

CTI Logistics Limited

ABN 69 008 778 925

Appendix 4D Half-year Report

Half-year ended 31 December 2017

For announcement to the market

Extracts from this report for announcement to the market

\$A'000

Extracts from this report for announcement to the market

\$A000

Revenue	Up	10.9%	to	\$87,812
Profit from ordinary activities after tax attributable to members	Down	39%	to	\$3,336
Net profit for the period attributable to members	Down	39%	to	\$3,336

Dividends		Amount per security	Franked amount per security
Final dividend	Year ended 30 June 2017	1.75 cents	1.75 cents
	Previous corresponding period	- cents	- cents
Interim dividend	Current period	2.0 cents	2.0 cents
	Previous corresponding period	1.75 cents	1.75 cents

†Record date for determining entitlements to the dividend

10 April 2018

Net profit for the period excluding sale of properties

The table below shows the change in net profit in the period attributable to members after excluding the profit on sale of non-core properties.

Reconciliation of net profit for the period attributable to members

	As reported \$A'000	Adjustments \$A'000	Excluding Adjustments \$A'000
Net profit for the period to 31 December 2016	\$5,501	\$2,871	\$2,630
Net profit for the period to 31 December 2017	\$3,336	\$293	\$3,043
Net profit for the period attributable to members as adjusted for sale of properties	Up	16%	to \$3,043

NTA backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	77 cents	82 cents

Dividend

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

	Payment date	Amount per security	Total dividend	Franked amount per security
Final dividend – year ended 30 June 2017 (fully franked at 30%)	15 November 2017	1.75 cents	\$1,257,923	1.75 cents
Interim dividend – Current period (fully franked at 30%)	24 April 2018	2.0 cents	\$1,461,927	2.0 cents

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

Controlled entities acquired or disposed of

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

CTI Logistics Limited

ABN 69 008 778 925

Half-year Report - 31 December 2017

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 2017 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 2017 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, specialised flooring logistics and provision of security services.

Dividends

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

	Cents per share	Total amount	Franked	Date of payment
Declared and paid during the half-year				
Final 2017 - ordinary	1.75	\$1,257,923	Franked	15 November 2017
Declared after end of half-year				
Interim 2018 - ordinary	2.0	\$1,461,927	Franked	24 April 2018

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

The financial effect of this post half-year dividend has not been brought to account in the financial statements for the half-year ended 31 December 2017 and will be recognised in subsequent financial reports.

Review of operations and results

Profit before tax for the period was \$4,803,227 (2016 - \$6,581,686), including the profit on sale of a non-core property of \$293,365 (2016 - \$2,871,331). The profit before tax excluding this amount is \$4,509,862, up 21.5% on the previous corresponding period (2016 - \$3,710,355). Revenue from operations was up 10.9%, to \$87,812,468.

On 30 October 2017 the group acquired the business operations and assets of the interstate road, rail and warehousing business trading as Jayde Transport. The purchase price included a cash payment of \$6,500,000 at settlement (funded through borrowings), a deferred payment of \$1,000,000 on 30 April 2018 and contingent consideration of up to \$2,850,000 on or before 15 February 2019. Jayde Transport provides premium freight transport services Australia wide and specialises in east-west, west-east and interstate freight transport solutions utilising both road and rail transport service further strengthening the group's position nationally with offices in Western Australian, South Australia and Victoria.

Post period end, in January 2018, the group expanded its operations in Victoria by entering into a lease of a new warehousing facility in Truganina. This will allow for expansion of current work as well as onboarding of new work for existing interstate clients.

Review of operations and results (continued)

The positive results for the period have been achieved in challenging market conditions, in particular in Western Australia. The group has continued to focus on cost reduction and productivity initiatives to maintain and improve margins as well as benefit from organic growth and growth through acquisition, whilst maintaining gearing through reduced debt levels resulting in lower finance costs.

We are also looking at several opportunities for expansion and growth, within Western Australia and also nationally.

The directors have decided to declare an interim dividend of 2.0 cents per share fully franked, payable on 24 April 2018.

Changes in the state of affairs

On 30 October 2017 the group acquired the business operations and assets of the interstate road, rail and warehousing business trading as Jayde Transport (refer to Note 6 for further details).

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

Subsequent events

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

Likely developments

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

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

Lead Auditor's independence declaration

The lead auditor's independence declaration is set out on page 4 and forms part of the directors' report for the half-year ended 31 December 2017.

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



DAVID MELLOR
Director

Perth, WA
28 February 2018



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

To the Directors of CTI Logistics Limited

I declare that, to the best of my knowledge and belief, in relation to the review of CTI Logistics Limited for the half-year ended 31 December 2017 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.

KPMG

KPMG

GL + 177

Graham Hogg
Partner
Perth
28 February 2018

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Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2017

	2017 \$	2016 \$
Revenue	87,812,468	79,187,651
Other income (refer note 7)	585,293	3,032,948
Raw materials and consumables used	(498,024)	(583,874)
Employee benefits expense	(28,813,924)	(27,861,043)
Subcontractor expense	(23,941,843)	(19,216,322)
Depreciation and amortisation expense	(4,100,029)	(3,928,503)
Motor vehicle and transportation costs	(12,658,026)	(9,913,473)
Property costs	(7,072,380)	(7,581,703)
Other expenses	(5,639,137)	(5,488,581)
Results from operating activities	<u>5,674,398</u>	<u>7,647,100</u>
Finance income	21,779	26,259
Finance expense	(892,950)	(1,091,673)
Net finance costs	<u>(871,171)</u>	<u>(1,065,414)</u>
Profit before income tax	4,803,227	6,581,686
Income tax expense	(1,467,151)	(1,080,697)
Profit for the half-year	<u>3,336,076</u>	<u>5,500,989</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	(5,469)	(5,468)
Total comprehensive income for the half-year	<u>3,330,607</u>	<u>5,495,521</u>
	Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company		
Basic earnings per share (refer note 5c)	4.62	8.03
Diluted earnings per share (refer note 5c)	4.62	8.03

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 2017

	31 December 2017 \$	30 June 2017 \$
ASSETS		
Current assets		
Cash and cash equivalents	3,760,824	4,273,005
Trade and other receivables	27,544,224	20,123,378
Inventories	150,243	105,670
Property held-for-sale	-	1,328,199
Total current assets	31,455,291	25,830,252
Non-current assets		
Available-for-sale financial assets	62,136	69,949
Property, plant and equipment	97,860,266	96,943,235
Investment properties	2,207,020	2,212,021
Intangible assets	34,947,967	29,570,167
Total non-current assets	135,077,389	128,795,372
Total assets	166,532,680	154,625,624
LIABILITIES		
Current liabilities		
Trade and other payables	19,133,171	14,558,207
Borrowings	1,783,207	1,582,007
Current tax liabilities	1,332,820	1,333,813
Provisions	4,407,599	4,199,814
Total current liabilities	26,656,797	21,673,841
Non-current liabilities		
Borrowings	46,321,493	42,935,704
Deferred tax liabilities	210,895	742,836
Provisions	2,224,896	1,514,543
Total non-current liabilities	48,757,284	45,193,083
Total liabilities	75,414,081	66,866,924
Net assets	91,118,599	87,758,700
EQUITY		
Contributed equity	25,308,445	24,053,602
Reserves	1,725,302	1,698,399
Retained profits	64,084,852	62,006,699
Total equity	91,118,599	87,758,700

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 2017**

Consolidated	Contributed equity	Reserves	Retained profits	Total equity
	\$	\$	\$	\$
Balance at 1 July 2016	21,656,107	1,581,266	57,135,983	80,373,356
Total comprehensive income for the half-year	-	(5,468)	5,500,989	5,495,521
Transactions with equity holders in their capacity as equity holders:				
Share-based payment	-	102,635	-	102,635
Balance at 31 December 2016	<u>21,656,107</u>	<u>1,678,433</u>	<u>62,636,972</u>	<u>85,971,512</u>
Balance at 1 July 2017	24,053,602	1,698,399	62,006,699	87,758,700
Total comprehensive income for the half-year	-	(5,469)	3,336,076	3,330,607
Transactions with equity holders in their capacity as equity holders:				
Issuance of shares (refer note 5a)	1,237,755	-	-	1,237,755
Share-based payments	-	32,372	-	32,372
Dividends provided or paid	17,088	-	(1,257,923)	(1,240,835)
Balance at 31 December 2017	<u>25,308,445</u>	<u>1,725,302</u>	<u>64,084,852</u>	<u>91,118,599</u>

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 2017

	2017 \$	Half-year 2016 \$
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	89,587,421	83,800,845
Payments to suppliers and employees (inclusive of goods and services tax)	(83,829,015)	(73,155,732)
	5,758,406	10,645,113
Interest received	21,779	26,259
Dividends received	2,189	2,191
Interest paid	(795,878)	(885,768)
Income taxes paid	(1,868,614)	(582,462)
Net cash inflow from operating activities	3,117,882	9,205,333
Cash flows from investing activities		
Payments for property, plant and equipment	(1,032,894)	(3,938,637)
Payment for purchase of business	(6,500,000)	(1,734,594)
Proceed from sale of investment property	1,650,000	5,375,000
Proceeds from sale of property, plant and equipment	214,639	2,707,780
Net cash (outflow)/inflow from investing activities	(5,668,255)	2,409,549
Cash flows from financing activities		
Proceeds from borrowing	6,500,000	2,000,000
Repayment of borrowings	(4,458,728)	(11,959,088)
Proceeds from issue of shares (net of transaction costs)	1,078,250	-
Dividends paid to Company's shareholders	(1,081,330)	-
Net cash inflow/(outflow) from financing activities	2,038,192	(9,959,088)
Net (decrease)/increase in cash and cash equivalents	(512,181)	1,655,794
Cash and cash equivalents at the beginning of the half-year	4,273,005	2,161,728
Cash and cash equivalents at the end of the half-year	3,760,824	3,817,522

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 2017 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. CTI logistics Limited and its subsidiaries (together referred to as the "group") is a for-profit entity.

This condensed interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 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 2017.

2. SEGMENT INFORMATION

(a) Description of segments

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

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

The reportable segments are involved in the following operations:

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

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

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

CTI LOGISTICS LIMITED
Notes to the condensed consolidated financial statements
31 December 2017

2. SEGMENT INFORMATION (continued)

(b) Information about reportable segments

The segment information provided to the group's Executive Chairman for the reportable segments for the half-year ended 31 December 2017 is as follows:

Half-year 2017	Transport \$	Logistics \$	Property \$	Other \$	Total \$
External revenues	41,750,567	42,723,129	104,001	3,234,771	87,812,468
Intra and inter-segment revenue	6,101,451	37,994	1,859,071	(7,998,516)	-
Interest expense	101,129	26,821	354,503	315,671	798,124
Depreciation and amortisation	1,817,572	1,156,533	182,055	943,869	4,100,029
Total segment profit before income tax	2,235,544	3,216,447	1,207,851	(1,856,615)	4,803,227
31 December 2017					
Total segment assets	40,699,473	42,332,315	75,759,882	7,741,010	166,532,680
Total segment liabilities	17,434,473	12,188,499	37,541,672	8,249,437	75,414,081
Half-year 2016					
External revenues	32,819,863	43,151,451	254,233	2,962,104	79,187,651
Intra and inter-segment revenue	4,532,537	32,334	1,875,934	(6,440,805)	-
Interest expense	91,977	36,074	400,767	356,950	885,768
Depreciation and amortisation	1,506,373	1,140,180	232,493	1,049,457	3,928,503
Total segment profit before income tax	1,488,464	3,215,044	3,546,790	(1,668,612)	6,581,686
30 June 2017					
Total segment assets	26,508,434	41,467,461	76,579,793	10,069,936	154,625,624
Total segment liabilities	15,915,247	9,104,725	37,245,661	4,601,291	66,866,924

CTI LOGISTICS LIMITED**Notes to the condensed consolidated financial statements****31 December 2017****3. PROPERTY, PLANT AND EQUIPMENT**

Consolidated	Freehold land \$	Freehold buildings \$	Plant and equipment \$	Motor vehicles \$	Total \$
At 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
Half-year ended 31 December 2017					
Opening net book amount	43,899,191	28,376,391	10,804,101	13,863,552	96,943,235
Additions	-	83,332	875,085	1,763,883	2,722,300
Reclassify from intangibles	-	-	232,500	-	232,500
Purchase of business (Note 6)	-	-	369,523	1,503,000	1,872,523
Disposals	-	-	(382,705)	(138,189)	(520,894)
Depreciation charge	-	(221,413)	(1,267,383)	(1,900,602)	(3,389,398)
Closing net book amount	43,899,191	28,238,310	10,631,121	15,091,644	97,860,266
At 31 December 2017					
Cost	43,899,191	32,176,577	28,234,484	30,822,190	135,132,442
Accumulated depreciation	-	(3,938,267)	(17,603,363)	(15,730,546)	(37,272,176)
Net book amount	43,899,191	28,238,310	10,631,121	15,091,644	97,860,266

4. INTANGIBLE ASSETS

Consolidated	Goodwill \$	Trade names \$	Customer relationships \$	Security lines \$	Software \$	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
Half-year ended 31 December 2017						
Opening net book amount	22,023,777	1,222,754	5,374,286	34,265	915,085	29,570,167
Additions	-	-	-	-	65,345	65,345
Purchase of business (Note 6)	4,437,252	1,131,734	686,600	-	-	6,255,586
Reclassify to plant and equipment	-	-	-	-	(232,500)	(232,500)
Amortisation charge	-	(148,032)	(488,063)	(5,602)	(68,934)	(710,631)
Closing net book amount	26,461,029	2,206,456	5,572,823	28,663	678,996	34,947,967
At 31 December 2017						
Cost	26,461,029	3,221,391	9,178,756	1,505,055	1,763,618	42,129,849
Accumulated amortisation	-	(1,014,935)	(3,605,933)	(1,476,392)	(1,084,622)	(7,181,882)
Net book amount	26,461,029	2,206,456	5,572,823	28,663	678,996	34,947,967

CTI LOGISTICS LIMITED
Notes to the condensed consolidated financial statements
31 December 2017

5. CAPITAL AND RESERVES

(a) EQUITY SECURITIES

	December 2017 Shares	June 2017 Shares	December 2017 \$	June 2017 \$
Balance at the beginning of the period	71,881,289	68,525,935	24,053,602	21,656,107
Dividend reinvestment plan	149,070	143,585	159,505	117,740
Bonus share plan	15,970	11,769	17,088	9,650
Shares issued	1,050,000	3,200,000	1,123,500	2,400,000
Less: Transaction costs arising on share issue	-	-	(45,250)	(129,895)
Balance at the end of the period	73,096,329	71,881,289	25,308,445	24,053,602

During the period the Company issued 1,050,000 new ordinary shares pursuant to the underwriting of the June 2017 dividend. In the previous financial year the Company issued 3,200,000 new ordinary shares for cash consideration of \$2,400,000. In addition during the period 149,070 ordinary shares were issued under the dividend reinvestment plan and 15,970 ordinary shares under the bonus share plan. During the prior financial year 143,585 ordinary shares were issued under the dividend reinvestment plan and 11,769 ordinary shares under the bonus share plan.

At 31 December 2017 there were 2,685,000 (30 June 2017 – 2,500,000) contingently issuable shares relating to shares issued under the Company's Employee Share Plan. During the period 185,000 contingently issuable shares were issued under the Company's Employee Share Plan.

(b) DIVIDENDS

	2017 \$	2016 \$
Ordinary shares		
Dividends provided for or paid during the half-year		
Final dividend for the year ended 30 June 2017 – 1.75 cents per fully paid ordinary share	1,257,923	-
Less – bonus issue of ordinary shares under the Company's Bonus Share Plan	(17,088)	-
	1,240,835	-

Dividends not recognised at the end of the reporting period

After the half-year end the directors have declared an interim dividend of 2.0 cents per fully paid ordinary share, (2016 – nil cents) fully franked based on tax paid at 30% (2016 – 30%). The aggregate amount of the proposed dividend paid on 24 April 2018 out of retained profits at 31 December 2017, but not recognised as a liability at period end, is \$1,461,927 (2016 - \$nil).

(c) EARNINGS PER SHARE

The calculation of basic and diluted earnings per share at 31 December 2017 are as follows:

	2017	2016
(i) Basic earnings per share	4.62 cents	8.03 cents
Profit attributable to ordinary shareholders	\$3,336,076	\$5,500,989
Weighted average number of shares	72,191,652	68,525,935
(ii) Diluted earnings per share	4.62 cents	8.03 cents
Profit attributable to ordinary shareholders (diluted)	\$3,336,076	\$5,500,989

CTI LOGISTICS LIMITED
Notes to the condensed consolidated financial statements
31 December 2017

	2017	2016
(c) EARNINGS PER SHARE (continued)		
<i>Weighted average number of shares (diluted)</i>		
Weighted average number of shares (basic)	72,191,652	68,525,935
The effect of the vesting of contingently issuable shares	54,022	-
Weighted average number of shares (diluted) at 31 December	<u>72,245,674</u>	<u>68,525,935</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.

6. PURCHASE OF BUSINESS

On 30 October 2017 the group acquired, through its subsidiary CTI Nationwide Logistics Pty Ltd, the business operations and assets of the interstate road, rail and warehousing business trading as Jayde Transport ("Jayde").

The purchase price includes a cash payment of \$6,500,000 at settlement (funded through borrowings), a deferred payment of \$1,000,000 on 30 April 2018 and contingent consideration of up to \$2,850,000 on or before 15 February 2019.

The contingent payment is on a sliding scale between zero and the maximum, dependent on achieving certain earnings thresholds for the calendar year ending 31 December 2018. When determining the value of assets and liabilities acquired an assessment of the fair value of the contingent consideration has to be made at acquisition date. Any variations to the final payment figure will be recognised through the statement of profit or loss.

The Company acquired plant and equipment (refer to Note 3), intangible assets (refer to Note 4) and employee provisions from Jayde, net of tax. This has been accounted for on a provisional basis within these Financial Statements, with final accounting to be completed for the June 2018 Annual Report.

Acquisition related costs of \$131,523 have been included in "other expenses" in the current year.

7. DISPOSAL OF PROPERTY HELD FOR SALE

The group disposed of its Cottesloe property on September 2017 for \$1,650,000. The profit on sale of land and buildings net of disposal costs amounted to \$293,365 and has been recognised in full in the period to 31 December 2017, within "Other income".

In the prior period the group disposed of its Malaga properties in September 2016 and October 2016 for a total of \$6,575,000. The profit on sale of land and buildings net of disposal costs amounted to \$2,871,331 and was recognised in full in the period to 31 December 2016.

The group recognised nil income tax expense on sale of its properties in either period.

8. 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 2017 and of its performance, for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



DAVID MELLOR
Director

Perth, WA
28 February 2018



Independent Auditor's Review Report

To the shareholders of CTI Logistics Limited

Report on the Half-year Financial Report

Conclusion

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

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

- Giving a true and fair view of the **Group's** financial position as at 31 December 2017 and of its performance for the Half-year ended on that date; and
- Complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

- Condensed consolidated statement of financial position as at 31 December 2017
- Condensed consolidated statement of profit or loss and other comprehensive income, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the Half-year ended on that date
- Notes comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

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

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- The preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- 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 for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of CTI Logistics Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

KPMG

Graham Hogg
Partner
Perth
28 February 2018