# CTI LOGISTICS LIMITED

**ABN 69 008 778 925**

## FULL YEAR STATUTORY ACCOUNTS
## 30 JUNE 2019

# Contents

# Directory

**DIRECTORS**
David Robert Watson
(Executive Chairman)

David Anderson Mellor
(Executive)

Bruce Edmond Saxild
(Executive)

Peter James Leonhardt
(Non-Executive)

**SECRETARY**
Owen Roy Venter

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

**SHARE REGISTRY**
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The financial report covers the Group consisting of CTI Logistics Limited and its subsidiaries.

The financial report is presented in the Australian currency.

The financial report was authorised for issue by the directors on 30 August 2019. The directors have the power to amend and reissue the financial report.

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

# 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 2019.

**Directors**
Directors of the Company who were in office during the financial year and up to the date of this report are:

**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 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.

**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 (March 2005 and continuing). 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 committee.

**Former Director**
**Matthew David Watson (Non-Executive Director)**
Mr Watson is a non-executive director of CTI Logistics Limited and has been with the Group since 2010. He has a Post Graduate Diploma of Business Information Systems and is a Chartered Management Accountant (CIMA). He is a member of the audit and risk committee. Mr Watson has not held any other directorships in listed companies since his appointment. Mr Watson concluded in his role as non-executive director on 18 January 2019, and became a full time employee.

**Principal activities of the Group**
The principal activities of the Group during the 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:

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

No final dividend has been declared after balance sheet date.

**Review of operations and results**
The Group is a Western Australian based transport and logistics provider. Transport operations cover couriers and taxi trucks, B2B and B2C parcel distribution, container handling, fleet management, WA regional road freight, and interstate freight forwarding. Logistics includes 3PL, 4PL, supply chain and DC warehousing, 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 Group also has a security business providing installation, maintenance and monitoring of alarms, CCTV visual verification and lone worker protection.

During the year, the Group
• strengthened the WA regional freight network by acquiring Stirling Freight, and re-located the combined regional freight businesses to a single Perth freight hub under the name of CTI Logistics Regional Freight
• re-badged the interstate road and rail freight business as CTI Logistics Interstate, and now offer handling facilities in all mainland capitals
• installed a new warehouse management system across all GMK flooring products warehouses
• installed a state-of-the-art precision carpet cutting machine at GMK Melbourne, resulting in significant productivity gains.

Revenue from operations was up 15.9% to $212,030,564.

Reported profit before tax for the year was $1,793,863. After adding back the charge for the contingent consideration of $2,340,000 relating to the purchase of Jayde Transport the profit before tax was $4,133,863, down 31.7% on a comparable basis with the previous corresponding period after excluding the sale of a non-core property in the previous year of $293,365. Including the effect of the one-off non-tax deductible contingent consideration, the reported net profit after tax is $788,074 which represents earnings per share for the year of 1.05 cents.

The result from operating activities excluding depreciation and amortisation expense in the Statement of Profit and Loss and Other Comprehensive Income ("EBITDA") for the year, after adding back the contingent consideration, was $15,210,571, down 5.9% on the previous year.

Operating cash flow has remained strong at $9,823,745 for the period, after funding working capital requirements of Stirling Freight. The Group'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 Group's focus on receivables management is reflected in the value of receivables written off during the year

# Directors' Report

representing only 0.1% of revenue, consistent with the previous year.

The Company increased interest bearing debt by $4,683,107. The increase in debt included funding of the Stirling Freight acquisition and related working capital as well as the contingent consideration paid in February 2019 in respect of the Jayde Transport acquisition and after allowing for the cost of plant, equipment and motor vehicles.

Following the acquisition of national flooring logistics business GMK Logistics in 2015, and interstate road and rail freight forwarding and distribution business Jayde Transport in 2017, plus further development of our warehousing footprint in Sydney, Melbourne, Adelaide and Brisbane, the Group has lessened its reliance on the WA economy, to approximately sixty percent of total revenue.

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

**Company secretary**
The company secretary is Mr O 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:

**Board of Directors**

| | Number Held | Number Attended |
|---|---|---|
| P J Leonhardt | 8 | 8 |
| D A Mellor | 8 | 8 |
| B E Saxild | 8 | 8 |
| D R Watson | 8 | 8 |
| M D Watson+ | 4 | 4 |

**Audit and Risk Committee**

| | Number Held | Number Attended |
|---|---|---|
| P J Leonhardt | 3 | 3 |
| B E Saxild | 3 | 3 |
| M D Watson+ | 1 | 1 |

**Remuneration Committee**

| | Number Held | Number Attended |
|---|---|---|
| P J Leonhardt | 2 | 2 |
| D R Watson | 2 | 2 |

+M D Watson – concluded in role of non-executive director on 18 January 2019.

**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 | - | 651,338 |
| D A Mellor* | 522,080 | 3,749,260 |
| B E Saxild* | 347,120 | 2,980,843 |
| D R Watson | 18,062,683 | 7,840,250 |

*The above do not include Employee Share Plan shares (refer page 5)

**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.

**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 24 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 6.

# Directors' Report

**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 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 $300,000, approved by shareholders at the annual general meeting on 26 November 2009.

*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 $ |
| **2019** | | | | |
| P J Leonhardt | 57,500 | - | - | 57,500 |
| *D A Mellor | 456,942 | 16,966 | 24,960 | 498,868 |
| *B E Saxild | 512,326 | 14,772 | 24,960 | 552,058 |
| *D R Watson | 500,640 | 16,242 | 24,960 | 541,842 |
| +M D Watson | 16,667 | - | 1,583 | 18,250 |
| **Total** | 1,544,075 | 47,980 | 76,463 | 1,668,518 |
| **2018** | | | | |
| P J Leonhardt | 57,500 | - | - | 57,500 |
| *D A Mellor | 456,895 | 9,665 | 24,084 | 490,644 |
| *B E Saxild | 540,893 | 15,613 | 24,084 | 580,590 |
| *D R Watson | 501,516 | 16,743 | 24,084 | 542,343 |
| M D Watson | 33,333 | - | 3,167 | 36,500 |
| **Total** | 1,590,137 | 42,021 | 75,419 | 1,707,577 |

*The cash salary and fees of the Executive Directors has not changed for the last five financial years. 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.

+M D Watson concluded in role of non-executive director on 18 January 2019.

*C. Service agreements*

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

**Remuneration report – audited (continued)**

*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 | Additions during the year | Other | Balance at the end of the year |
|---|---|---|---|---|
| P J Leonhardt | 622,722 | 28,616 | - | 651,338 |
| D A Mellor | 4,234,851 | 36,489 | - | 4,271,340 |
| B E Saxild | 3,314,861 | 13,102 | - | 3,327,963 |
| D R Watson | 25,879,546 | 23,387 | - | 25,902,933 |
| +M D Watson | 324,512 | - | (324,512) | - |

+M D Watson concluded in role of non-executive director on 18 January 2019.

*E. Additional information*

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 three 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.

| | Balance at the start of the year | Issued during the year | Exercised | Balance 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 |

The shares vest 2 years after issue and may be purchased with the assistance of an interest-free, limited recourse loan for a term of 10 years. The shares are priced using a Black-Scholes pricing model to determine the fair value and are amortised through the statement of profit or loss and other comprehensive income.

DAVID WATSON
Director

Perth, WA
30 August 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 audit of CTI Logistics Limited for the financial year ended 30 June 2019 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

Graham Hogg
*Partner*

Perth

30 August 2019

# Consolidated Statement of Profit or Loss and other Comprehensive Income for the year ended 30 June 2019

| | Notes | Consolidated 2019 $ | 2018 $ |
|---|---|---|---|
| Revenue from operations | 5 | 212,030,564 | 182,910,253 |
| Other income | 6 | 945,728 | 1,206,667 |
| Changes in inventories of finished goods and work in progress | | (27,281) | 55,956 |
| Raw materials and consumables used | | (1,004,672) | (1,119,189) |
| Employee benefits expense | | (70,137,134) | (59,546,865) |
| Subcontractor expense | | (68,386,845) | (55,526,473) |
| Depreciation and amortisation expense | 7 | (9,032,827) | (8,307,288) |
| Motor vehicle and transport costs | | (27,193,290) | (25,261,509) |
| Property costs | | (17,188,546) | (14,994,632) |
| Other expenses | | (16,167,953) | (11,260,418) |
| Results from operating activities | | 3,837,744 | 8,156,502 |
| Finance income | | 45,972 | 42,385 |
| Finance expenses | 7 | (2,089,853) | (1,848,669) |
| Net finance costs | | (2,043,881) | (1,806,284) |
| Profit before income tax | | 1,793,863 | 6,350,218 |
| Income tax expense | 8 | (1,005,789) | (2,282,967) |
| **Profit for the year** | | **788,074** | **4,067,251** |
| Other comprehensive income | | | |
| Items that will not be reclassified to profit or loss | | | |
| Equity investments at FVOCI – net change in fair value | | 15,630 | (15,608) |
| **Total comprehensive income** | | **803,704** | **4,051,643** |
| **Earnings per share for profit attributable to the ordinary equity holders of the Company** | | Cents | Cents |
| Basic earnings per share | 29a | 1.05 | 5.58 |
| Diluted earnings per share | 29b | 1.05 | 5.57 |

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 2019

| | Notes | Consolidated 2019 $ | Consolidated 2018 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 9 | 2,186,341 | 1,990,790 |
| Trade and other receivables | 10 | 30,793,668 | 28,955,356 |
| Income tax receivable | | 504,167 | - |
| Inventories | 11 | 134,345 | 161,626 |
| Total current assets | | 33,618,521 | 31,107,772 |
| **Non-current assets** | | | |
| Other investments | 12 | 70,980 | 47,653 |
| Property, plant and equipment | 13 | 98,031,641 | 96,755,569 |
| Investment properties | 14 | 2,207,021 | 2,207,021 |
| Deferred tax assets | | 567,952 | - |
| Intangible assets | 15 | 34,048,840 | 34,588,747 |
| Total non-current assets | | 134,926,434 | 133,598,990 |
| **Total assets** | | 168,544,955 | 164,706,762 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 16 | 21,694,937 | 21,145,324 |
| Borrowings | 17 | 2,209,975 | 1,603,866 |
| Current tax liabilities | | - | 566,729 |
| Provisions | 19 | 6,000,414 | 4,845,941 |
| Total current liabilities | | 29,905,326 | 28,161,860 |
| **Non-current liabilities** | | | |
| Borrowings | 18 | 46,360,156 | 42,283,158 |
| Deferred tax liabilities | 8 | - | 119,485 |
| Provisions | 19 | 1,981,997 | 2,282,341 |
| Total non-current liabilities | | 48,342,153 | 44,684,984 |
| **Total liabilities** | | 78,247,479 | 72,846,844 |
| **Net assets** | | **90,297,476** | **91,859,918** |
| **EQUITY** | | | |
| Contributed equity | 20 | 27,248,025 | 26,727,285 |
| Reserves | 21a | 1,893,175 | 1,778,533 |
| Retained profits | 21b | 61,156,276 | 63,354,100 |
| **Total equity** | | **90,297,476** | **91,859,918** |

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 2019

| | Notes | Contributed equity $ | Reserves $ | Retained profits $ | Total equity $ |
|---|---|---|---|---|---|
| **Consolidated** | | | | | |
| Balance at 1 July 2017 | | 24,053,602 | 1,698,399 | 62,006,699 | 87,758,700 |
| Total comprehensive income for the year | | - | (15,608) | 4,067,251 | 4,051,643 |
| Transactions with equity holders in their capacity as equity holders: | | | | | |
| Contributions of equity /share issue | 20 | 2,645,574 | - | - | 2,645,574 |
| Share-based payment transactions | 31 | - | 95,742 | - | 95,742 |
| Dividends provided for or paid | 22 | 28,109 | - | (2,719,850) | (2,691,741) |
| Balance at 30 June 2018 | | 26,727,285 | 1,778,533 | 63,354,100 | 91,859,918 |
| | | | | | |
| Balance at 1 July 2018 | | 26,727,285 | 1,778,533 | 63,354,100 | 91,859,918 |
| Total comprehensive income for the year | | - | 15,630 | 788,074 | 803,704 |
| Transactions with equity holders in their capacity as equity holders: | | | | | |
| Contributions of equity /share issue | 20 | 498,585 | - | - | 498,585 |
| Share-based payment transactions | 31 | - | 99,012 | - | 99,012 |
| Dividends provided for or paid | 22 | 22,155 | - | (2,985,898) | (2,963,743) |
| Balance at 30 June 2019 | | 27,248,025 | 1,893,175 | 61,156,276 | 90,297,476 |

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 2019

| | Notes | Consolidated 2019 $ | 2018 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of goods and services tax) | | 234,348,467 | 194,097,438 |
| Payments to suppliers and employees (inclusive of goods and services tax) | | (220,262,986) | (180,406,246) |
| Dividends received | | 2,757 | 3,758 |
| Interest received | | 45,972 | 42,385 |
| Interest paid | | (1,728,630) | (1,626,772) |
| Income tax refund received | | 101,048 | 31,333 |
| Income taxes paid | | (2,682,883) | (3,276,909) |
| Net cash inflow from operating activities | 28 | 9,823,745 | 8,864,987 |
| | | | |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | (2,339,188) | (2,994,949) |
| Payments for intangibles - security lines | | (5,272) | (15,765) |
| Payments for intangibles - software | | (490,189) | (176,134) |
| Purchase of business | 32 | (6,964,510) | (7,251,793) |
| Proceeds from sale of property, plant and equipment | | 786,812 | 2,010,015 |
| Net cash outflow from investing activities | | (9,012,347) | (8,428,626) |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | 17,600,000 | 8,000,000 |
| Proceeds from issue of shares | | 520,740 | 2,673,684 |
| Repayment of borrowings | | (15,750,689) | (10,672,410) |
| Dividend paid to Company's shareholders | | (2,985,898) | (2,719,850) |
| Net cash outflow from financing activities | | (615,847) | (2,718,576) |
| | | | |
| Net increase/(decrease) in cash and cash equivalents | | 195,551 | (2,282,215) |
| Cash and cash equivalents at the beginning of the financial year | | 1,990,790 | 4,273,005 |
| | | | |
| Cash and cash equivalents at the end of the financial year | 9 | 2,186,341 | 1,990,790 |

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 2019 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.

**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.

**CHANGES IN SIGNIFICANT ACCOUNTING POLICIES**

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 using the modified retrospective method. 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. As such there has been no adjustment to opening equity.

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.

*Other income outside the scope of AASB 15*
*(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 over time on a straight-line basis.

**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.

# Notes to the Financial Statements

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

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. As such there is no restatement of prior period comparatives.

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.

AASB 9 also contained a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

Under AASB 9, the Group has designated investments previously classified as available-for-sale are now being classified as Fair Value through Other Comprehensive Income (FVOCI) and Trade and Other Receivables previously classified as loans and receivables are now being classified at Amortised Cost.

**(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 2019.

*Historical cost convention*

These financial statements have been prepared under the historical cost convention except for 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 2019 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.

**(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.

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

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.

**(e) LEASES**

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges are included in other long term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit and loss on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

# Notes to the Financial Statements

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

**(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.

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**

***Policy applicable after 1 July 2018***

***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 estimate 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.

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

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.

*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.

***Policy applicable before 1 July 2018***

*Non-derivative financial assets*
The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

*(i) Assets carried at amortised cost*
For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Impairment testing of trade receivables is described in note 1(j).

*(ii) 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 15.

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

**(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**

***Policy applicable from 1 July 2018***

*(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.

*(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.

# Notes to the Financial Statements

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

Financial assets – 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*
Financial assets
The Group derecognises 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 retain substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

***Policy applicable before 1 July 2018***

*Classification*
The Group classifies its investments in available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

*(i) Available-for-sale financial assets*
Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

*(ii) Trade receivables*
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

*Recognition and derecognition*
Purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit and loss as gains and losses from investment securities.

*Measurement*
At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

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

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established. Interest income from these financial assets is included in the net gains/(losses).

Changes in the fair value of monetary securities classified as other investments are recognised in other comprehensive income.

*Impairment*
Impairment testing of financial assets is described in note 1(g).

**(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:

| | |
|---|---|
| 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.

# Notes to the Financial Statements

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

*(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:

| | |
|---|---|
| Security lines | 5 - 7 years |
| Software | 2.5 - 4 years |
| Trade names | 5 - 8 years |
| Customer relationships | 5 -6 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 derecognises 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.

# Notes to the Financial Statements

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

*(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 market yields on national government bonds at the end of the reporting period with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

*(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.

# Notes to the Financial Statements

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

**(w) PARENT ENTITY FINANCIAL INFORMATION**

The financial information for the parent entity, CTI Logistics Limited, disclosed in note 30 has been prepared on the same basis as the consolidated financial statements, except as set out below.

*(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) ASSETS HELD FOR SALE**

Non-current assets are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on re-measurement are recognised in profit or loss.

Once classified as held-for-sale, property, plant and equipment are no longer depreciated.

# Notes to the Financial Statements

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

**(y) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS 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.

AASB 16 replaces existing leases guidance, including AASB 117 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

*(i) Leases in which the Group is a lessee*

The Group will recognise right of use assets and lease liabilities for its operating leases, predominately for offices and warehouses. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

No significant impact is expected for the Group's finance leases.

The Group's assessment of the impact on transition to AASB 16 is still in progress. As at 30 June 2019 the Group's future minimum lease payments under non-cancellable operating leases amounted to $73,386,783 on an undiscounted base (refer Note25).

*(ii) Transition*

The Group plans to apply AASB 16 initially on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply AASB 16 to all contracts entered into before 1 July 2019 and identified as leases in accordance with AASB 117 and IFRIC 4.

## 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 15. 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.

## 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.

*(ii) Cash flow and fair value interest rate risk*
The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. At the year end 31.03% (2018 – 30.50%) of borrowings were at fixed rates.

**3. FINANCIAL RISK MANAGEMENT (continued)**

*(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 2019 % | 2019 $ | Weighted average interest rate 2018 % | 2018 $ |
| Cash and cash equivalents | 1.33 | 2,186,341 | 1.50 | 1,990,790 |
| Bank loans | 2.55 | 44,300,000 | 2.71 | 40,500,000 |
| Hire purchase liabilities | 4.07 | 4,270,131 | 4.22 | 3,387,024 |

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 2019, 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 $310,100 (2018 - change of 100bps: $283,500 higher/lower) for loans and higher/lower by $15,304 (2018 - change of 100bps: $13,936 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 2019. 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*

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

| | Consolidated | |
|---|---|---|
| | 2019 $ | 2018 $ |
| Cash and cash equivalents | 2,186,341 | 1,990,790 |
| Trade receivables | 26,931,853 | 25,968,796 |
| Other receivables | 2,396,015 | 1,181,398 |
| | 31,514,209 | 29,140,984 |

Trade receivables are non-interest bearing and terms of trade are 30 days from month end. At 30 June 2019, 6.61% (2018 – 9.06%) 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.

# Notes to the Financial Statements

**3. FINANCIAL RISK MANAGEMENT (continued)**

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** |
| | **$** | **$** | **$** |
| **2019** | | | |
| **Consolidated** | | | |
| Trade receivables | 706,436 | 1,087,182 | 1,793,618 |
| **2018** | | | |
| **Consolidated** | | | |
| Trade receivables | 1,576,630 | 787,133 | 2,363,763 |

The Group uses an allowance matrix to measure the expected credit loss's (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 following table provides information about the ECLs for trade receivables as at 30 June.

| | Consolidated | |
|---|---|---|
| | **2019** | **2018** |
| | **$** | **$** |
| 1 to 30 days | 32,695 | 18,155 |
| 31 to 60 days | 18,010 | 3,164 |
| Over 60 days | 163,768 | 109,331 |
| Total | 214,473 | 130,650 |

*Provision for expected credit losses*
Movements in the ECLs of receivables are as follows:

| | | |
|---|---|---|
| Balance 1 July | 130,650 | 432,408 |
| Net loss allowance recognised (reversed) | 95,145 | (267,440) |
| Receivables written off during the year as uncollectable | (11,322) | (34,318) |
| Balance 30 June | 214,473 | 130,650 |

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.

# Notes to the Financial Statements

**3. FINANCIAL RISK MANAGEMENT (continued)**

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

| | Consolidated 2019 $ | Consolidated 2018 $ |
|---|---|---|
| Floating rate | | |
| Expiring beyond one year (note 18c) | 10,036,000 | 13,815,000 |
| | 10,036,000 | 13,815,000 |

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 2020 and February 2021, and are revised on an ongoing basis. The Group expects these borrowings to be renewed for a further three year period 12 months prior to maturity.

| | Maturity | | | | |
|---|---|---|---|---|---|
| **Consolidated** | **1 year or less $** | **1 to 2 years $** | **2 to 5 years $** | **Total contractual cash flows $** | **Carrying amount $** |
| **2019** | | | | | |
| Non-interest bearing | 21,694,937 | - | - | 21,694,937 | 21,694,937 |
| Variable rate | 1,128,118 | 44,780,356 | - | 45,908,474 | 44,300,000 |
| Fixed rate | 2,331,797 | 1,458,836 | 724,589 | 4,515,222 | 4,270,131 |
| Total | 25,154,852 | 46,239,192 | 724,589 | 72,118,633 | 70,265,068 |
| **2018** | | | | | |
| Non-interest bearing | 21,145,324 | - | - | 21,145,324 | 21,145,324 |
| Variable rate | 1,098,550 | 10,994,217 | 30,761,850 | 42,854,617 | 40,500,000 |
| Fixed rate | 1,693,812 | 1,254,764 | 644,822 | 3,593,398 | 3,387,024 |
| Total | 23,937,686 | 12,248,981 | 31,406,672 | 67,593,339 | 65,032,348 |

**(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 following tables present the Group's assets measured and recognised at fair value at 30 June 2019.

| | Consolidated 2019 Level 1 $ | Consolidated 2018 Level 1 $ |
|---|---|---|
| Other investments | | |
| Equity securities | 70,980 | 47,653 |

*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.

# Notes to the Financial Statements

**3. FINANCIAL RISK MANAGEMENT (continued)**

Consistently with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings' 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.

During 2019, the Group's gearing ratio increased because of additional borrowing to fund the purchase of a business.

The gearing ratios at 30 June 2019 and 30 June 2018 were as follows:

| | | Consolidated | |
|---|---|---|---|
| | **Notes** | **2019** | **2018** |
| | | **$** | **$** |
| Total payables and borrowings | 16,17,18 | 70,265,068 | 65,032,348 |
| Less: cash and cash equivalents | 9 | (2,186,341) | (1,990,790) |
| Net debt | | 68,078,727 | 63,041,558 |
| Total equity | | 90,297,476 | 91,859,918 |
| Total capital | | 158,376,203 | 154,901,476 |
| Gearing ratio | | 43% | 40% |

**4. SEGMENT INFORMATION**

**(a) Description of segments**

Management has determined the operating segments based on the reports reviewed by the Group's Executive Chairman. (note 1c)

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.

# Notes to the Financial Statements

**4. SEGMENT INFORMATION (continued)**

*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 2019 is as follows:

| | Transport $ | Logistics $ | Property $ | Other $ | Consolidated $ |
|---|---|---|---|---|---|
| **2019** | | | | | |
| Reportable segment revenue | | | | | |
| Sales to external customers | 121,048,375 | 84,381,291 | 168,683 | 6,138,800 | 211,737,149 |
| Intra and inter-segment revenue | 15,669,061 | 175,866 | 3,687,601 | 666,713 | 20,199,241 |
| Total segment revenue | 136,717,436 | 84,557,157 | 3,856,284 | 6,805,513 | 231,936,390 |
| Other income | 611,382 | 128,905 | 62,080 | 9,091 | 811,458 |
| Interest expense | 221,008 | 59,660 | 775,970 | - | 1,056,638 |
| Depreciation and amortisation | 3,835,529 | 3,262,933 | 828,801 | 543,616 | 8,470,879 |
| Reportable segment profit before income tax | 1,999,678 | 1,933,244 | 701,843 | 537,134 | 5,171,899 |
| Reportable segment assets | 44,576,930 | 43,103,204 | 73,559,587 | 2,694,217 | 163,933,938 |
| Reportable segment liabilities | 20,361,144 | 7,851,919 | 38,630,577 | 1,641,809 | 68,485,449 |
| **2018** | | | | | |
| Reportable segment revenue | | | | | |
| Sales to external customers | 94,413,524 | 81,762,829 | 187,671 | 6,198,304 | 182,562,328 |
| Intra and inter-segment revenue | 12,458,765 | 53,694 | 3,837,756 | 1,002,250 | 17,353,465 |
| Total segment revenue | 106,872,289 | 81,816,523 | 4,025,427 | 7,201,554 | 199,915,793 |
| Other income | 407,650 | 174,223 | 293,365 | - | 875,238 |
| Interest expense | 205,290 | 52,510 | 720,426 | - | 978,226 |
| Depreciation and amortisation | 3,586,587 | 3,074,234 | 597,304 | 566,372 | 7,824,497 |
| Reportable segment profit before income tax | 4,428,835 | 3,345,046 | 1,261,966 | 828,596 | 9,864,443 |
| Reportable segment assets | 40,893,997 | 43,622,786 | 74,555,742 | 3,105,946 | 162,178,471 |
| Reportable segment liabilities | 20,897,852 | 8,192,263 | 37,181,552 | 1,794,648 | 68,066,315 |

# Notes to the Financial Statements

**4. SEGMENT INFORMATION (continued)**

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

| | Notes | Consolidated 2019 $ | Consolidated 2018 $ |
|---|---|---|---|
| *Revenues* | | | |
| Total segment revenue for reportable segments | | 231,936,390 | 199,915,793 |
| Elimination of intra-segment and inter-segment revenue | | (20,199,241) | (17,353,465) |
| Unallocated revenue | | 293,415 | 347,925 |
| Consolidated revenue | 5 | 212,030,564 | 182,910,253 |
| *Profit* | | | |
| Total profit before tax for reportable segments | | 5,171,899 | 9,864,443 |
| Unallocated amounts | | (3,378,036) | (3,514,225) |
| Consolidated profit before income tax | | 1,793,863 | 6,350,218 |
| *Assets* | | | |
| Total assets for reportable segments | | 163,933,938 | 162,178,471 |
| Unallocated amounts | | 4,611,017 | 2,528,291 |
| Consolidated total assets | | 168,544,955 | 164,706,762 |
| *Liabilities* | | | |
| Total liabilities for reportable segments | | 68,485,449 | 68,066,315 |
| Unallocated amounts | | 9,762,030 | 4,780,529 |
| Consolidated total liabilities | | 78,247,479 | 72,846,844 |
| *Other material items* | | | |
| *Interest Income* | | | |
| Unallocated amounts | | 45,972 | 42,385 |
| Consolidated interest income | | 45,972 | 42,385 |
| *Other income* | | | |
| Total for reportable segments | | 811,458 | 875,238 |
| Unallocated amounts | | 134,270 | 331,429 |
| Consolidated other income | | 945,728 | 1,206,667 |
| *Interest expense* | | | |
| Total for reportable segments | | 1,056,638 | 978,226 |
| Unallocated amounts | | 715,508 | 660,833 |
| Consolidated interest expense | | 1,772,146 | 1,639,059 |
| *Depreciation and amortisation* | | | |
| Total for reportable segments | | 8,470,879 | 7,824,497 |
| Unallocated amounts | | 561,948 | 482,791 |
| Consolidated depreciation and amortisation | 7 | 9,032,827 | 8,307,288 |

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

The effect of initially applying AASB *15 Revenue from Contracts with Customers* on the Group's revenue from contracts with customers is described in Note 1, due to the immaterial nature of the impacts, comparative information has not been restated.

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.

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

| | Consolidated | |
|---|---|---|
| | **2019** | **2018** |
| | **$** | **$** |
| Revenue from contracts with customers | | |
| *Sales revenue* | | |
| Transport | 121,048,375 | 94,413,524 |
| Logistics | 84,381,291 | 81,762,829 |
| Security services | 6,128,591 | 6,193,793 |
| Other | 300,867 | 348,678 |
| | 211,859,124 | 182,718,824 |
| *Other revenue* | | |
| Dividends | 2,757 | 3,758 |
| Rent | 168,683 | 187,671 |
| | 171,440 | 191,429 |
| | 212,030,564 | 182,910,253 |

## 6. OTHER INCOME

| | | |
|---|---|---|
| Net gain on disposal of: | | |
| - property | - | 293,365 |
| - motor vehicles | 375,186 | 146,876 |
| - plant and equipment | 7,451 | 72 |
| Other | 563,091 | 766,354 |
| | 945,728 | 1,206,667 |

# Notes to the Financial Statements

## 7. EXPENSES

| | Consolidated 2019 $ | 2018 $ |
|---|---|---|
| *Profit before income tax includes the following specific expenses:* | | |
| *Employee benefits* | | |
| Defined contribution superannuation | 5,064,016 | 4,241,724 |
| Share-based payments | 99,012 | 95,742 |
| *Depreciation and amortisation* | | |
| Buildings | 1,085,512 | 674,265 |
| Investment properties | - | 5,000 |
| Plant and equipment and motor vehicles | 6,406,424 | 6,199,118 |
| Security lines | 14,410 | 12,537 |
| Software | 224,077 | 128,956 |
| Trade name and customer relationships | 1,302,404 | 1,287,412 |
| | 9,032,827 | 8,307,288 |
| *Finance expenses* | | |
| Interest | 1,772,146 | 1,639,059 |
| Finance charges | 317,707 | 209,610 |
| | 2,089,853 | 1,848,669 |
| *Rental expense relating to operating leases* | | |
| Minimum lease payments | 15,577,554 | 13,477,379 |

## 8. INCOME TAXES

### (a) Income tax expense

| | 2019 $ | 2018 $ |
|---|---|---|
| Current tax | 1,925,133 | 2,690,029 |
| Deferred tax | (485,752) | (473,048) |
| (Over)/under provided in prior years | (433,592) | 65,986 |
| Income tax expense | 1,005,789 | 2,282,967 |
| Deferred income tax (benefit) included in income tax expense comprises: | | |
| (Increase) in deferred tax assets (note 8d) | (161,889) | (176,088) |
| (Decrease) in deferred tax liabilities (note 8e) | (323,863) | (296,960) |
| | (485,752) | (473,048) |

### (b) Numerical reconciliation of income tax expense to prima facie tax payable

| | 2019 $ | 2018 $ |
|---|---|---|
| Profit before income tax expense | 1,793,863 | 6,350,218 |
| Tax at the Australian rate of 30% (2018 - 30%) | 538,159 | 1,905,065 |
| Tax effect of amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Amortisation | 124,293 | 121,821 |
| Share-based payment | 29,704 | 28,723 |
| Rebatable dividends | (1,182) | (1,610) |
| Sale of property | - | (88,010) |
| Contingent payment related to business acquisition (note 32) | 702,000 | - |
| Sundry items | 46,407 | 250,992 |
| | 1,439,381 | 2,216,981 |
| (Over)/under provision in prior years | (433,592) | 65,986 |
| Income tax expense | 1,005,789 | 2,282,967 |

# Notes to the Financial Statements

**8. INCOME TAXES (continued)**

| | Consolidated 2019 $ | 2018 $ |
|---|---|---|
| **(c) Amounts recognised directly in equity** | | |
| Net deferred tax – debited/(credited) directly to equity (note 8d) | 7,699 | (6,689) |
| | | |
| **(d) Deferred tax assets** | | |
| The balance comprises temporary differences attributable to: | | |
| *Amounts recognised in profit or loss* | | |
| Doubtful debts | 64,341 | 39,195 |
| Employee benefits | 2,306,841 | 2,127,998 |
| Depreciation and amortisation | 380,328 | 235,637 |
| Other | 1,110 | 604 |
| | 2,752,620 | 2,403,434 |
| *Amounts recognised directly in equity* | | |
| Other investments | 7,699 | (6,689) |
| | 2,760,319 | 2,396,745 |
| Set-off of deferred tax liabilities (note 8e) | (2,192,367) | (2,396,745) |
| Net deferred tax assets | 567,952 | - |
| *Movements* | | |
| Balance 1 July | 2,396,745 | 2,070,354 |
| Credited to profit or loss | 161,889 | 176,088 |
| Purchase of business (note 32) | 193,986 | 156,992 |
| Debited/(credited) to equity | 7,699 | (6,689) |
| Balance 30 June | 2,760,319 | 2,396,745 |
| | | |
| **(e) Deferred tax liabilities** | | |
| The balance comprises temporary differences attributable to: | | |
| *Amounts recognised in profit or loss* | | |
| Depreciation and amortisaton | 844,371 | 899,806 |
| Intangible assets | 1,347,996 | 1,616,424 |
| | 2,192,367 | 2,516,230 |
| Set-off of deferred tax assets (note 8d) | (2,192,367) | (2,396,745) |
| Net deferred tax liabilities | - | 119,485 |
| | | |
| *Movements (deferred tax liabilities)* | | |
| Balance 1 July | 2,516,230 | 2,813,190 |
| Credited to profit or loss | (323,863) | (296,960) |
| Balance 30 June | 2,192,367 | 2,516,230 |

**9. CURRENT ASSETS - CASH AND CASH EQUIVALENTS**

| | 2019 $ | 2018 $ |
|---|---|---|
| Cash at bank and in hand at the end of the financial year as shown in the statement of cash flows | 2,186,341 | 1,990,790 |

Cash at bank earns interest at varying rates between nil and 1.10% per annum (2018 - nil and 1.50% per annum).

# Notes to the Financial Statements

## 10. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

| | Consolidated 2019 | Consolidated 2018 |
|---|---|---|
| | $ | $ |
| Trade receivables | 27,146,326 | 26,099,446 |
| Provision for impairment of receivables (note 3(b)) | (214,473) | (130,650) |
| | 26,931,853 | 25,968,796 |
| | | |
| Other receivables | 2,396,015 | 1,181,398 |
| Prepayments | 1,465,800 | 1,805,162 |
| | 3,861,815 | 2,986,560 |
| | 30,793,668 | 28,955,356 |

## 11. CURRENT ASSETS - INVENTORIES

| | 2019 | 2018 |
|---|---|---|
| Work in progress - at cost | 103,708 | 117,197 |
| Finished goods - at cost | 30,637 | 44,429 |
| | 134,345 | 161,626 |

## 12. NON-CURRENT ASSETS – OTHER INVESTMENTS

| | 2019 | 2018 |
|---|---|---|
| Listed securities | | |
| Equity securities at FVOCI | 70,980 | 47,653 |

## 13. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

| Consolidated | Freehold land | Freehold buildings | Plant and equipment and fixtures and fittings | Motor vehicles | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **1 July 2017** | | | | | |
| Cost | 43,899,191 | 32,093,245 | 27,317,613 | 28,079,540 | 131,389,589 |
| Accumulated depreciation | - | (3,716,854) | (16,513,512) | (14,215,988) | (34,446,354) |
| Net book amount | 43,899,191 | 28,376,391 | 10,804,101 | 13,863,552 | 96,943,235 |
| | | | | | |
| **Year ended 30 June 2018** | | | | | |
| Opening net book amount | 43,899,191 | 28,376,391 | 10,804,101 | 13,863,552 | 96,943,235 |
| Additions | - | 863,821 | 1,744,901 | 2,427,952 | 5,036,674 |
| Purchase of business (refer note 32) | - | - | - | 1,872,523 | 1,872,523 |
| Disposals | - | - | (12,415) | (211,065) | (223,480) |
| Depreciation charge | - | (674,265) | (2,387,239) | (3,811,879) | (6,873,383) |
| Closing net book amount | 43,899,191 | 28,565,947 | 10,149,348 | 14,141,083 | 96,755,569 |
| **At 30 June 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 |

# Notes to the Financial Statements

## 13. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT (continued)

| Consolidated | Freehold land $ | Freehold buildings $ | Plant and Equipment and fixtures and fittings $ | Motor vehicles $ | Total $ |
|---|---|---|---|---|---|
| **Year ended 30 June 2019** | | | | | |
| Opening net book amount | 43,899,191 | 28,565,947 | 10,149,348 | 14,141,083 | 96,755,569 |
| Additions | - | 236,402 | 2,621,477 | 2,315,104 | 5,172,983 |
| Purchase of business (refer note 32) | - | - | 178,500 | 3,820,700 | 3,999,200 |
| Disposals | - | (3,030) | (140,287) | (260,858) | (404,175) |
| Depreciation charge | - | (1,085,512) | (3,261,900) | (3,144,524) | (7,491,936) |
| Closing net book amount | 43,899,191 | 27,713,807 | 9,547,138 | 16,871,505 | 98,031,641 |
| **At 30 June 2019** | | | | | |
| Cost | 43,899,191 | 33,184,589 | 29,878,849 | 36,338,400 | 143,301,029 |
| Accumulated depreciation | - | (5,470,782) | (20,331,711) | (19,466,895) | (45,269,388) |
| Net book amount | 43,899,191 | 27,713,807 | 9,547,138 | 16,871,505 | 98,031,641 |

### (a) Non-current assets pledged as security

Refer to note 18(b) for information on non-current assets pledged as security.

## 14. NON-CURRENT ASSETS - INVESTMENT PROPERTIES

| Consolidated | Freehold land $ | Freehold buildings $ | Total $ |
|---|---|---|---|
| **1 July 2017** | | | |
| Cost | 2,207,021 | 200,000 | 2,407,021 |
| Accumulated depreciation | - | (195,000) | (195,000) |
| Net book amount | 2,207,021 | 5,000 | 2,212,021 |
| **Year ended 30 June 2018** | | | |
| Opening net book amount | 2,207,021 | 5,000 | 2,212,021 |
| Depreciation charge | - | (5,000) | (5,000) |
| Closing net book amount | 22,207,021 | - | 2,207,021 |
| **At 30 June 2018** | | | |
| Cost | 2,207,021 | 200,000 | 2,407,021 |
| Accumulated depreciation | - | (200,000) | (200,000) |
| Net book amount | 2,207,021 | - | 2,207,021 |
| **Year ended 30 June 2019** | | | |
| Opening net book amount | 2,207,021 | - | 2,207,021 |
| Depreciation charge | - | - | - |
| Closing net book amount | 2,207,021 | - | 2,207,021 |
| **At 30 June 2019** | | | |
| Cost | 2,207,021 | 200,000 | 2,407,021 |
| Accumulated depreciation | - | (200,000) | (200,000) |
| Net book amount | 2,207,021 | - | 2,207,021 |

### (a) Valuations

Investment freehold land and buildings were recorded at cost (net of prior impairments) at 30 June 2019 at $2,207,021, which approximates fair value (2018 - directors' valuation $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.

# Notes to the Financial Statements

**14. NON-CURRENT ASSETS - INVESTMENT PROPERTIES (continued)**

**(b) Contractual obligations**

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

**(c) Leasing arrangements**

**Leasing arrangements**

The Group has investment properties that are leased to tenants on monthly operating leases or fixed terms not exceeding five years.

Commitments in relation to these leases that are contracted for at reporting date but not recognised as assets are: receivable within one year - $58,794 (2018 - $58,794), receivable later than one year but not later than five years - $14,698 (2018 - $73,492).

**15. NON-CURRENT ASSETS - INTANGIBLE ASSETS**

| Consolidated | Goodwill | Trade names | Customer relationships | Security lines | Software | Consolidated Total |
|---|---|---|---|---|---|---|
| **At 1 July 2017** | **$** | **$** | **$** | **$** | **$** | **$** |
| Cost | 22,023,777 | 2,089,657 | 8,492,156 | 1,505,055 | 1,930,773 | 36,041,418 |
| Accumulated amortisation | - | (866,903) | (3,117,870) | (1,470,790) | (1,015,688) | (6,471,251) |
| Net book amount | 22,023,777 | 1,222,754 | 5,374,286 | 34,265 | 915,085 | 29,570,167 |
| **Year ended 30 June 2018** | | | | | | |
| Opening net book amount | 22,023,777 | 1,222,754 | 5,374,286 | 34,265 | 915,085 | 29,570,167 |
| Purchase of business (refer note 32) | 4,437,252 | 1,131,734 | 686,600 | - | - | 6,255,586 |
| Additions | - | - | - | 15,765 | 176,134 | 191,899 |
| Amortisation charge | - | (324,239) | (963,173) | (12,537) | (128,956) | (1,428,905) |
| Closing net book amount | 26,461,029 | 2,030,249 | 5,097,713 | 37,493 | 962,263 | 34,588,747 |
| **At 30 June 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 |
| **Year ended 30 June 2019** | | | | | | |
| Opening net book amount | 26,461,029 | 2,030,249 | 5,097,713 | 37,493 | 962,263 | 34,588,747 |
| Purchase of business (refer note 32) | - | 505,523 | - | - | - | 505,523 |
| Additions | - | - | - | 5,272 | 490,189 | 495,461 |
| Amortisation charge | - | (487,074) | (815,330) | (14,410) | (224,077) | (1,540,891) |
| Closing net book amount | 26,461,029 | 2,048,698 | 4,282,383 | 28,355 | 1,228,375 | 34,048,840 |
| **At 30 June 2019** | | | | | | |
| Cost | 26,461,029 | 3,726,914 | 9,178,756 | 1,526,092 | 2,553,746 | 43,446,537 |
| Accumulated amortisation | - | (1,678,216) | (4,896,373) | (1,497,737) | (1,325,371) | (9,397,697) |
| Net book amount | 26,461,029 | 2,048,698 | 4,282,383 | 28,355 | 1,228,375 | 34,048,840 |

*Impairment tests for 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 allocated to the Group's cash-generating units (CGUs) identified according to business segment.

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

| | Transport $ | Logistics $ | Other $ | Total $ |
|---|---|---|---|---|
| **2019** | 8,548,942 | 17,868,016 | 44,071 | 26,461,029 |
| **2018** | 8,548,942 | 17,868,016 | 44,071 | 26,461,029 |

# Notes to the Financial Statements

**15. NON-CURRENT ASSETS - INTANGIBLE ASSETS (continued)**

The recoverable amount of a CGU is determined based on value-in-use calculations which are based on budgets. These calculations use cash flow projections based on current sustainable earnings and financial budgets approved by the board. Cash flows indicate that the carrying amounts are recoverable and that there is no impairment.

*Key assumptions used for value-in-use calculations*
Growth rate of 2.5% (2018-2.5%) based on the inflation rate is used to extrapolate cash flows beyond the one year budget for an additional four years and a terminal value was calculated after 5 years. Nominal post tax discount rate range of 8.5% to 9.5% (2018-9.0%), is used to discount the forecast future attributable post-tax cash flows when performing the value-in-use calculations.

The estimated recoverable amount of the CTI Logistics Regional Freight's CGU, which contains goodwill of $892,000, exceeded its carrying amount by $2,150,000 using a nominal post tax discount rate of 9.5%.

Management has identified that a reasonably possible change in either of the key assumptions, being discount rate or EDITDA margin would cause the carrying amount to exceed the recoverable amount of the CGU. Should the discount rate increase by 1.4% or the budgeted EBITDA margins decline by 0.6% the carrying amount of assets would equal the recoverable amount.

**16. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES**

| | Consolidated | |
|---|---|---|
| | **2019** | **2018** |
| | **$** | **$** |
| Trade payables | 8,809,391 | 8,032,600 |
| Other payables | 12,885,546 | 13,112,724 |
| | 21,694,937 | 21,145,324 |

**17. CURRENT LIABILITIES - BORROWINGS**

| | | |
|---|---|---|
| *Secured* | | |
| Hire purchase liabilities | 2,209,975 | 1,603,866 |

**18. NON-CURRENT LIABILITIES - BORROWINGS**

| | | |
|---|---|---|
| *Secured* | | |
| Bank loans | 44,300,000 | 40,500,000 |
| Hire purchase liabilities | 2,060,156 | 1,783,158 |
| Total secured non-current interest-bearing borrowings | 46,360,156 | 42,283,158 |

**(a) Total secured liabilities**

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

| | | |
|---|---|---|
| *Secured* | | |
| Bank loans | 44,300,000 | 40,500,000 |
| Hire purchase liabilities | 4,270,131 | 3,387,024 |
| Total secured liabilities | 48,570,131 | 43,887,024 |

**(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.

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.

# Notes to the Financial Statements

**18. NON-CURRENT LIABILITIES – BORROWINGS (continued)**

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

| | Consolidated | |
|---|---|---|
| | **2019** | **2018** |
| **Current** | **$** | **$** |
| *Floating charge* | | |
| Cash and cash equivalents | 2,186,341 | 1,990,790 |
| Receivables | 29,327,868 | 27,150,194 |
| Inventories | 134,345 | 161,626 |
| Total current assets pledged as security | 31,648,554 | 29,302,610 |
| | | |
| *First mortgage* | | |
| Freehold land and buildings | 38,677,487 | 39,503,634 |
| | | |
| *Floating charge* | | |
| Other investments | 70,980 | 47,653 |
| Plant, equipment and motor vehicles | 26,418,643 | 24,290,431 |
| Freehold land and buildings | 32,935,511 | 32,961,504 |
| Investment properties | 2,207,021 | 2,207,021 |
| Intangible assets | 1,256,730 | 999,756 |
| | 62,888,885 | 60,506,365 |
| Total non-current assets pledged as security | 99,566,372 | 100,009,999 |
| Total assets pledged as security | 131,214,926 | 129,312,609 |

**(c) Financing arrangements**

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

| | | |
|---|---|---|
| *Credit standby arrangements* | | |
| Total facilities | | |
| Secured financial guarantee and documentary credit | 1,708,000 | 1,708,000 |
| Secured bill acceptance facility | 54,315,000 | 54,315,000 |
| | 56,023,000 | 56,023,000 |
| Used at balance date | | |
| Secured bill acceptance facility | 44,300,000 | 40,500,000 |
| Secured financial guarantee and documentary credit facility | 1,687,000 | 1,708,000 |
| | 45,987,000 | 42,208,000 |
| *Bank loan facility* | | |
| Total facility | 56,023,000 | 56,023,000 |
| Used at balance date | (45,987,000) | (42,208,000) |
| Unused at balance date | 10,036,000 | 13,815,000 |

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 2.04% - 2.90% per annum on bill facilities, 5.55% on overdraft (2018 - bill facilities 2.10% - 3.13%, overdraft – 5.71%).

**(d) Interest rate risk exposure**

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

# Notes to the Financial Statements

## 18. NON-CURRENT LIABILITIES – BORROWINGS (continued)

### (e) Fair value

The carrying amounts and fair values of interest-bearing liabilities at balance date are:

| Consolidated | 2019 Carrying amount $ | 2019 Fair value $ | 2018 Carrying amount $ | 2018 Fair value $ |
|---|---|---|---|---|
| **On-balance sheet** | | | | |
| *Non-traded financial liabilities* | | | | |
| Bank loans | 44,300,000 | 44,300,000 | 40,500,000 | 40,500,000 |
| Hire purchase liabilities | 4,270,131 | 4,375,774 | 3,387,024 | 3,477,438 |
| Total secured liabilities | 48,570,131 | 48,675,774 | 43,887,024 | 43,977,438 |

## 19. PROVISIONS

| Employee benefits | Consolidated 2019 $ | Consolidated 2018 $ |
|---|---|---|
| Current | 6,000,414 | 4,845,941 |
| Non-current | 1,981,997 | 2,282,341 |
| | 7,982,411 | 7,128,282 |

## 20. CONTRIBUTED EQUITY

### (a) Share capital

| Ordinary shares (fully paid) | Consolidated Number of shares | Consolidated $ |
|---|---|---|
| At 30 June 2018 | | |
| Opening balance | 71,881,289 | 24,053,602 |
| Dividend reinvestment plan | 403,640 | 434,440 |
| Bonus share plan | 26,175 | 28,109 |
| Shares issued | 2,142,673 | 2,303,587 |
| Less: Transaction costs arising on share issue | - | (92,453) |
| Closing balance | 74,453,777 | 26,727,285 |
| | | |
| At 30 June 2019 | | |
| Opening balance | 74,453,777 | 26,727,285 |
| Dividend reinvestment plan | 548,494 | 498,585 |
| Bonus share plan | 25,149 | 22,155 |
| Closing balance | 75,027,420 | 27,248,025 |

At 30 June 2019 there were 2,685,000 contingently issuable shares (2018 – 2,685,000) relating to shares issued under the Company's Employee Share Plan. During the year no contingently issuable shares were issued to senior employees under the Company's Employee Share Plan (2018 - 185,000).

### (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.

# Notes to the Financial Statements

## 21. RESERVES AND RETAINED PROFITS

| | Consolidated 2019 $ | 2018 $ |
|---|---|---|
| **(a) Reserves** | | |
| Fair value reserve | (4,935) | (20,565) |
| Share-based payment reserve | 1,898,110 | 1,799,098 |
| | 1,893,175 | 1,778,533 |
| *Movements* | | |
| *Fair value reserve* | | |
| Balance 1 July | (20.565) | (4,957) |
| Revaluation, net of tax | 15,630 | (15,608) |
| Balance 30 June | (4,935) | (20,565) |
| *Share-based payment reserve* | | |
| Balance 1 July | 1,799,098 | 1,703,356 |
| Share-based payment transactions | 99,012 | 95,742 |
| Balance 30 June | 1,898,110 | 1,799,098 |
| **(b) Retained profits** | | |
| *Movements* | | |
| Balance 1 July | 63,354,100 | 62,006,699 |
| Profit for the year | 788,074 | 4,067,251 |
| Dividends | (2,985,898) | (2,719,850) |
| Balance 30 June | 61,156,276 | 63,354,100 |

### (c) Nature and purpose of reserves

*Fair value reserve*

Changes in the fair value of investments, such as equities, classified as FVOCI, are taken to the fair value reserve, as described in note 1(j).

*Share-based payment reserve*

The share-based payment reserve comprises the expenses incurred from the issue of the Company's shares under the Employee Share Plan. Refer to note 31 and note 1(r).

## 22. DIVIDENDS

| | Parent Entity 2019 $ | 2018 $ |
|---|---|---|
| **Ordinary shares** | | |
| Final dividend for the year ended 30 June 2018 of 2.0 cents (2017 – 1.75 cents) per fully paid share – paid on 14 November 2018 | | |
| Fully franked dividend based on tax paid @ 30% (2018 - 30%) | 1,489,076 | 1,257,923 |
| Less – bonus issue of ordinary shares under the Company's Bonus Share Plan. | (11,199) | (17,088) |
| | 1,477,877 | 1,240,835 |
| Interim dividend for the year ended 30 June 2019 of 2.0 cents (2018 – 2.0 cents) per fully paid share (2018 – paid on 24 April 2018) | | |
| Fully franked dividend based on tax paid @ 30% (2018 - 30%) | 1,496,822 | 1,461,927 |
| Less – bonus issue of ordinary shares under the Company's Bonus Share Plan. | (10,956) | (11,021) |
| | 1,485,866 | 1,450,906 |

No final dividend has been declared after balance sheet date (2018 – 2.0 cents fully franked based on tax paid at 30%).

**Franked dividends**

Franking credits available at 30 June 2019 for subsequent financial years based on a tax rate of 30% - $21,130,229 (2018 - $19,225,823 - 30%).

# Notes to the Financial Statements

## 23. 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 2019 $ | Consolidated 2018 $ |
|---|---|---|
| Key management personnel compensation comprised the following: | | |
| Short-term | 1,592,055 | 1,632,158 |
| Post-employment | 76,463 | 75,419 |
| | 1,668,518 | 1,707,577 |

## 24. 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 | 167,000 | 157,500 |

## 25. COMMITMENTS

### (a) Capital commitments

| | | |
|---|---|---|
| Capital expenditure contracted for at the reporting date but not recognised as liabilities: | | |
| Property, plant and equipment | | |
| Payable within one year | 329,319 | 158,546 |

### (b) Lease commitments: Group company as lessee

Commitments in relation to leases contracted for at the reporting date are as follows:

*(i) Operating leases*

The Group leases offices and warehouses under non-cancellable operating leases.

| | | |
|---|---|---|
| Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows: | | |
| Less than one year | 15,709,270 | 13,620,068 |
| Between one and five years | 43,419,803 | 41,523,554 |
| Later than five years | 14,257,710 | 12,499,076 |
| | 73,386,783 | 67,642,698 |

*(ii) Hire purchase*

| | | |
|---|---|---|
| Commitments in relation to hire purchase are payable as follows: | | |
| Less than one year | 2,209,975 | 1,603,866 |
| Between one and five years | 2,060,156 | 1,783,158 |
| | 4,270,131 | 3,387,024 |

# Notes to the Financial Statements

## 26. 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) 2019 % | 2018 % |
|---|---|---|---|
| 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 |
| **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 |
| Australian Fulfilment Services 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 27.

## 27. 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.

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

# Notes to the Financial Statements

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

| | Consolidated 2019 $ | Consolidated 2018 $ |
|---|---|---|
| Profit for the year | 788,074 | 4,067,251 |
| Depreciation and amortisation | 9,032,827 | 8,307,288 |
| Provision/(reversal) for doubtful debts | 83,823 | (301,758) |
| Net gain on sale of non-current assets | (382,637) | (440,313) |
| Share-based payment expense | 99,012 | 95,742 |
| Additional expense for acquisition of Jayde (note 32) | 2,340,000 | - |
| -Change in operating assets and liabilities | | |
| Increase in trade and other debtors | (473,955) | (8,530,220) |
| Decrease/(increase) in inventories | 27,281 | (55,956) |
| Decrease in provision for income taxes | (1,070,896) | (767,084) |
| Decrease in deferred tax liabilities | (687,437) | (623,351) |
| Increase in trade creditors, employee benefits and other provisions | 67,653 | 7,113,388 |
| Net cash inflow from operating activities | 9,823,745 | 8,864,987 |

## 29. EARNINGS PER SHARE

| | Consolidated 2019 | Consolidated 2018 |
|---|---|---|
| **(a) Basic earnings per share** | **Cents per share** | |
| Basic earnings per share attributable to the ordinary equity holders of the Company. | 1.05 | 5.58 |
| | **$** | **$** |
| Profit attributable to ordinary shareholders used in calculating basic earnings per share. | 788,074 | 4,067,251 |
| | **Number** | **Number** |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share. | 74,732,946 | 72,893,167 |

| | 2019 | 2018 |
|---|---|---|
| **(b) Diluted earnings per share** | **Cents per share** | |
| Diluted earnings per share attributable to the ordinary equity holders of the Company. | 1.05 | 5.57 |
| | **$** | **$** |
| Profit attributable to ordinary shareholders used in calculating diluted earnings per share. | 788,074 | 4,067,251 |

| | 2019 Number | 2018 Number |
|---|---|---|
| *Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share.* | | |
| Weighted average number of shares (basic) | 74,732,946 | 72,893,167 |
| The effect of the vesting of contingently issuable shares | 37,673 | 64,386 |
| Weighted average number of shares (diluted) | 74,770,619 | 72,957,553 |

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.

# Notes to the Financial Statements

**30. PARENT ENTITY FINANCIAL INFORMATION**

**(a) Summary financial information**

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

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| **Balance sheet** | | |
| Current assets | 5,978,369 | 4,953,824 |
| Total assets | 43,255,467 | 42,480,055 |
| Current liabilities | 3,624,373 | 7,869,835 |
| Total liabilities | 10,865,723 | 12,830,347 |
| **Net assets** | 32,389,744 | 29,649,708 |
| | | |
| **Shareholders' equity** | | |
| Issued capital | 27,248,025 | 26,727,285 |
| Reserves | 1,902,431 | 1,791,532 |
| Retained earnings | 3,239,288 | 1,130,891 |
| | 32,389,744 | 29,649,708 |
| | | |
| **Profit for the year** | 5,094,294 | 2,289,319 |
| **Total comprehensive income** | 5,106,178 | 2,273,094 |

**(b) Guarantees entered into by the parent entity**

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Carrying amount included in Group | | |
| - current liabilities | 2,209,975 | 1,603,866 |
| - non-current liabilities | 39,360,156 | 37,583,158 |
| | 41,570,131 | 39,187,024 |

The parent entity has provided financial guarantees in respect of loans and hire purchase commitments of subsidiaries amounting to $41,570,131 (2018 - $39,187,024). 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 27. No deficiencies of assets exist in any of these entities.

**31. SHARE-BASED PAYMENT PLAN**

**Employee Share Plan**

Senior employees are offered the opportunity to purchase shares in the Company under the Employee Share Plan (ESP). The shares may be purchased with the assistance of an interest-free, limited recourse loan for a term of 10 years and 5 years and are repayable by dividends.

**Measurement of fair values**

The fair value of the shares granted under the ESP was measured based on the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility. The fair value is amortised over the two year vesting period through the statement of profit or loss and other comprehensive income.

## 31. SHARE-BASED PAYMENT PLAN (continued)

The inputs used in the measurement of the fair values at grant date of the share-based payment plan were as follows.

| | Employee Share Plan | |
|---|---|---|
| | Senior employees 2019 | Senior employees 2018 |
| Grant date | | 22 December 2017 |
| Fair value at grant date | - | $0.71 |
| Share price at grant date | - | $1.07 |
| Exercise price | - | $1.07 |
| Expected volatility (weighted average) | - | 48% |
| Loan amount | - | $185,000 |
| Term | - | 10 years |
| Risk-free interest rate | - | 2.0% |

Expected volatility has been based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term.

**ESP shares**
The number of ESP shares under the Employee Share Plan were as follows:

| | Balance at the start of the year | Issued during the year | Exercised | Balance at the end of the year | Vested units not exercised |
|---|---|---|---|---|---|
| Key management personnel | 660,000 | - | - | 660,000 | 660,000 |
| Senior employees | 2,025,000 | - | - | 2,025,000 | 1,840,000 |
| | 2,685,000 | - | - | 2,685,000 | 2,500,000 |

## 32. PURCHASE OF BUSINESS

***Stirling Freight Express***

On 2 July 2018 the Group acquired, through it's 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").

For the 12 months to 30 June 2019, Stirling contributed revenue of $12,841,112 to the Group's results. Due to the integrated nature of the Stirling business with the Group's other regional freight services it is impracticable to determine the impact of Stirling to the Group's consolidated profit before tax.

Details of the purchase consideration, the net assets acquired and goodwill are set-out below.

(a) Purchase consideration
The purchase price totaled $4,500,000. The cash payment of $4,093,620 is net of vendor payments for employee benefit liabilities assumed.

(b) Identifiable assets acquired and liabilities assumed
The assets recognised and liabilities assumed as a result of the acquisition are as follows:

| | Fair value $ |
|---|---|
| Prepayments | 41,530 |
| Property, plant and equipment | 3,999,200 |
| Deferred tax assets | 193,986 |
| Intangible assets: trade names | 505,523 |
| Provisions | (646,619) |
| Total identifiable assets | 4,093,620 |

**32. PURCHASE OF BUSINESS (continued)**

(i) Measurement of fair values
The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Property, plant and equipment
Market comparison technique and cost technique: The model considers quoted market prices for similar items when available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

Intangible assets
Relief-from-royalty method and multi-period excess earnings method: The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the patents or trademarks being owned. The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets.

(c) Acquisition-related costs
Acquisition-related costs of $141,509 have been included in “other expenses” in the current year.

***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 (reduced for an agreed value of employee provisions assumed at acquisition date), 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 capitalised 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.

The assets recognised and liabilities assumed as a result of the acquisition are as follows:

| | **Fair value** **$** |
|---|---|
| Property, plant and equipment | 1,872,523 |
| Deferred tax assets | 156,992 |
| Intangible assets: trade names | 1,131,734 |
| Intangible assets: customer relationships | 686,600 |
| Provisions | (523,308) |
| Total identifiable assets | 3,324,541 |

Goodwill recognised as a result of the acquisition was as follows:

| | |
|---|---|
| Total consideration | 7,761,793 |
| Less fair value of identifiable assets | (3,324,541) |
| Goodwill | 4,437,252 |

**33. 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 11 to 45 and the remuneration report on pages 4 to 5 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 2019 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 26 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 WATSON
Director

Perth, WA
30 August 2019

# 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 2019 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 2019
- 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
- Directors' Declaration.

The ***Group*** consists of CTI Logistics Limited (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* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

### 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.

| Value of property, plant and equipment and intangible assets ($132,080,481) | |
|---|---|
| Refer to Note 13 and Note 15 of the financial report | |
| **The key audit matter** | **How the matter was addressed in our audit** |
| The carrying value of property, plant and equipment and intangible assets is a key audit matter due to the:<br>• Size of property, plant and equipment and intangible assets balances which, in aggregate, represent 78% of total assets;<br>• Group's assessment of the carrying value of property, plant and equipment and intangible assets applies significant assumptions through the use of value in use models. These assumptions are forward looking and contain estimation uncertainty;<br>• 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 and intangible assets being impaired and, as a result, increased our audit effort in this area; and<br>• Group's results have been negatively impacted by the state of the economy, particularly in Western Australia (WA) where a significant part of the Group operates, with reductions in activity and increased gross margin pressure. This further increases the risk of impairment plus the risk of inaccurate forecasts or a wider range of possible outcomes for us to consider.<br>We focused on the significant forward-looking assumptions the Group applied in its value in use models, including:<br>• Forecast operating cash flows, gross margins, growth rates and terminal growth rates. In addition to the uncertainties described above, the Group's models are highly sensitive to small changes in these assumptions, reducing available headroom. This drives additional audit effort specific to their feasibility.<br>• Discount rate – this is complicated in nature and varies according to the conditions and environment the specific Cash Generating | Our procedures included:<br>• We considered the appropriateness of the value in use method applied by the Group to assess the carrying value of property, plant and equipment and intangible assets against the criteria in the accounting standards.<br>• We considered the Group's determination of their CGUs based on our understanding of the operations of the Group's business, how independent cash flows were generated, and against the requirements of the accounting standards.<br>• We assessed the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the models. We noted previous trends where the Group's results have been negatively impacted by the state of the WA economy and how it impacted the business for use in further testing.<br>• We considered the sensitivity of the models by varying key assumptions, such as forecast gross margins, growth rates, terminal growth rates and the 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.<br>• We challenged the Group's significant forecast cash flows, gross margin and growth assumptions in light of the competitive market conditions and continued downturn in business activity.<br>• We checked forecasts to Board approved budgets and checked key amounts to underlying documentation such as agreed customer rate cards for key customers.<br>• We applied increased scepticism where previous forecasts were not achieved, with consideration and using our knowledge of the continuing trend of a challenging WA economic environment. |

| | |
|---|---|
| Units (CGUs) are subject to from time to time.<br><br>The Group also has a large number of operating businesses and service lines necessitating our consideration of the Group's determination of CGUs, based on their ability to generate independent cash flows.<br><br>We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter. | • 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, their past performance, business and customers, and our industry experience.<br><br>• Working with our valuation specialists, we:<br><br>  • Independently developed a discount rate range considered comparable using publicly available market data for comparable entities.<br><br>  • Assessed the integrity of the value in use model used, including the accuracy of the underlying calculation formulas.<br><br>  • Assessed the Group's rationalisation 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.<br><br>• We assessed the disclosures in the financial report 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.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report. The Chairman's Statement, Corporate Governance Statement and Shareholder Information are expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will 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.
- 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: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

KPMG

## Report on the Remuneration Report

### Opinion

In our opinion, the Remuneration Report of CTI Logistics Limited for the year ended 30 June 2019, complies 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 the Directors' report for the year ended 30 June 2019.

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

KPMG

KPMG

Graham Hogg
*Partner*
Perth
30 August 2019