

CTI Logistics Limited

ABN 69 008 778 925

Appendix 4D Half-year Report

Half-year ended 31 December 2015

For announcement to the market

Extracts from this report for announcement to the market

\$A'000

Revenue	Up	21.2%	to	\$79,023
Profit from ordinary activities after tax attributable to members	Up	372%	to	\$19,970
Net profit for the period attributable to members	Up	372%	to	\$19,970
Dividends		Amount per security	Franked amount per security	
Final dividend	Year ended 30 June 2015	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			01 April 2016	

NTA backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	79 cents	86 cents

Dividend

Details of dividends declared or paid during or subsequent to the period ended 31 December 2015 are as follows:

	Payment date	Amount per security	Total dividend	Franked amount per security
Final dividend – year ended 30 June 2015 (fully franked at 30%)	20 November 2015	4.0 cents	\$2,633,228	4.0 cents
Interim dividend – Current period (fully franked at 30%)	15 April 2016	4.0 cents	\$2,719,560	4.0 cents

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

A Dividend Re-investment Plan and Bonus Share Plan are currently in operation. As a result of the recent transition by ASX to a T+2 settlement cycle, the Rules of the CTI Logistics Limited Dividend Re-investment Plan and Bonus Share Plan have been varied to amend the last date for the receipt of DRP/BSP election notices from two to three Business Days after the Record Date. This change will maintain the present alignment of the DRP/BSP pricing period with the last date for receipt of DRP/BSP election notices. The DRP/BSP participation status of shareholders will not be affected by the above amendment. The change is effectively immediately and will therefore apply in relation to the interim dividend payable to shareholders on 15 April 2016.

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 2015

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 2015 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 2015 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 2015 - ordinary	4.0	\$2,633,228	Franked	20 November 2015
Declared after end of half-year				
Interim 2016 - ordinary	4.0	\$2,719,560	Franked	15 April 2016

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 2015 and will be recognised in subsequent financial reports.

Review of operations and results

Profit before tax for the period was \$23,954,662, including the profit on sale of the long held Bibra Lake warehousing and distribution property of \$18,923,177. The profit before tax excluding the profit on sale of the property was \$5,031,485, down 16.2% on the previous corresponding period. Revenue from operations was up 21.2%, to \$79,023,416.

The underlying results for the period were impacted by a combination of

- * the severe downturn in business activity in the Western Australian economy.
- * weaker than expected throughput in demand from our warehousing client base in late November and December.
- * significant unexpected costs associated with the implementation of a new distribution model and warehousing management system for our largest client in December that has carried through into the current period.
- * building and other costs associated with the partial completion of 13,500 square metres of additional warehouse at Hazelmere.
- * the continued decline in volumes across the courier and general freight markets, along with price and margin pressure.

On the plus side

- * the positive contribution from the mid-2015 acquisition of GMK Logistics.
- * initial expansion into the South Australian market with existing customers.

CTI LOGISTICS LIMITED
Half-year report
31 December 2015

While the immediate outlook in Western Australia remains poor and could deteriorate further, the Company continues to plan to grow both organically and by acquisition. We have recently been successful in gaining further warehousing and distribution contracts in the tyre industry, and on the acquisition front we are looking at building on our GMK-related national footprint.

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

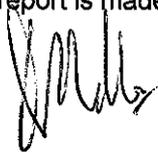
The major objectives encompassed in the Business Plan of the group are:

- (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 2015.

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



DAVID MELLOR
Director

Perth, WA
25 February 2016



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 2015 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-T Hogg

Graham Hogg
Partner

Perth

25 February 2016

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Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2015

	2015 \$	2014 \$
Revenue	79,023,416	65,182,786
Other income (refer note 8)	19,050,048	317,401
Changes in inventories of finished goods and work in progress	(178,698)	(28,123)
Raw materials and consumables used	(665,223)	(2,287,606)
Employee benefits expense	(27,345,139)	(22,288,467)
Subcontractor expense	(15,751,107)	(18,477,290)
Depreciation and amortisation expense	(3,241,048)	(2,739,972)
Motor vehicle and transportation costs	(15,273,823)	(6,585,602)
Property costs	(3,018,512)	(2,150,819)
Other expenses	(7,473,499)	(3,928,104)
Results from operating activities	<u>25,126,415</u>	<u>7,014,204</u>
Finance income	34,954	42,714
Finance expense	(1,206,707)	(1,050,824)
Net finance costs	<u>(1,171,753)</u>	<u>(1,008,110)</u>
Profit before income tax	23,954,662	6,006,094
Income tax expense (refer note 8)	(3,984,108)	(1,775,403)
Profit for the half-year	<u>19,970,554</u>	<u>4,230,691</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	(5,119)	7,476
Total comprehensive income for the half-year	<u>19,965,435</u>	<u>4,238,167</u>
	Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company		
Basic earnings per share (refer note 7)	30.13	6.63
Diluted earnings per share (refer note 7)	30.09	6.58

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 2015**

	31 December 2015 \$	30 June 2015 \$
ASSETS		
Current assets		
Cash and cash equivalents	3,869,554	6,100,802
Trade and other receivables	22,979,385	21,086,429
Inventories	186,560	365,258
Income tax receivable	-	975,966
Property held-for-sale	-	6,748,932
Total current assets	<u>27,035,499</u>	<u>35,277,387</u>
Non-current assets		
Available-for-sale financial assets	84,241	91,566
Property, plant and equipment	93,381,537	89,317,623
Investment properties	6,050,910	6,079,644
Deferred tax assets	832,004	931,540
Intangible assets	28,653,498	28,707,770
Total non-current assets	<u>129,002,190</u>	<u>125,128,143</u>
Total assets	<u>156,037,689</u>	<u>160,405,530</u>
LIABILITIES		
Current liabilities		
Contingent consideration	1,500,000	-
Trade and other payables	14,328,250	25,212,997
Borrowings	2,044,678	2,574,972
Current tax liabilities	620,419	-
Provisions	3,993,960	3,853,124
Total current liabilities	<u>22,487,307</u>	<u>31,641,093</u>
Non-current liabilities		
Contingent consideration	-	1,500,000
Borrowings	50,277,304	64,089,710
Provisions	1,088,060	1,015,075
Total non-current liabilities	<u>51,365,364</u>	<u>66,604,785</u>
Total liabilities	<u>73,852,671</u>	<u>98,245,878</u>
Net assets	<u>82,185,018</u>	<u>62,159,652</u>
EQUITY		
Contributed equity	21,207,227	18,673,329
Reserves	1,453,327	1,299,185
Retained profits	59,524,464	42,187,138
Total equity	<u>82,185,018</u>	<u>62,159,652</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 2015**

Consolidated	Contributed equity \$	Reserves \$	Retained profits \$	Total equity \$
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	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>
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>

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 2015**

	Half-year	
	2015	2014
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	84,607,184	73,619,403
Payments to suppliers and employees (inclusive of goods and services tax)	<u>(73,911,674)</u>	<u>(63,699,493)</u>
	10,695,510	9,919,910
Interest received	34,954	42,714
Dividends received	2,139	2,070
Interest paid	(943,296)	(768,373)
Income taxes paid	<u>(2,285,982)</u>	<u>(2,292,931)</u>
Net cash inflow from operating activities	<u>7,503,325</u>	<u>6,903,390</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(6,457,150)	(26,267,727)
Payment for purchase of business	(14,360,082)	-
Proceeds from sale of property, plant and equipment	<u>26,263,038</u>	<u>887,187</u>
Net cash inflow/(outflow) from investing activities	<u>5,445,806</u>	<u>(25,380,540)</u>
Cash flows from financing activities		
Proceeds from borrowings	-	23,000,000
Repayment of borrowings	(15,081,049)	(1,475,303)
Proceeds from issue of shares (net of transaction costs)	2,533,898	203,461
Dividends paid to Company's shareholders	<u>(2,633,228)</u>	<u>(2,241,146)</u>
Net cash (outflow)/inflow from financing activities	<u>(15,180,379)</u>	<u>19,487,012</u>
Net (decrease)/increase in cash and cash equivalents	(2,231,248)	1,009,862
Cash and cash equivalents at the beginning of the half-year	<u>6,100,802</u>	<u>2,251,430</u>
Cash and cash equivalents at the end of the half-year	<u>3,869,554</u>	<u>3,261,292</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 2015 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 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 2015 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 2015.

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, 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 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 2015

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 2015 is as follows:

Half-year 2015	Transport \$	Logistics \$	Property \$	Other \$	Total \$
External revenues	34,434,821	40,420,847	590,009	3,577,739	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	2,314,296	2,743,905	20,377,795	(1,481,334)	23,954,662
Total segment assets	26,923,572	41,108,882	76,890,417	11,114,818	156,037,689
Total segment liabilities	9,302,629	7,040,703	45,567,100	11,942,239	73,852,671

Half-year 2014

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

30 June 2015

Total segment assets	26,634,296	38,113,599	78,912,989	16,744,646	160,405,530
Total segment liabilities	9,498,303	32,873,164	47,465,398	8,409,013	98,245,878

3. DIVIDENDS

	2015 \$	2014 \$
Ordinary shares		
Dividends provided for or paid during the half-year	2,633,228	2,241,146

CTI LOGISTICS LIMITED
Notes to the condensed consolidated financial statements
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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, (2014 – 4.0 cents) fully franked based on tax paid at 30% (2014 – 30%). The aggregate amount of the proposed dividend expected to be paid on 15 April 2016 out of retained profits at 31 December 2015, but not recognised as a liability at period end, is \$2,719,560 (2014 - \$2,561,836).

4. EQUITY SECURITIES

	December 2015 Shares	June 2015 Shares	December 2015 \$	June 2015 \$
Balance at the beginning of the period	65,830,691	63,746,681	18,673,329	15,698,075
Shares issued (net of transaction costs)	1,688,180	1,428,571	1,960,334	2,000,000
Employee share plan	-	10,000	-	17,600
Dividend reinvestment plan	341,286	280,448	416,369	409,146
Bonus share plan	128,848	364,991	157,195	548,508
Balance at the end of the period	<u>67,989,005</u>	<u>65,830,691</u>	<u>21,207,227</u>	<u>18,673,329</u>

During the period the Company issued 1,688,180 ordinary shares pursuant to the underwriting of the November dividend. In addition during the 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 2015 there were 2,210,000 (2014 – 2,220,000) 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 2015					
Cost	47,823,018	19,899,871	23,801,268	20,395,642	111,919,799
Accumulated depreciation	-	(2,803,747)	(12,264,556)	(7,533,873)	(22,602,176)
Net book amount	<u>47,823,018</u>	<u>17,096,124</u>	<u>11,536,712</u>	<u>12,861,769</u>	<u>89,317,623</u>
Half-year ended 31 December 2015					
Opening net book amount	47,823,018	17,096,124	11,536,712	12,861,769	89,317,623
Additions	-	4,402,463	1,475,194	1,339,113	7,216,770
Transfers	-	39,107	(1,767,616)	1,728,509	-
Transferred from property held-for-sale	-	99,905	-	-	99,905
Disposals	-	(4,862)	(100,341)	(231,220)	(336,423)
Depreciation charge	-	(196,784)	(1,160,511)	(1,559,043)	(2,916,338)
Closing net book amount	<u>47,823,018</u>	<u>21,435,953</u>	<u>9,983,438</u>	<u>14,139,128</u>	<u>93,381,537</u>
At 31 December 2015					
Cost	47,823,018	24,749,140	20,550,824	25,312,130	118,435,112
Accumulated depreciation	-	(3,313,187)	(10,567,386)	(11,173,002)	(25,053,575)
Net book amount	<u>47,823,018</u>	<u>21,435,953</u>	<u>9,983,438</u>	<u>14,139,128</u>	<u>93,381,537</u>

CTI LOGISTICS LIMITED
Notes to the condensed consolidated financial statements
31 December 2015

6. INTANGIBLE ASSETS

Consolidated	Goodwill	Trade names	Customer relationships	Security lines	Software	Total
	\$	\$	\$	\$	\$	\$
At 1 July 2015						
Cost	27,655,761	594,064	1,712,057	1,488,763	995,466	32,446,111
Accumulated amortisation	-	(335,020)	(1,216,430)	(1,446,375)	(740,516)	(3,738,341)
Net book amount	<u>27,655,761</u>	<u>259,044</u>	<u>495,627</u>	<u>42,388</u>	<u>254,950</u>	<u>28,707,770</u>
Half-year ended 31 December 2015						
Opening net book amount	27,655,761	259,044	495,627	42,388	254,950	28,707,770
Additions	166,071	-	-	2,313	17,543	185,927
Amortisation charge	-	(37,128)	(159,048)	(6,903)	(37,120)	(240,199)
Closing net book amount	<u>27,821,832</u>	<u>221,916</u>	<u>336,579</u>	<u>37,798</u>	<u>235,373</u>	<u>28,653,498</u>
At 31 December 2015						
Cost	27,821,832	594,064	1,712,057	1,491,076	1,013,009	32,632,038
Accumulated amortisation	-	(372,148)	(1,375,478)	(1,453,278)	(777,636)	(3,978,540)
Net book amount	<u>27,821,832</u>	<u>221,916</u>	<u>336,579</u>	<u>37,798</u>	<u>235,373</u>	<u>28,653,498</u>

7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share at 31 December 2015 are as follows:

	2015	2014
(i) Basic earnings per share	<u>30.13 cents</u>	<u>6.63 cents</u>
Profit attributable to ordinary shareholders	<u>\$19,970,554</u>	<u>\$4,230,691</u>
Weighted average number of shares	<u>66,277,476</u>	<u>63,845,008</u>
(ii) Diluted earnings per share	<u>30.09 cents</u>	<u>6.58 cents</u>
Profit attributable to ordinary shareholders (diluted)	<u>\$19,970,554</u>	<u>\$4,230,691</u>
<i>Weighted average number of shares (diluted)</i>		
Weighted average number of shares (basic)	66,277,476	63,845,008
The effect of the vesting of contingently issuable shares	90,756	499,317
Weighted average number of shares (diluted) at 31 December	<u>66,368,232</u>	<u>64,344,325</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. 960,000 of the contingently issuable shares were anti-dilutive and therefore were not included in the above calculation.

CTI LOGISTICS LIMITED
Notes to the condensed consolidated financial statements
31 December 2015

8. DISPOSAL OF PROPERTY HELD-FOR-SALE

The group disposed of its Bibra Lake property on 15 October 2015 for \$26,000,000. The profit on sale of land and buildings net of disposal costs amounted to \$18,923,177 and has been recognised in full in the period to 31 December 2015. The group has available capital losses that will be used to offset part of the capital gain arising on the disposal. Income tax expense of \$2,400,000 on the sale of the property after capital losses has been recognised in the period. On 17 October 2015 the property was leased back by a CTI subsidiary for a twelve year period with two five year options, at market rates.

9. ACQUISITION OF SUBSIDIARY

In the prior financial period the group acquired Logico Operations Group Limited and its subsidiary G.M. Kane & Sons Pty Ltd (GMK) on 10 June 2015.

In accordance with the terms of the acquisition agreement, the deferred consideration of \$14,200,000 was paid in September 2015 to the vendors of G.M. Kane & Sons Pty Ltd. The identified assets acquired and liabilities assumed at acquisition date have been measured on a provisional basis including \$23,500,000 of goodwill. Finalisation of acquisition accounting will be made in the 30 June 2016 financial report. The group has a reasonable expectation that a non cash amortisation charge on finite life intangibles will be recognised when the acquisition accounting is finalised.

10. CAPITAL COMMITMENT

There is capital expenditure commitments totalling \$1,041,399 (2014 - \$1,555,154) as at 31 December 2015.

11. 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 2015 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
25 February 2016



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

Report on the financial report

We have reviewed the accompanying condensed half-year financial report of CTI Logistics Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2015, 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 2015 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 2015 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

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Graham Hogg
Partner

Perth

25 February 2016