CTI Logistics Limited

ABN 69 008 778 925

Appendix 4D
Half-year Report

Half-year ended 31 December 2019

For announcement to the market

Extracts from this report for announcement to the market $A'000

Revenue	Down	1.8%	to	$109,814
Profit from ordinary activities after tax attributable to members	Up	23.3%	to	$1,126
Net profit for the period attributable to members	Up	23.3%	to	$1,126

Dividends		Amount per security	Franked amount per security
Final dividend	Year ended 30 June 2019	Nil cents	Nil cents
	Previous corresponding period	2.0 cents	2.0 cents
Interim dividend	Current period	Nil cents	Nil cents
	Previous corresponding period	2.0 cents	2.0 cents

+Record date for determining entitlements to the dividend: N/A

Net profit for the period excluding adoption of AASB 16 and contingent consideration

The table below shows the change in net profit in the period attributable to members after excluding the impacts of adopting AASB 16 in the current period and additional contingent consideration related to acquisition of Jayde Transport in the previous corresponding period.

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 2018	$914	$2,340		$3,254
Net profit for the period to 31 December 2019	$1,126	$201		$1,327
Net profit for the period attributable to members as adjusted for additional contingent consideration	Down	59.3%	to	$1,327

NTA backing

	31 December 2019	30 June 2019
Net tangible asset backing per ordinary security	68 cents	75 cents

NTA backing adjusted for adoption of AASB 16

On 1 July 2019 the Group adopted the new accounting standard AASB 16 which resulted in a reduction to retained earnings of $6.5 million on adoption. The table below shows the adjusted NTA backing at 1 July 2019, inclusive of the impact of AASB 16.

	31 December 2019	As at 1 July 2019 including adoption of AASB 16
Net tangible asset backing per ordinary security	68 cents	68 cents

Dividend

Details of dividends declared or paid during or subsequent to the period ended 31 December 2019 are as follows:

	Payment date	Amount per security	Total dividend	Franked amount per security
Final dividend – year ended 30 June 2019 (fully franked at 30%)	N/A	Nil cents	$Nil	Nil cents
Interim dividend – Current period (fully franked at 30%)	N/A	Nil cents	$Nil	Nil 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 2019

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 2019 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 2019 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

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 2019 - ordinary	Nil	Nil	-	N/A
Declared after end of half-year				
Interim 2020 - ordinary	Nil	Nil	-	N/A

No interim dividend has been declared after half-year end date.

Review of operations and results

Profit before tax for the period was $1,236,999 (2018 - $1,751,699) including the impacts of adopting AASB 16 Leases which reduced profit before tax by $268,831. The profit before tax excluding the adoption of AASB 16 was $1,505,830, down 63% on the previous corresponding period (2018 - $4,091,669 after excluding contingent consideration relating to the Jayde Transport acquisition of $2,340,000). The result from operating activities excluding depreciation and amortisation expense in the Statement of Profit and Loss and Other Comprehensive Income ("EBITDA") for the half year was $6,943,482 (excluding the impacts of adopting AASB 16 of $7,239,172), down 29% on the previous period. Revenue from operations was down 1.8%, to $109,814,663.

The results for the period continue to be impacted by the state of the economy, particularly in Western Australia, with reductions in activity and margin pressure across a wide range of customers. Interstate freight was further impacted by natural disasters on the East coast, including lower volumes and higher associated costs to maintain service levels. The Company continues to focus on cost reduction and productivity initiatives to improve margins.

During the period the Company has invested in growing our national freight operations in Melbourne, Sydney and Brisbane, including the relocation of two transport depots in Perth and Melbourne, as well as investing in information technology at GMK (specialised flooring logistics) and warehousing divisions to enhance our operating systems and performance.

Although current market conditions have been challenging, the Company continues to generate strong cash flow and is poised to take advantage of and benefit from any uplift in the economy. Cash flow has been directed to targeted business investment and debt reduction following recent acquisitions.

The directors have determined that no interim dividend will be declared

Changes in the state of affairs
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 2019.

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

DAVID MELLOR
Director

Perth, WA
26 February 2020

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 2019 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

Graham Hogg
Partner

Perth

26 February 2020

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Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2019

	2019 $	2018 $
Revenue	109,814,663	111,804,931
Other income	553,357	567,019
Raw materials and consumables used	(590,205)	(479,071)
Employee benefits expense	(36,605,119)	(36,137,917)
Subcontractor expense	(36,497,607)	(35,126,723)
Depreciation and amortisation expense+	(10,459,768)	(4,582,949)
Motor vehicle and transportation costs	(13,637,294)	(14,915,059)
Property costs+	(1,617,551)	(8,743,030)
Other expenses	(7,237,590)	(9,546,250)
Results from operating activities	3,722,886	2,840,951
Finance income	10,507	25,841
Finance expense+	(2,496,394)	(1,115,093)
Net finance costs	(2,485,887)	(1,089,252)
Profit before income tax	1,236,999	1,751,699
Income tax expense	(110,805)	(838,054)
Profit for the half-year	**1,126,194**	**913,645**
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Equity investments at FVOCI – net change in fair value	(3,620)	2,209
Total comprehensive income for the half-year	**1,122,574**	**915,854**
	Cents	**Cents**
Earnings per share for profit attributable to the ordinary equity holders of the Company		
Basic earnings per share	1.50	1.23
Diluted earnings per share	1.50	1.22

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

+The comparative period has not been restated for the adoption of AASB 16. Refer to Note 1 for further information.

Condensed consolidated statement of financial position as at 31 December 2019

	31 December 2019 $	30 June 2019 $
ASSETS		
Current assets		
Cash and cash equivalents	1,570,219	2,186,341
Trade and other receivables	31,831,696	30,793,668
Income tax receivable	55,227	504,167
Inventories	171,898	134,345
Total current assets	33,629,040	33,618,521
Non-current assets		
Available-for-sale financial assets	65,812	70,980
Property, plant and equipment+	90,104,310	98,031,641
Investment properties	2,207,021	2,207,021
Deferred tax assets+	3,460,728	567,952
Right-of-use assets+	58,154,471	-
Intangible assets	33,695,949	34,048,840
Total non-current assets	187,688,291	134,926,434
Total assets	221,317,331	168,544,955
LIABILITIES		
Current liabilities		
Trade and other payables+	17,578,143	21,694,937
Borrowings	-	2,209,975
Lease liabilities+	15,274,241	-
Provisions	5,760,985	6,000,414
Total current liabilities	38,613,369	29,905,326
Non-current liabilities		
Borrowings+	42,300,000	46,360,156
Lease liabilities+	52,803,773	-
Provisions	2,665,871	1,981,997
Total non-current liabilities	97,769,644	48,342,153
Total liabilities	136,383,013	78,247,479
Net assets	**84,934,318**	**90,297,476**
EQUITY		
Contributed equity	27,248,025	27,248,025
Reserves	1,920,552	1,893,175
Retained profits+	55,765,741	61,156,276
Total equity	**84,934,318**	**90,297,476**

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

+The comparative period has not been restated for the adoption of AASB 16. Refer to Note 1 for further information.

Condensed consolidated statement of changes in equity for the half-year ended 31 December 2019

Consolidated	**Contributed equity** $	**Reserves** $	**Retained profits** $	**Total equity** $
Balance at 1 July 2018	26,727,285	1,778,533	63,354,100	91,859,918
Total comprehensive income for the half-year	-	2,209	913,645	915,854
Transactions with equity holders in their capacity as equity holders:				
Issuance of shares	356,760	-	-	356,760
Share-based payment	-	63,370	-	63,370
Dividends provided or paid	11,199	-	(1,489,076)	(1,477,877)
Balance at 31 December 2018	27,095,244	1,844,112	62,778,669	91,718,025
Balance at 30 June 2019	27,248,025	1,893,175	61,156,276	90,297,476
Adoption of AASB 16, net of tax	-	-	(6,516,729)	(6,516,729)
Restated at 1 July 2019	27,248,025	1,893,175	54,639,547	83,780,747
Total comprehensive income for the half-year	-	(3,620)	1,126,194	1,122,574
Transactions with equity holders in their capacity as equity holders:				
Share-based payments	-	30,997	-	30,997
Balance at 31 December 2019	27,248,025	1,920,552	55,765,741	84,934,318

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 2019

	2019 $	2018 $
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	119,349,352	122,118,232
Payments to suppliers and employees (inclusive of goods and services tax)	(107,288,510)	(114,008,171)
	12,060,842	8,110,061
Interest received	10,507	25,841
Dividends received	1,218	1,598
Interest paid	(2,349,457)	(928,702)
Income taxes paid (net of income tax refunded)	(168,270)	(1,435,853)
Net cash inflow from operating activities	9,554,840	5,772,945
Cash flows from investing activities		
Payments for property, plant and equipment	(1,409,338)	(2,756,192)
Payment for purchase of business	-	(4,043,620)
Proceeds from sale of property, plant and equipment	364,032	395,026
Net cash (outflow) from investing activities	(1,045,306)	(6,404,786)
Cash flows from financing activities		
Proceeds from borrowing	7,500,000	11,718,570
Repayment of borrowings	(9,500,000)	(8,425,167)
Repayment of lease liabilities	(7,125,656)	-
Dividends paid to Company's shareholders	-	(1,121,117)
Net cash (outflow)/inflow from financing activities	(9,125,656)	2,172,286
Net (decrease)/increase in cash and cash equivalents	(616,122)	1,540,445
Cash and cash equivalents at the beginning of the half-year	2,186,341	1,990,790
Cash and cash equivalents at the end of the half-year	1,570,219	3,531,235

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 2019 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 2019 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.*

Changes in significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2019.

AASB16 Leases

The Group initially applied AASB 16 Leases from 1 July 2019.

The Group applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information for the year ending 30 June 2019 is not restated. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in AASB 16 have not generally been applied to comparative information.

A. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the definition of a lease under AASB 16.

On transition to AASB 16, the Group elected to apply the practical expedients to grandfather the assessment of which transactions are leases at the 1 July 2019 date of implementation. The Group applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and IFRIC 4 were not reassessed for whether there is a lease under AASB 16. Therefore, the definition of a lease under AASB 16 was only applied to contracts entered into or changed on or after 1 July 2019.

B. As a lessee

As a lessee, the Group leases many assets including property, plant and equipment. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under AASB 16, the Group recognises right-of-use assets and lease liabilities for most of these leases.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

1. BASIS OF PREPARATION OF HALF-YEAR REPORT (continued)

i. Leases classified as operating leases under AASB 117

Previously the Group classified property leases and certain plant and equipment leases as operating leases under AASB 117. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at either:

- Their carrying amount as if AASB 16 had been applied since the lease commencement date, discounted using the Group's incremental borrowing rate at the date of initial application: the Group applied this approach to it's property leases; or
- An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments the Group applied this approach to all other leases.

The Group has tested its right-of-use assets for impairment on the 1 July 2019 date of transition using the practical expedient to rely on its previous assessment of onerous leases at 30 June 2019.

The Group used a number of practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117. In particular, the Group

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

ii Leases classified as finance leases under AASB 117

The Group leases a number of items of plant and equipment. These leases were classified as finance leases under AASB 117. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 were determined at the carrying amount of the lease asset and lease liability under AASB 117 immediately before that date.

C. As a lessor

The Group leases out its property, including own investment property and right-of use assets on other property leases. The Group has classified these leases as operating leases.

The Group is not required to make any adjustments on transition to AASB 16 for leases in which it acts as lessor.

D. Impact on financial statements

On transition to AASB 16, the Group recognised right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

	1 July 2019
	$
Right-of-use assets	59,389,499
Property, plant and equipment*	(5,568,929)
Deferred tax asset	2,792,884
Trade and other payables**	2,476,247
Lease liabilities	(65,606,431)
Retained earnings	6,516,729

1. BASIS OF PREPARATION OF HALF-YEAR REPORT (continued)

*The carrying amount of previously recognised finance lease assets have been transferred to right-of-use assets on transition.

**Previously recognised accruals for straight line rental expense under AASB 117 are recognised against the right-of-use assets on transition.

For the impact of AASB 16 on profit or loss for the period and the impact on segment information refer to notes 6 and 2 respectively.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019 adjusted for the specifics of the leased asset. Property portfolio of leases rate applied is 5% and other PPE is 4%.

The following is a reconciliation of the Group's operating lease commitments under AASB 117 at 30 June 2019 to the lease liability recognised at 1 July 2019 on transition to AASB 16.

	1 July 2019 **$**
Operating lease commitments at 30 June 2019 as disclosed under AASB 117 in the Group's consolidated financial statements	73,386,783
Discounted using the incremental borrowing rate at 1 July 2019	(11,179,152)
Less recognition exemption for leases with less than 12 months of lease term at transition	(516,626)
Add extension options included in lease liability calculation, discounted	3,915,424
Finance lease liabilities recognised as at 30 June 2019	4,270,131
Lease liabilities recognised at 1 July 2019	69,876,560

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 2019.

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.

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 2019 is as follows:

Half-year 2019	**Transport**	**Logistics**	**Property**	**Other**	**Reconciling/ unallocated**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
External revenues	64,127,179	42,418,948	80,131	3,096,604	91,801	109,814,663
Intra and inter-segment revenue	8,671,933	26,549	1,913,713	343,759	(10,955,954)	-
Interest expense	302,499	1,449,460	285,399	-	323,470	2,360,828
Depreciation and amortisation	2,944,943	6,485,505	410,906	252,741	365,673	10,459,768
Total segment profit before income tax	1,917,452	376,595	704,900	117,955	(1,879,903)	1,236,999
31 December 2019						
Total segment assets	52,825,313	88,571,279	73,857,358	2,363,950	3,699,431	221,317,331
Total segment liabilities	29,122,299	61,478,049	38,885,176	1,722,237	5,175,252	136,383,013
Half-year 2018						
External revenues	63,778,253	44,738,457	90,295	3,011,444	186,482	111,804,931
Intra and inter-segment revenue	7,131,161	86,771	1,712,396	406,245	(9,336,573)	-
Interest expense	111,367	32,383	401,455	-	393,758	938,963
Depreciation and amortisation	1,984,247	1,654,046	414,610	276,022	254,024	4,582,949
Total segment profit before income tax	1,534,552	1,849,967	282,497	297,771	(2,213,088)	1,751,699
30 June 2019						
Total segment assets	44,576,930	43,103,204	73,559,587	2,694,217	4,611,017	168,544,955
Total segment liabilities	20,361,144	7,851,919	38,630,577	1,641,809	9,762,030	78,247,479

The Group initially applied AASB 16 at 1 July 2019, which requires the recognition of right-of-use assets and lease liabilities for lease contracts that were previously classified as operating leases (see Note 1). As a result, the Group recognised $59,389,499 of right-of-use assets and an additional $65,606,431 of liabilities from those lease contracts for a total lease liability of $69,876,560. The assets and liabilities are included within the Transport and Logistics segments as at 31 December 2019. The Group has applied the modified retrospective approach, under which comparative information is not restated.

3. PROPERTY, PLANT AND EQUIPMENT

Consolidated	Freehold land $	Freehold buildings $	Plant and equipment $	Motor vehicles $	Total $
Half-year ended 31 December 2019					
Net book amount at 30 June 2019	43,899,191	27,713,807	9,547,138	16,871,505	98,031,641
Transfer to right-of-use asset on adoption of AASB 16	-	-	(910,783)	(4,658,145)	(5,568,928)
Net book value at 1 July 2019	43,899,191	27,713,807	8,636,355	12,213,360	92,462,713
Additions	-	300,248	516,472	234,394	1,051,114
Disposals	-	-	(27,791)	(195,208)	(222,999)
Depreciation charge	-	(592,745)	(1,156,150)	(1,437,623)	(3,186,518)
Closing net book amount	43,899,191	27,421,310	7,968,886	10,814,923	90,104,310
At 31 December 2019					
Cost	43,899,191	33,482,428	29,050,197	30,348,246	136,780,062
Accumulated depreciation	-	(6,061,118)	(21,081,311)	(19,533,323)	(46,675,752)
Net book amount	43,899,191	27,421,310	7,968,886	10,814,923	90,104,310

4. INTANGIBLE ASSETS

Consolidated	Goodwill $	Trade names $	Customer relationships $	Security lines $	Software $	Total $
At 1 July 2019						
Cost	26,461,029	3,726,914	9,178,756	1,526,092	2,553,746	43,446,537
Accumulated amortisation	-	(1,678,216)	(4,896,373)	(1,497,737)	(1,325,371)	(9,397,697)
Net book amount	26,461,029	2,048,698	4,282,383	28,355	1,228,375	34,048,840
Half-year ended 31 December 2019						
Opening net book amount	26,461,029	2,048,698	4,282,383	28,355	1,228,375	34,048,840
Additions	-	-	-	12,767	458,984	471,751
Amortisation charge	-	(234,065)	(402,665)	(8,165)	(179,747)	(824,642)
Closing net book amount	26,461,029	1,814,633	3,879,718	32,957	1,507,612	33,695,949
At 31 December 2019						
Cost	26,461,029	3,726,914	9,178,756	1,538,859	2,991,664	43,897,222
Accumulated amortisation	-	(1,912,281)	(5,299,038)	(1,505,902)	(1,484,052)	(10,201,273)
Net book amount	26,461,029	1,814,633	3,879,718	32,957	1,507,612	33,695,949

5. CAPITAL AND RESERVES

(a) EQUITY SECURITIES

	December 2019 Shares	June 2019 Shares	December 2019 $	June 2019 $
Balance at the beginning of the period	75,027,420	74,453,777	27,248,025	26,727,285
Dividend reinvestment plan	-	548,494	-	498,585
Bonus share plan	-	25,149	-	22,155
Balance at the end of the period	75,027,420	75,027,420	27,248,025	27,248,025

At 31 December 2019 there were 2,685,000 (30 June 2019 – 2,685,000) contingently issuable shares relating to shares issued under the Company's Employee Share Plan.

(b) DIVIDENDS

	2019 $	2018 $
Ordinary shares		
Dividends provided for or paid during the half-year		
Final dividend for the year ended 30 June 2019 – Nil cents (2018 – 2.0 cents) per fully paid ordinary share	-	1,489,076
Less – bonus issue of ordinary shares under the Company's Bonus Share Plan	-	(11,199)
	-	1,477,877

No interim dividend has been declared after half-year end date (2018 – 2.0 cents fully franked based on tax paid at 30%).

(c) EARNINGS PER SHARE

The calculation of basic and diluted earnings per share at 31 December 2019 are as follows:

	2019	2018
(i) Basic earnings per share	1.50 cents	1.23 cents
Profit attributable to ordinary shareholders	$1,126,194	$913,645
Weighted average number of shares	75,027,420	74,550,608
(ii) Diluted earnings per share	1.50 cents	1.22 cents
Profit attributable to ordinary shareholders (diluted)	$1,126,194	$913,645
Weighted average number of shares (diluted)		
Weighted average number of shares (basic)	75,027,420	74,550,608
The effect of the vesting of contingently issuable shares	-	56,297
Weighted average number of shares (diluted) at 31 December	75,027,420	74,606,905

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. LEASES

A. Leases as lessee (AASB 16)

The Group leases warehouse and transport depot facilities. These leases typically run for a period of 5 years, however range from 1 year to 12 years, generally with an option to renew the lease after that date. Lease payments increase with CPI or fixed percentages based on the underlying lease, with market reviews generally coming into effect at the time of renewal.

These property leases provide for the payment of outgoings in addition to rent payments. These payments are determined to be variable in nature and have not been included within the calculation of the lease liability.

Prior to the implementation of AASB 16, leases of property, which combined land and buildings, were classified as operating leases under AASB 117.

The Group also leases plant and equipment, these leases were previously either classified as operating or finance leases based on the underlying terms of the contract under the previous AASB 117 standard.

Information about leases for which the Group is a lessee is presented below.

i. Right-of-use assets

	Land and buildings	Plant and equipment	Total
	$	$	$
Balance at 1 July 2019	52,492,528	6,896,971	59,389,499
Depreciation for the period	(5,543,245)	(905,362)	(6,448,607)
Additions to right-of-use assets	2,199,017	3,014,562	5,213,579
Balance at 31 December 2019	49,148,300	9,006,171	58,154,471

ii. Amounts recognised in profit or loss

	$
31 December 2019 – Leases under AASB 16	
Interest on lease liabilities	1,602,947
Income from sub-leasing right-of-use assets presented in “other revenue”	(319,470)
Expenses relating to short-term leases	1,641,796
Expenses relating to leases of low-value assets	29,424
Variable lease payments excluded from lease liability calculations	703,440
31 December 2018 – Operating leases under AASB 117	
Lease expense	7,985,128

iii. Extension options

Some property leases contain certain extension options exercisable by the Group prior to the end of the non-cancellable contract period. Where practicable, the Group seeks to include the extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

B. Leases as lessor

The Group leases out its investment property. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Rental income recognised by the Group during the period was $30,236 (2018: $29,816).

7. PURCHASE OF BUSINESS

Jayde Transport

On 30 October 2017 the group acquired the business operations and assets of Jayde Transport (“Jayde”). The purchase price included a cash payment of $6,500,000, a deferred payment of $1,000,000 on 30 April 2018 and contingent consideration of up to $2,850,000. At acquisition, the group provided for $510,000 of contingent consideration which was capitalised as part of the acquisition cost. Earnings for Jayde exceeded expectations resulting in an additional consideration of $2,340,000 being recognised within “other expenses” in the prior 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 17 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 2019 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
26 February 2020

KPMG

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 2019 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 the:

- Condensed consolidated statement of financial position as at 31 December 2019.
- 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 1 to 8 comprising a summary of significant accounting policies and other explanatory information.
- 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*.
- 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.

KPMG

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 2019 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

KPMG

Graham Hogg
Partner

Perth

26 February 2020