	26,461,029	2,030,249	5,097,713	37,493	962,263	34,588,747
Additions	-	-	-	2,335	322,953	325,288
Purchase of business (Note 6)	-	505,523	-	-	-	505,523
Amortisation charge	-	(187,011)	(444,852)	(7,178)	(98,839)	(737,880)
Closing net book amount	26,461,029	2,348,761	4,652,861	32,650	1,186,377	34,681,678
At 31 December 2018						
Cost	26,461,029	3,726,914	9,178,756	1,523,155	2,429,860	43,319,714
Accumulated amortisation	-	(1,378,153)	(4,525,895)	(1,490,505)	(1,243,483)	(8,638,036)
Net book amount	26,461,029	2,348,761	4,652,861	32,650	1,186,377	34,681,678

CTI LOGISTICS LIMITED
Notes to the condensed consolidated financial statements
31 December 2018

5. CAPITAL AND RESERVES

(a) EQUITY SECURITIES

	December 2018 Shares	June 2018 Shares	December 2018 \$	June 2018 \$
Balance at the beginning of the period	74,453,777	71,881,289	26,727,285	24,053,602
Dividend reinvestment plan	375,537	403,640	356,760	434,440
Bonus share plan	11,788	26,175	11,199	28,109
Shares issued	-	2,142,673	-	2,303,587
Less: Transaction costs arising on share issue	-	-	-	(92,453)
Balance at the end of the period	<u>74,841,102</u>	<u>74,453,777</u>	<u>27,095,244</u>	<u>26,727,285</u>

At 31 December 2018 there were 2,685,000 (30 June 2018 – 2,685,000) contingently issuable shares relating to shares issued under the Company's Employee Share Plan.

(b) DIVIDENDS

	2018 \$	2017 \$
Ordinary shares		
Dividends provided for or paid during the half-year		
Final dividend for the year ended 30 June 2018 – 2.0 cents per fully paid ordinary share	1,489,076	1,257,923
Less – bonus issue of ordinary shares under the Company's Bonus Share Plan	(11,199)	(17,088)
	<u>1,477,877</u>	<u>1,240,835</u>

Dividends not recognised at the end of the reporting period

After the half-year end the directors have declared an interim dividend of 2.0 cents per fully paid ordinary share, (2017 – 2.0 cents) fully franked based on tax paid at 30% (2017 – 30%). The aggregate amount of the proposed dividend paid on 17 April 2019 out of retained profits at 31 December 2018, but not recognised as a liability at period end, is \$1,496,822 (2017 - \$1,461,927).

(c) EARNINGS PER SHARE

The calculation of basic and diluted earnings per share at 31 December 2018 are as follows:

	2018	2017
(i) Basic earnings per share	1.23 cents	4.62 cents
Profit attributable to ordinary shareholders	\$913,645	\$3,336,076
Weighted average number of shares	74,550,608	72,191,652
(ii) Diluted earnings per share	1.22 cents	4.62 cents
Profit attributable to ordinary shareholders (diluted)	\$913,645	\$3,336,076
<i>Weighted average number of shares (diluted)</i>		
Weighted average number of shares (basic)	74,550,608	72,191,652
The effect of the vesting of contingently issuable shares	56,297	54,022
Weighted average number of shares (diluted) at 31 December	<u>74,606,905</u>	<u>72,245,674</u>

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.

CTI LOGISTICS LIMITED
Notes to the condensed consolidated financial statements
31 December 2018

6. PURCHASE OF BUSINESS

Stirling Freight Express

On 2 July 2018 the group acquired, through its subsidiary CTI Freight Management Pty Ltd, the business operations and assets of the Western Australian regional freight carrier business trading as Stirling Freight Express ("Stirling").

The purchase price totaled \$4,500,000. The cash payment made during the period of \$4,043,620 was net of deposits paid in the prior period and vendor payments for employee benefit liabilities assumed.

The Company acquired plant and equipment (refer to Note 3), intangible assets (refer to Note 4) and employee provisions from Stirling, net of tax.

The accounting as at 31 December 2018 is on a provisional basis with final accounting to be disclosed in the 30 June 2018 financial report.

Acquisition related costs of \$141,509 have been included in "other expenses" in the current period.

Jayde Transport

On 30 October 2017 the group acquired the business operations and assets of Jayde Transport ("Jayde"). The purchase price included a cash payment of \$6,500,000, a deferred payment of \$1,000,000 on 30 April 2018 and contingent consideration of up to \$2,850,000. At acquisition, the group provided for \$510,000 of contingent consideration which was capitalized as part of the acquisition cost. Earnings for Jayde exceeded expectations resulting in an additional consideration of \$2,340,000 being recognised within "other expenses" in the current period.

7. SUBSEQUENT EVENTS

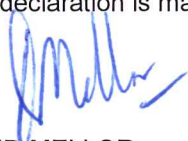
No events have occurred since the end of the half-year other than disclosed elsewhere in these financial statements.

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 6 to 15 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the group's financial position as at 31 December 2018 and of its performance, for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* 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.

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



DAVID MELLOR
Director

Perth, WA
27 February 2019



Independent Auditor's Review Report

To the shareholders of CTI Logistics Limited

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying **Half-year Financial Report** of CTI Logistics Limited.

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

- giving a true and fair view of the **Group's** financial position as at 31 December 2018 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Half-year Financial Report** comprises:

- Condensed consolidated statement of financial position as at 31 December 2018
- Condensed consolidated statement of profit or loss and other comprehensive income, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the Half-year ended on that date
- Notes comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises CTI Logistics Limited (the Company) and the entities it controlled at the Half-year's end or from time to time during the Half-year.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of CTI Logistics Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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



KPMG



Graham Hogg
Partner
Perth
27 February 2019