

CTI Logistics Limited

ABN 69 008 778 925

Appendix 4D Half-year Report

Half-year ended 31 December 2014

For announcement to the market

Extracts from this report for announcement to the market

\$A'000

Revenue	down	11.7%	to	65,183
Profit from ordinary activities after tax attributable to members	down	36.8%	to	4,231
Net profit for the period attributable to members	down	36.8%	to	4,231
Dividends		Amount per security	Franked amount per security	
Final dividend	Year ended 30 June 2014	4.0 cents	4.0 cents	
	Previous corresponding period	4.0 cents	4.0 cents	
Interim dividend	Current period	4.0 cents	4.0 cents	
	Previous corresponding period	4.0 cents	4.0 cents	
†Record date for determining entitlements to the dividend		31 March 2015		

NTA backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	86 cents	81 cents

Dividend

Details of dividends declared or paid during or subsequent to the period ended 31 December 2014 are as follows:

	Payment date	Amount per security	Total dividend	Franked amount per security
Final dividend – year ended 30 June 2014 (fully franked at 30%)	31 October 2014	4.0 cents	\$2,241,146	4.0 cents
Interim dividend – Current period (fully franked at 30%)	17 April 2015	4.0 cents	\$2,561,836	4.0 cents

The interim dividend has not been recognised as a liability at the half-year end.

A dividend reinvestment plan and bonus share plan are currently in operation.

Controlled entities acquired or disposed of

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

CTI Logistics Limited

ABN 69 008 778 925

Half-year Report - 31 December 2014

Lodged with the ASX under Listing Rule 4.2A

This half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by CTI Logistics Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Directors' Report

Your directors present their report on the group consisting of CTI Logistics Limited and the entities it controlled during the half-year ended 31 December 2014 and the review report thereon.

Directors

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

David Robert Watson (Chairman)
Peter James Leonhardt
David Anderson Mellor
Bruce Edmond Saxild
Matthew David Watson

Principal activities of the group

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

Dividends

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

	Cents per share	Total amount	Franked	Date of payment
Declared and paid during the half-year				
Final 2014 - ordinary	4.0	\$2,241,146	Franked	31 October 2014
Declared after end of half-year				
Interim 2015 - ordinary	4.0	\$2,561,836	Franked	17 April 2015

After the half-year end the directors have declared a fully franked interim dividend of 4 cents per ordinary share. The dividend has not been provided and there are no income tax consequences.

The financial effect of this post half-year dividend has not been brought to account in the financial statements for the half-year ended 31 December 2014 and will be recognised in subsequent financial reports.

Review of operations and results

Revenue from operations was down 11.7%, to \$65,182,786. Profit before tax for the period was \$6,006,094, down 23.5% on the previous corresponding period after adjusting for the net gain in the property portfolio in the previous corresponding period. The results for the period were impacted by a combination of:

- the slowdown in business activity reflecting the continued tough market conditions in Western Australia
- the budgeted downturn in minerals and energy project work as a number of Western Australian projects in the construction phase near completion
- weaker than expected throughput in demand from our warehousing client base in the lead up to Christmas
- a strong result for the transport segment with growth in parcel volumes and significant improvement in regional road freight margins more than offsetting the decline in couriers
- a significant investment through the acquisition of an additional 67,000 square metres of land adjoining the Hazelmere warehouse and distribution centre, increasing this strategic CTI site to a total of 154,000 square metres for future growth opportunities
- continued focus on cash conversion in the period resulting in a strong cash inflow from operations in the period

We continue to identify opportunities for organic development, and are also conducting due diligence on several bolt-on acquisitions as we position the Company for longer term growth in revenue and profit.

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.

Subsequent events

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

Likely developments

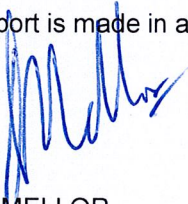
The major objectives encompassed in the Business Plan of the group are:

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

Lead Auditor's independence declaration

The lead auditor's independence declaration is set out on page 4 and forms part of the directors' report for the half-year ended 31 December 2014.

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



DAVID MELLOR
Director

Perth, WA
24 February 2015



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

To: the directors of CTI Logistics Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2014 there have been:

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

KPWC

KPMG

Brent Steedman
Partner

Perth

24 February 2015

Contents	Page
Condensed consolidated statement of profit or loss and other comprehensive income	6
Condensed consolidated statement of financial position	7
Condensed consolidated statement of changes in equity	8
Condensed consolidated statement of cash flows	9
Notes to the condensed consolidated financial statements	10-14
Directors' declaration	15
Independent auditor's report on review of condensed consolidated financial Report	16-17

Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2014

	2014 \$	2013 \$
Revenue	65,182,786	73,833,068
Other income	317,401	2,990,063
Changes in inventories of finished goods and work in progress	(28,123)	(23,768)
Raw materials and consumables used	(2,287,606)	(4,182,325)
Employee benefits expense	(22,288,467)	(24,970,690)
Subcontractor expense	(18,477,290)	(19,585,568)
Depreciation and amortisation expense	(2,739,972)	(2,636,286)
Motor vehicle and transportation costs	(6,585,602)	(7,118,000)
Other expenses	(6,078,923)	(8,167,551)
Results from operating activities	<u>7,014,204</u>	<u>10,138,943</u>
Finance income	42,714	41,714
Finance expense	(1,050,824)	(1,016,965)
Net finance costs	<u>(1,008,110)</u>	<u>(975,251)</u>
Profit before income tax	6,006,094	9,163,692
Income tax expense	(1,775,403)	(2,469,485)
Profit for the half-year	<u>4,230,691</u>	<u>6,694,207</u>
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Net change in fair value of available-for-sale financial assets	7,476	3,706
Total comprehensive income for the half-year	<u>4,238,167</u>	<u>6,697,913</u>
	Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company		
Basic earnings per share (refer note 7)	6.63	10.70
Diluted earnings per share (refer note 7)	6.58	10.60

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

**Condensed consolidated statement of financial position
as at 31 December 2014**

	31 December 2014 \$	30 June 2014 \$
ASSETS		
Current assets		
Cash and cash equivalents	3,261,292	2,251,430
Trade and other receivables	20,887,996	22,224,381
Inventories	1,750,073	1,778,196
Total current assets	<u>25,899,361</u>	<u>26,254,007</u>
Non-current assets		
Available-for-sale financial assets	88,089	77,409
Property, plant and equipment	93,743,090	70,537,198
Investment properties	7,508,129	7,543,368
Deferred tax assets	682,857	695,756
Intangible assets	5,318,393	5,510,345
Total non-current assets	<u>107,340,558</u>	<u>84,364,076</u>
Total assets	<u>133,239,919</u>	<u>110,618,083</u>
LIABILITIES		
Current liabilities		
Trade and other payables	9,393,469	11,733,802
Borrowings	2,498,352	2,494,848
Current tax liabilities	700,766	86,188
Provisions	3,440,166	2,749,228
Total current liabilities	<u>16,032,753</u>	<u>17,064,066</u>
Non-current liabilities		
Borrowings	56,484,836	34,685,156
Provisions	323,956	765,928
Total non-current liabilities	<u>56,808,792</u>	<u>35,451,084</u>
Total liabilities	<u>72,841,545</u>	<u>52,515,150</u>
Net assets	<u>60,398,374</u>	<u>58,102,933</u>
EQUITY		
Contributed equity	15,901,536	15,698,075
Reserves	1,137,492	1,035,057
Retained profits	43,359,346	41,369,801
Total equity	<u>60,398,374</u>	<u>58,102,933</u>

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

**Condensed consolidated statement of changes in equity
for the half-year ended 31 December 2014**

Consolidated	Contributed equity	Reserves	Retained profits	Total equity
	\$	\$	\$	\$
Balance at 1 July 2013	9,187,090	762,717	36,456,648	46,406,455
Total comprehensive income for the half-year	-	3,706	6,694,207	6,697,913
Transactions with equity holders in their capacity as equity holders:				
Issue of shares	5,958,212	-	-	5,958,212
Share-based payment	-	194,984	-	194,984
Dividends provided for or paid	-	-	(2,457,545)	(2,457,545)
Balance at 31 December 2013	<u>15,145,302</u>	<u>961,407</u>	<u>40,693,310</u>	<u>56,800,019</u>
Balance at 1 July 2014	15,698,075	1,035,057	41,369,801	58,102,933
Total comprehensive income for the half-year		7,476	4,230,691	4,238,167
Transactions with equity holders in their capacity as equity holders:				
Issue of shares (refer note 4)	203,461	-	-	203,461
Share-based payment	-	94,959	-	94,959
Dividends provided for or paid	-	-	(2,241,146)	(2,241,146)
Balance at 31 December 2014	<u>15,901,536</u>	<u>1,137,492</u>	<u>43,359,346</u>	<u>60,398,374</u>

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

**Condensed consolidated statement of cash flows
for the half-year ended 31 December 2014**

	Half-year	
	2014	2013
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	73,619,403	77,949,572
Payments to suppliers and employees (inclusive of goods and services tax)	(63,699,493)	(71,422,926)
	<u>9,919,910</u>	<u>6,526,646</u>
Interest received	42,714	41,714
Dividends received	2,070	1,932
Interest paid	(768,373)	(726,866)
Income taxes paid	(2,292,931)	(2,538,078)
Net cash inflow from operating activities	<u>6,903,390</u>	<u>3,305,348</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(26,267,727)	(3,799,151)
Proceeds from sale of property, plant and equipment	887,187	525,284
Net cash outflow from investing activities	<u>(25,380,540)</u>	<u>(3,273,867)</u>
Cash flows from financing activities		
Proceeds from borrowings	23,000,000	-
Repayment of borrowings	(1,475,303)	(5,154,078)
Proceeds from issue of shares	203,461	5,958,212
Dividends paid to Company's shareholders	(2,241,146)	(2,457,545)
Net cash (outflow)/inflow from financing activities	<u>19,487,012</u>	<u>(1,653,411)</u>
Net decrease in cash and cash equivalents	1,009,862	(1,621,930)
Cash and cash equivalents at the beginning of the half-year	<u>2,251,430</u>	<u>4,440,952</u>
Cash and cash equivalents at the end of the half-year	<u><u>3,261,292</u></u>	<u><u>2,819,022</u></u>

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

1. BASIS OF PREPARATION OF HALF-YEAR REPORT

This general purpose financial report for the half-year reporting period ended 31 December 2014 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by CTI Logistics Limited (a for profit Company) during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Estimates

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

In preparing this consolidated interim financial report, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2014.

2. SEGMENT INFORMATION

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the group's CEO.

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

The reportable segments are involved in the following operations:

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

"Other" segments include the manufacturing of plastics products and provision of security services. Neither of these segments meets any of the quantitative thresholds for determining reportable segments.

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

CTI LOGISTICS LIMITED
Notes to the condensed consolidated financial statements
31 December 2014

2. SEGMENT INFORMATION (continued)

(b) Information about reportable segments

The segment information provided to the group's CEO for the reportable segments for the half-year ended 31 December 2014 is as follows:

Half-year 2014	Transport	Logistics	Property	Other	Total
	\$	\$	\$	\$	\$
External revenues	40,331,333	19,006,844	223,163	5,621,446	65,182,786
Intra and inter-segment revenue	3,598,475	91,940	3,061,386	(6,751,801)	-
Interest expense	176,850	6,594	571,344	13,585	768,373
Depreciation and amortisation	1,373,068	376,210	332,104	658,590	2,739,972
Total segment profit before income tax	3,308,787	985,964	1,791,975	(80,632)	6,006,094
Total segment assets	29,039,184	8,689,998	80,941,198	14,569,539	133,239,919
Total segment liabilities	9,835,545	2,305,920	50,579,417	10,120,663	72,841,545

Half-year 2013

External revenues	41,195,612	26,163,105	333,185	6,141,166	73,833,068
Intra and inter-segment revenue	4,373,395	123,744	2,639,525	(7,136,664)	-
Interest expense	240,549	10,589	446,516	29,212	726,866
Depreciation and amortisation	1,322,865	370,466	340,883	602,072	2,636,286
Total segment profit before income tax	2,777,493	3,814,676	2,934,633	(363,110)	9,163,692
Total segment assets	30,976,937	11,986,975	49,697,033	13,588,925	106,249,870
Total segment liabilities	8,299,824	3,148,402	22,847,825	15,153,800	49,449,851

3. DIVIDENDS

	2014	2013
	\$	\$
Ordinary shares		
Dividends provided for or paid during the half-year	2,241,146	2,457,545

CTI LOGISTICS LIMITED
Notes to the condensed consolidated financial statements
31 December 2014

3. DIVIDENDS (continued)

Dividends not recognised at the end of the half-year

In addition to the above dividends, since the end of the half-year the directors have recommended the payment of an interim dividend of 4 cents per fully paid ordinary share, (2013 – 4.0 cents) fully franked based on tax paid at 30% (2013 – 30%). The aggregate amount of the proposed dividend expected to be paid on 17 April 2015 out of retained profits at 31 December 2014, but not recognised as a liability at period end, is \$2,561,836 (2013 - \$2,536,585).

4. EQUITY SECURITIES

	December 2014 Shares	June 2014 Shares	December 2014 \$	June 2014 \$
Balance at the beginning of the period	63,746,681	60,164,921	15,698,075	9,187,090
Shares issued	-	3,065,820	-	5,665,678
Dividend reinvestment plan	108,691	441,773	185,861	845,307
Employee share plan	10,000	-	17,600	-
Bonus share plan	180,539	74,167	-	-
Balance at the end of the period	<u>64,045,911</u>	<u>63,746,681</u>	<u>15,901,536</u>	<u>15,698,075</u>

During the period the Company issued 108,691 ordinary shares under the dividend re-investment plan and 180,539 ordinary shares under the bonus share plan.

During the period 630,000 ordinary shares were contingently issued. At 31 December 2014 there were 2,220,000 (2013 – 1,590,000) contingently issuable shares relating to shares issued under the Company's Employee Share Plan.

5. PROPERTY, PLANT AND EQUIPMENT

Consolidated	Freehold land \$	Freehold buildings \$	Plant and equipment \$	Motor vehicles \$	Total \$
At 1 July 2014					
Cost	25,160,576	28,122,659	23,502,342	18,869,774	95,655,351
Accumulated depreciation	-	(4,437,642)	(14,290,788)	(6,389,723)	(25,118,153)
Net book amount	<u>25,160,576</u>	<u>23,685,017</u>	<u>9,211,554</u>	<u>12,480,051</u>	<u>70,537,198</u>
Half-year ended 31 December 2014					
Opening net book amount	25,160,576	23,685,017	9,211,554	12,480,051	70,537,198
Additions	23,097,951	277,891	1,222,874	1,924,271	26,522,987
Disposals	-	-	(21,420)	(829,551)	(850,971)
Depreciation charge	-	(310,099)	(973,690)	(1,182,335)	(2,466,124)
Closing net book amount	<u>48,258,527</u>	<u>23,652,809</u>	<u>9,439,318</u>	<u>12,392,436</u>	<u>93,743,090</u>
At 31 December 2014					
Cost	48,258,527	28,400,550	24,640,943	19,180,317	120,480,337
Accumulated depreciation	-	(4,747,741)	(15,201,625)	(6,787,881)	(26,737,247)
Net book amount	<u>48,258,527</u>	<u>23,652,809</u>	<u>9,439,318</u>	<u>12,392,436</u>	<u>93,743,090</u>

CTI LOGISTICS LIMITED
Notes to the condensed consolidated financial statements
31 December 2014

6. INTANGIBLE ASSETS

Consolidated	Goodwill	Trade names	Customer relationships	Security lines	Software	Total
	\$	\$	\$	\$	\$	\$
At 1 July 2014						
Cost	4,243,501	594,064	1,712,057	1,449,692	550,740	8,550,054
Accumulated amortisation	-	(260,764)	(898,334)	(1,430,896)	(449,715)	(3,039,709)
Net book amount	<u>4,243,501</u>	<u>333,300</u>	<u>813,723</u>	<u>18,796</u>	<u>101,025</u>	<u>5,510,345</u>
Half-year ended 31 December 2014						
Opening net book amount	4,243,501	333,300	813,723	18,796	101,025	5,510,345
Additions	-	-	-	8,986	37,711	46,697
Amortisation charge	-	(37,128)	(159,048)	(4,437)	(38,036)	(238,649)
Closing net book amount	<u>4,243,501</u>	<u>296,172</u>	<u>654,675</u>	<u>23,345</u>	<u>100,700</u>	<u>5,318,393</u>
At 31 December 2014						
Cost	4,243,501	594,064	1,712,057	1,458,678	588,451	8,596,751
Accumulated amortisation	-	(297,892)	(1,057,382)	(1,435,333)	(487,751)	(3,278,358)
Net book amount	<u>4,243,501</u>	<u>296,172</u>	<u>654,675</u>	<u>23,345</u>	<u>100,700</u>	<u>5,318,393</u>

7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share at 31 December 2014 are as follows:

	2014	2013
(i) Basic earnings per share	<u>6.63 cents</u>	<u>10.70 cents</u>
Profit attributable to ordinary shareholders	<u>\$4,230,691</u>	<u>\$6,694,207</u>
Weighted average number of shares	<u>63,845,008</u>	<u>62,577,959</u>
(ii) Diluted earnings per share	<u>6.58 cents</u>	<u>10.60 cents</u>
Profit attributable to ordinary shareholders (diluted)	<u>\$4,230,691</u>	<u>\$6,694,207</u>
<i>Weighted average number of shares (diluted)</i>		
Weighted average number of shares (basic)	63,845,008	62,577,959
The effect of the vesting of contingently issuable shares	499,317	603,055
Weighted average number of shares (diluted) at 31 December	<u>64,344,325</u>	<u>63,181,014</u>

The average market value of the Company's shares for the purposes of calculating the dilutive effect of the vesting of contingently issuable shares was based on quoted market prices for the period during which the contingently issuable shares were outstanding.

8. CAPITAL COMMITMENT

There is capital expenditure commitments totalling \$1,555,154 (2013 - \$1,043,500) as at 31 December 2014.

9. SUBSEQUENT EVENTS

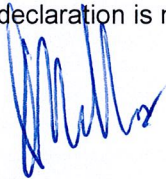
No events have occurred since the end of the half-year other than disclosed elsewhere in these financial statements.

Directors' Declaration

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

- (a) the consolidated financial statements and notes that are set out on pages 6 to 14 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the group's financial position as at 31 December 2014 and of its performance, for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2011*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



DAVID MELLOR
Director

Perth, WA
24 February 2015



Independent auditor's review report to the members of CTI Logistics Limited

Report on the financial report

We have reviewed the accompanying half-year financial report of CTI Logistics Limited which comprises the condensed consolidated statement of financial position as at 31 December 2014, condensed consolidated statement of profit and loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of CIT Logistics limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Conclusion

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Brent Steedman
Partner

Perth

24 February 2015