

CTI Logistics Limited

ABN 69 008 778 925

Appendix 4D Half-year Report

Half-year ended 31 December 2016

For announcement to the market

Extracts from this report for announcement to the market

\$A'000

| Revenue | Up | 0.2% | to | \$79,188 |
|---|-------------------------------|---------------------|-----------------------------|----------|
| Profit from ordinary activities after tax attributable to members | Down | 72% | to | \$5,501 |
| Net profit for the period attributable to members | Down | 72% | to | \$5,501 |
| Dividends | | Amount per security | Franked amount per security | |
| Final dividend | Year ended 30 June 2016 | 0 cents | 0 cents | |
| | Previous corresponding period | 4.0 cents | 4.0 cents | |
| Interim dividend | Current period | 1.75 cents | 1.75 cents | |
| | Previous corresponding period | 4.0 cents | 4.0 cents | |
| [†] Record date for determining entitlements to the dividend | | | 8 March 2017 | |

NTA backing

| | Current period | Previous corresponding period |
|--|----------------|-------------------------------|
| Net tangible asset backing per ordinary security | 82 cents | 79 cents |

Dividend

Details of dividends declared or paid during or subsequent to the period ended 31 December 2016 are as follows:

| | Payment date | Amount per security | Total dividend | Franked amount per security |
|---|--------------|---------------------|----------------|-----------------------------|
| Final dividend – year ended 30 June 2016 (fully franked at 30%) | N/A | 0 cents | \$0 | 0 cents |
| Interim dividend – Current period (fully franked at 30%) | N/A | 1.75 cents | \$1,199,204 | 1.75 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 2016

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 2016 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 2016 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 2016 - ordinary | 0.0 | \$0 | n/a | n/a |
| Declared after end of half-year | | | | |
| Interim 2017 - ordinary | 1.75 | \$1,199,204 | Franked | 11 April 2017 |

After the half-year end the directors have declared a fully franked interim dividend of 1.75 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 2016 and will be recognised in subsequent financial reports.

Review of operations and results

Profit before tax for the period was \$6,581,686, including the profit on sale of the Malaga properties of \$2,871,331 and an increase in the deferred contingent payment of \$289,895 related to the GMK acquisition. The profit before tax excluding these amounts is \$4,000,250, down 12.8% on the previous corresponding period. Revenue from operations was up 0.2%, to \$79,187,651.

As a transport and warehousing company we did well during the mining boom in Western Australia. While a downturn was not unexpected, when it arrived two years ago we were suddenly competing in a market with severe over-capacity and weakening demand, leading to price and margin pressures which reflect through to the bottom line. We have fought these pressures with productivity improvement and cost reduction initiatives, supported by the implementation of enhanced IT operating systems in both transport and warehousing. These initiatives are ongoing and we have already seen the benefits. We are also looking at several opportunities for expansion and growth, within WA and also nationally, where our earlier diversifications with GMK Logistics and our SA operations have already helped offset the downturn in WA.

Alongside the above we are continuing to improve our security business, which installs and monitors alarm systems for commercial and residential customers. We recently installed a new state-of-the-art alarm monitoring control system, which also enhances our video surveillance capability and facilitates a lone worker safety package.

CTI LOGISTICS LIMITED
Half-year report
31 December 2016

The directors have decided to declare an interim dividend of 1.75 cents per share fully franked, payable on 11 April 2017.

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 2016.

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



DAVID MELLOR
Director

Perth, WA
24 February 2017



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 2016 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

G-H-77

Graham Hogg

Partner

Perth

24 February 2017

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Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2016

| | 2016 | 2015 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Revenue | 79,187,651 | 79,023,416 |
| Other income (refer note 8) | 3,032,948 | 19,050,048 |
| Raw materials and consumables used | (583,874) | (665,223) |
| Employee benefits expense | (27,861,043) | (27,345,139) |
| Subcontractor expense | (19,216,322) | (20,974,010) |
| Depreciation and amortisation expense | (3,928,503) | (3,241,048) |
| Motor vehicle and transportation costs | (9,913,473) | (10,050,920) |
| Property costs | (7,581,703) | (5,616,925) |
| Other expenses | (5,488,581) | (5,053,784) |
| Results from operating activities | <u>7,647,100</u> | <u>25,126,415</u> |
| Finance income | 26,259 | 34,954 |
| Finance expense | (1,091,673) | (1,206,707) |
| Net finance costs | <u>(1,065,414)</u> | <u>(1,171,753)</u> |
| Profit before income tax | 6,581,686 | 23,954,662 |
| Income tax expense | (1,080,697) | (3,984,108) |
| Profit for the half-year | <u>5,500,989</u> | <u>19,970,554</u> |
| Other comprehensive income/(loss) | | |
| Items that may be reclassified subsequently to profit or loss | | |
| Net change in fair value of available-for-sale financial assets | (5,468) | (5,119) |
| Total comprehensive income for the half-year | <u>5,495,521</u> | <u>19,965,435</u> |
| | Cents | Cents |
| Earnings per share for profit attributable to the ordinary equity holders of the Company | | |
| Basic earnings per share (refer note 7) | 8.03 | 30.13 |
| Diluted earnings per share (refer note 7) | 8.03 | 30.09 |

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 2016

| | 31 December 2016 | 30 June 2016 |
|--------------------------------------|-----------------------------|-------------------------|
| | \$ | \$ |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 3,817,522 | 2,161,728 |
| Trade and other receivables | 23,439,881 | 19,987,439 |
| Inventories | 148,019 | 134,133 |
| Income tax receivable | 787,849 | 1,730,003 |
| Property held-for-sale | - | 2,300,907 |
| Total current assets | <u>28,193,271</u> | <u>26,314,210</u> |
| Non-current assets | | |
| Available-for-sale financial assets | 81,037 | 88,848 |
| Property, plant and equipment | 97,661,405 | 97,985,196 |
| Investment properties | 3,553,720 | 3,567,220 |
| Intangible assets | 29,588,016 | 29,933,929 |
| Total non-current assets | <u>130,884,178</u> | <u>131,575,193</u> |
| Total assets | <u>159,077,449</u> | <u>157,889,403</u> |
| LIABILITIES | | |
| Current liabilities | | |
| Contingent consideration | 450,000 | 160,105 |
| Trade and other payables | 15,755,524 | 10,732,207 |
| Borrowings | 1,452,138 | 1,699,857 |
| Provisions | 4,329,392 | 3,886,183 |
| Total current liabilities | <u>21,987,054</u> | <u>16,478,352</u> |
| Non-current liabilities | | |
| Borrowings | 48,895,617 | 58,321,329 |
| Deferred tax liabilities | 1,117,758 | 1,566,766 |
| Provisions | 1,105,508 | 1,149,600 |
| Total non-current liabilities | <u>51,118,883</u> | <u>61,037,695</u> |
| Total liabilities | <u>73,105,937</u> | <u>77,516,047</u> |
| Net assets | <u>85,971,512</u> | <u>80,373,356</u> |
| EQUITY | | |
| Contributed equity | 21,656,107 | 21,656,107 |
| Reserves | 1,678,433 | 1,581,266 |
| Retained profits | 62,636,972 | 57,135,983 |
| Total equity | <u>85,971,512</u> | <u>80,373,356</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 2016**

| Consolidated | Contributed equity | Reserves | Retained profits | Total equity |
|---|---------------------------|------------------|-------------------------|---------------------|
| | \$ | \$ | \$ | \$ |
| Balance at 1 July 2015 | 18,673,329 | 1,299,185 | 42,187,138 | 62,159,652 |
| Total comprehensive income for the half-year | - | (5,119) | 19,970,554 | 19,965,435 |
| Transactions with equity holders in their capacity as equity holders: | | | | |
| Issue of shares (refer note 4) | 2,533,898 | - | - | 2,533,898 |
| Share-based payment | - | 159,261 | - | 159,261 |
| Dividends provided for or paid | - | - | (2,633,228) | (2,633,228) |
| Balance at 31 December 2015 | <u>21,207,227</u> | <u>1,453,327</u> | <u>59,524,464</u> | <u>82,185,018</u> |
| 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> |

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 2016**

| | 2016 \$ | Half-year 2015 \$ |
|---|---------------------|-------------------------|
| Cash flows from operating activities | | |
| Receipts from customers (inclusive of goods and services tax) | 83,800,845 | 84,607,184 |
| Payments to suppliers and employees (inclusive of goods and services tax) | <u>(73,155,732)</u> | <u>(73,911,674)</u> |
| | 10,645,113 | 10,695,510 |
| Interest received | 26,259 | 34,954 |
| Dividends received | 2,191 | 2,139 |
| Interest paid | (885,768) | (943,296) |
| Income taxes paid | <u>(582,462)</u> | <u>(2,285,982)</u> |
| Net cash inflow from operating activities | <u>9,205,333</u> | <u>7,503,325</u> |
| Cash flows from investing activities | | |
| Payments for property, plant and equipment | (3,938,637) | (6,457,150) |
| Payment for purchase of business | (1,734,594) | (14,360,082) |
| Proceeds from sale of property, plant and equipment | <u>8,082,780</u> | <u>26,263,038</u> |
| Net cash inflow from investing activities | <u>2,409,549</u> | <u>5,445,806</u> |
| Cash flows from financing activities | | |
| Proceeds from borrowing | 2,000,000 | - |
| Repayment of borrowings | (11,959,088) | (15,081,049) |
| Proceeds from issue of shares (net of transaction costs) | - | 2,533,898 |
| Dividends paid to Company's shareholders | - | (2,633,228) |
| Net cash (outflow) from financing activities | <u>(9,959,088)</u> | <u>(15,180,379)</u> |
| Net increase/(decrease) in cash and cash equivalents | 1,655,794 | (2,231,248) |
| Cash and cash equivalents at the beginning of the half-year | <u>2,161,728</u> | <u>6,100,802</u> |
| Cash and cash equivalents at the end of the half-year | <u>3,817,522</u> | <u>3,869,554</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 2016 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 2016 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 2016.

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.
- 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 and the corporate head office. 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
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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 2016 is as follows:

| Half-year 2016 | Transport | Logistics | Property | Other | Total |
|--|------------------|------------------|-----------------|--------------|--------------|
| | \$ | \$ | \$ | \$ | \$ |
| 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 |
| Total segment assets | 27,941,165 | 42,979,727 | 77,434,234 | 10,722,323 | 159,077,449 |
| Total segment liabilities | 10,367,162 | 8,981,979 | 37,963,598 | 15,793,198 | 73,105,937 |

Half-year 2015

| | | | | | |
|--|------------|------------|------------|-------------|------------|
| External revenues | 35,065,955 | 40,420,847 | 590,009 | 2,946,605 | 79,023,416 |
| Intra and inter-segment revenue | 4,865,759 | 47,648 | 2,520,520 | (7,433,927) | - |
| Interest expense | 132,842 | 2,490 | 515,090 | 292,874 | 943,296 |
| Depreciation and amortisation | 1,441,761 | 935,296 | 279,184 | 584,807 | 3,241,048 |
| Total segment profit before income tax | 2,307,717 | 2,743,905 | 20,377,795 | (1,474,755) | 23,954,662 |

30 June 2016

| | | | | | |
|---------------------------|------------|------------|------------|------------|-------------|
| Total segment assets | 23,930,523 | 42,144,955 | 79,651,264 | 12,162,661 | 157,889,403 |
| Total segment liabilities | 14,941,351 | 13,638,023 | 45,782,185 | 3,154,488 | 77,516,047 |

3. DIVIDENDS

| | 2016 | 2015 |
|---|-------------|-------------|
| | \$ | \$ |
| Ordinary shares | | |
| Dividends provided for or paid during the half-year | - | 2,633,228 |

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Notes to the condensed consolidated financial statements
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3. DIVIDENDS (continued)

Dividends not recognised at the end of the half-year

After the half-year end the directors have declared an interim dividend of 1.75 cents per fully paid ordinary share, (2015 – 4.0 cents) fully franked based on tax paid at 30% (2015 – 30%). The aggregate amount of the proposed dividend paid on 11 April 2017 out of retained profits at 31 December 2016, but not recognised as a liability at period end, is \$1,199,204 (2015 - \$2,719,560).

4. EQUITY SECURITIES

| | December 2016 Shares | June 2016 Shares | December 2016 \$ | June 2016 \$ |
|--|-------------------------------------|---------------------------------|---------------------------------|-----------------------------|
| Balance at the beginning of the period | 68,525,935 | 65,830,691 | 21,656,017 | 18,673,329 |
| Shares issued (net of transaction costs) | - | 1,688,180 | - | 2,059,580 |
| Dividend reinvestment plan | - | 690,485 | - | 706,204 |
| Bonus share plan | - | 316,579 | - | 313,011 |
| Less: Transaction costs arising on share issue | - | - | - | (96,017) |
| Balance at the end of the period | <u>68,525,935</u> | <u>68,525,935</u> | <u>21,656,017</u> | <u>21,656,107</u> |

During the previous period the Company issued 1,688,180 ordinary shares pursuant to the underwriting of the November 2015 dividend. In addition during the prior period 341,286 ordinary shares were issued under the dividend reinvestment plan and 128,848 ordinary shares under the bonus share plan.

At 31 December 2016 there were 2,210,000 (2015 – 2,210,000) 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 2016 | | | | | |
| Cost | 46,098,018 | 30,617,881 | 25,916,265 | 25,594,358 | 128,226,522 |
| Accumulated depreciation | - | (3,212,041) | (14,733,714) | (12,295,571) | (30,241,326) |
| Net book amount | <u>46,098,018</u> | <u>27,405,840</u> | <u>11,182,551</u> | <u>13,298,787</u> | <u>97,985,196</u> |
| Half-year ended 31 December 2016 | | | | | |
| Opening net book amount | 46,098,018 | 27,405,840 | 11,182,551 | 13,298,787 | 97,985,196 |
| Additions | - | 1,815,507 | 1,023,590 | 1,272,703 | 4,111,800 |
| Purchase of business (Note 6) | - | - | - | 1,580,000 | 1,580,000 |
| Disposals | (2,198,827) | (419,543) | (48,870) | (99,050) | (2,766,290) |
| Depreciation charge | - | (249,775) | (1,254,537) | (1,744,989) | (3,249,301) |
| Closing net book amount | <u>43,899,191</u> | <u>28,552,029</u> | <u>10,902,734</u> | <u>14,307,451</u> | <u>97,661,405</u> |
| At 31 December 2016 | | | | | |
| Cost | 43,899,191 | 31,819,587 | 26,905,311 | 27,613,222 | 130,237,311 |
| Accumulated depreciation | - | (3,267,558) | (16,002,577) | (13,305,771) | (32,575,906) |
| Net book amount | <u>43,899,191</u> | <u>28,552,029</u> | <u>10,902,734</u> | <u>14,307,451</u> | <u>97,661,405</u> |

CTI LOGISTICS LIMITED
Notes to the condensed consolidated financial statements
31 December 2016

6. INTANGIBLE ASSETS

| Consolidated | Goodwill | Trade names | Customer relationships | Security lines | Software | Total |
|---|-------------------|--------------------|-------------------------------|-----------------------|-----------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| At 1 July 2016 | | | | | | |
| Cost | 22,023,777 | 2,089,657 | 8,262,156 | 1,491,076 | 1,283,174 | 35,149,840 |
| Accumulated amortisation | - | (601,103) | (2,230,792) | (1,458,730) | (925,286) | (5,215,911) |
| Net book amount | <u>22,023,777</u> | <u>1,488,554</u> | <u>6,031,364</u> | <u>32,346</u> | <u>357,888</u> | <u>29,933,929</u> |
| Half-year ended 31 December 2016 | | | | | | |
| Opening net book amount | 22,023,777 | 1,488,554 | 6,031,364 | 32,346 | 357,888 | 29,933,929 |
| Purchase of business | - | - | 230,000 | - | - | 230,000 |
| Additions | - | - | - | 13,979 | 98,515 | 112,494 |
| Disposals | - | - | - | - | (22,704) | (22,704) |
| Amortisation charge | - | (135,705) | (443,639) | (5,740) | (80,619) | (665,703) |
| Closing net book amount | <u>22,023,777</u> | <u>1,352,849</u> | <u>5,817,725</u> | <u>40,585</u> | <u>353,080</u> | <u>29,588,016</u> |
| At 31 December 2016 | | | | | | |
| Cost | 22,023,777 | 2,089,657 | 8,492,156 | 1,505,055 | 1,306,505 | 35,417,150 |
| Accumulated amortisation | - | (736,808) | (2,674,431) | (1,464,470) | (953,425) | (5,829,134) |
| Net book amount | <u>22,023,777</u> | <u>1,352,849</u> | <u>5,817,725</u> | <u>40,585</u> | <u>353,080</u> | <u>29,588,016</u> |

SRH Transport was acquired on 1 September 2016 for a total consideration of \$1.8 million. The consideration paid equals the fair value of identifiable assets, no goodwill was recognised as a result of the acquisition.

7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share at 31 December 2016 are as follows:

| | 2016 | 2015 |
|--|--------------------|---------------------|
| (i) Basic earnings per share | <u>8.03 cents</u> | <u>30.13 cents</u> |
| Profit attributable to ordinary shareholders | <u>\$5,500,989</u> | <u>\$19,970,554</u> |
| Weighted average number of shares | <u>68,525,935</u> | <u>66,277,476</u> |
| (ii) Diluted earnings per share | <u>8.03 cents</u> | <u>30.09 cents</u> |
| Profit attributable to ordinary shareholders (diluted) | <u>\$5,500,989</u> | <u>\$19,970,554</u> |
| <i>Weighted average number of shares (diluted)</i> | | |
| Weighted average number of shares (basic) | 68,525,935 | 66,277,476 |
| The effect of the vesting of contingently issuable shares | - | 90,756 |
| Weighted average number of shares (diluted) at 31 December | <u>68,525,935</u> | <u>66,368,232</u> |

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

CTI LOGISTICS LIMITED
Notes to the condensed consolidated financial statements
31 December 2016

8. DISPOSAL OF PROPERTIES

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 has been recognised in full in the period to 31 December 2016. The Shire of Swan resumed a parcel of land at the Hazelmere site for \$1,351,800, at cost. The group recognised nil income tax expense on sale of its properties in the current period.

In the prior period the group disposed of its Bibra Lake property recognising a profit on sale of \$18,923,177. Income tax expense of \$2,400,000 after capital losses was recognised on the sale in that period.

9. CAPITAL COMMITMENT

There are capital expenditure commitments totalling \$345,396 (2015 - \$1,041,399) as at 31 December 2016.

10. SUBSEQUENT EVENTS

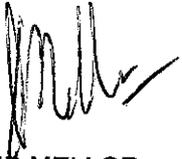
No events have occurred since the end of the half-year other than disclosed elsewhere in these financial statements.

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 2016 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
24 February 2017



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 2016, 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 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 2016 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.

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 CTI 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 2016 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

G-H-77

Graham Hogg

Partner

Perth

24 February 2017