

CTI Logistics Limited

ABN 69 008 778 925

Appendix 4D Half-year report

Half-year ended 31 December 2011

For announcement to the market

Extracts from this report for announcement to the market

\$A'000

Revenue	up	21.44%	to	45,352
Profit from ordinary activities after tax attributable to members	up	7.26%	to	3,907
Net profit for the period attributable to members	up	7.26%	to	3,907
Dividends		Amount per security		Franked amount per security
Final dividend	Year ended 30 June 2011	3.0 cents		3.0 cents
	Previous corresponding period	3.0 cents		3.0 cents
Interim dividend	Current period	3.0 cents		3.0 cents
	Previous corresponding period	3.0 cents		3.0 cents
⁺ Record date for determining entitlements to the dividend			18 April 2012	

NTA backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	62 cents	63 cents

Dividend

Details of dividends declared or paid during or subsequent to the period ended 31 December 2011 are as follows:

	Payment date	Amount per security	Total dividend	Franked amount per security
Final dividend – year ended 30 June 2011 (fully franked at 30%)	18 November 2011	3.0 cents	\$1,476,675	3.0 cents
Interim dividend – Current period (fully franked at 30%)	2 May 2012	3.0 cents	\$1,476,675	3.0 cents

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

The Dividend Re-investment Plan and Bonus Share Plan are currently suspended.

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 2011

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 2011 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 2011 and the review report thereon.

Directors

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

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

Principal activities of the group

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

Dividends

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

	Cents per share	Total amount	Franked	Date of payment
Declared and paid during the half-year				
Final 2011 - ordinary	3	\$1,476,675	Franked	18 November 2011
Declared after end of half-year				
Interim 2012 - ordinary	3	\$1,476,675	Franked	2 May 2012

After the half-year end the directors have declared a fully franked interim dividend of 3 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 2011 and will be recognised in subsequent financial reports.

Review of operations and results

Profit after tax from operations was \$3,906,614 compared to \$3,642,313 in the previous corresponding period. Revenue from operations was \$45,352,155, compared to \$37,344,541 in the previous corresponding period. The increase in revenue in the logistics and transport segment is primarily reflected in the acquisition of Action Couriers and the continued development and ramping up of the minerals and energy sector. Net cash inflows from operating activities were \$3,837,976 up from \$3,745,412 in the prior period.

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.

CTI LOGISTICS LIMITED**Half-year report****31 December 2011**

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 2011.

Employee Share Plan

As approved at the Company's Annual General Meeting, the Company made share based payments to Mr Mellor and Mr Saxild under the Company's Employee Share Plan (**ESP**). Details of the share issue made to them under the ESP are set out below:

ESP grants to key executives

	David Mellor	Bruce Saxild
Number of shares issued under the ESP	150,000	150,000
Issue price of ESP shares	\$1.13	\$1.13
Date of issue	29 November 2011	29 November 2011
Amount of Company loan in respect of ESP shares outstanding at reporting date	\$169,500	\$169,500
Fair value recognised as remuneration during the half-year	\$7,000	\$7,000

The issue price of the shares is determined under the ESP.

The shares may be purchased with the assistance of an interest-free, limited recourse loan for a term of 10 years and is repayable by dividends. Under current Accounting Standards the shares are priced using a Black Scholes pricing model to determine the fair value to be amortised over a period of 2 years through the statement of comprehensive income.

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

DAVID MELLOR
Director

Perth, WA
27 February 2012



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

To: the directors of CTI Logistics Ltd

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2011 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

Brent Steedman
Partner

Perth

27 February 2012

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Condensed consolidated statement of comprehensive income for the half-year ended 31 December 2011

	2011 \$	2010 \$
Revenue	45,352,155	37,344,541
Other income	85,399	85,896
Changes in inventories of finished goods and work in progress	541,195	284,585
Raw materials and consumables used	(1,601,281)	(1,115,221)
Employee benefits expense	(12,472,932)	(10,122,862)
Subcontractor expense	(17,027,267)	(13,740,325)
Depreciation and amortisation expense	(1,500,970)	(1,227,331)
Motor vehicle and transportation costs	(3,366,487)	(2,433,112)
Other expenses	(3,804,889)	(3,303,937)
Results from operating activities	<u>6,204,923</u>	<u>5,772,234</u>
Finance income	33,618	28,720
Finance expense	(709,382)	(667,874)
Net finance costs	<u>(675,764)</u>	<u>(639,154)</u>
Profit before income tax	5,529,159	5,133,080
Income tax expense	(1,622,545)	(1,490,767)
Profit for the half-year	<u>3,906,614</u>	<u>3,642,313</u>
Other comprehensive income		
Net change in fair value of available-for-sale financial assets	1,446	2,225
Total comprehensive income for the half-year	<u>3,908,060</u>	<u>3,644,538</u>
	Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company		
Basic earnings per share (refer note 6)	7.94	7.40
Diluted earnings per share (refer note 6)	7.92	7.40

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

**Condensed consolidated statement of financial position
as at 31 December 2011**

	31 December 2011 \$	30 June 2011 \$
ASSETS		
Current assets		
Cash and cash equivalents	3,425	693,789
Trade and other receivables	15,785,287	11,562,849
Inventories	2,562,022	2,260,041
Total current assets	<u>18,350,734</u>	<u>14,516,679</u>
Non-current assets		
Available-for-sale financial assets	61,664	59,599
Property, plant and equipment	33,900,547	33,091,026
Investment properties	9,944,113	9,998,611
Deferred tax assets	593,180	900,891
Intangible assets	5,427,976	1,565,682
Total non-current assets	<u>49,927,480</u>	<u>45,615,809</u>
Total assets	<u>68,278,214</u>	<u>60,132,488</u>
LIABILITIES		
Current liabilities		
Trade and other payables	8,872,046	5,328,347
Borrowings	12,355	69,981
Current tax liabilities	1,207,423	903,677
Provisions	2,129,492	1,890,839
Total current liabilities	<u>12,221,316</u>	<u>8,192,844</u>
Non-current liabilities		
Borrowings	19,500,000	18,001,812
Provisions	503,765	406,084
Total non-current liabilities	<u>20,003,765</u>	<u>18,407,896</u>
Total liabilities	<u>32,225,081</u>	<u>26,600,740</u>
Net assets	<u>36,053,133</u>	<u>33,531,748</u>
EQUITY		
Contributed equity	7,292,807	7,292,807
Reserves	79,245	(12,201)
Retained profits	28,681,081	26,251,142
Total equity	<u>36,053,133</u>	<u>33,531,748</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 2011

Consolidated	Contributed equity \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2010	7,292,807	(9,707)	22,753,418	30,036,518
Total comprehensive income for the half-year	-	(2,225)	3,642,313	3,640,088
Transactions with equity holders in their capacity as equity holders:				
Dividends provided for or paid	-	-	(1,230,565)	(1,230,565)
Balance at 31 December 2010	<u>7,292,807</u>	<u>(11,932)</u>	<u>25,165,166</u>	<u>32,446,041</u>
Balance at 1 July 2011	7,292,807	(12,201)	26,251,142	33,531,748
Total comprehensive income for the half-year	-	1,446	3,906,614	3,908,060
Transactions with equity holders in their capacity as equity holders:				
Share-based payment	-	90,000	-	90,000
Dividends provided for or paid	-	-	(1,476,675)	(1,476,675)
Balance at 31 December 2011	<u>7,292,807</u>	<u>79,245</u>	<u>28,681,081</u>	<u>36,053,133</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 2011

	2011 \$	Half-year 2010 \$
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	46,099,749	39,310,192
Payments to suppliers and employees (inclusive of goods and services tax)	(40,196,246)	(33,950,258)
	<u>5,903,503</u>	<u>5,359,934</u>
Interest received	33,618	28,720
Dividends received	2,144	2,038
Interest paid	(468,429)	(459,429)
Income taxes paid	(1,632,860)	(1,185,851)
Net cash inflow from operating activities	<u>3,837,976</u>	<u>3,745,412</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(1,888,902)	(782,669)
Proceeds from sale of property, plant and equipment	146,676	85,541
Purchase of business (refer note 7)	(2,750,000)	-
Net cash outflow from investing activities	<u>(4,492,226)</u>	<u>(697,128)</u>
Cash flows from financing activities		
Proceeds from borrowings	1,500,000	2,000,000
Repayment of borrowings	(59,439)	(4,104,077)
Dividends paid to Company's shareholders	(1,476,675)	(1,230,565)
Net cash outflow from financing activities	<u>(36,114)</u>	<u>(3,334,642)</u>
Net decrease in cash and cash equivalents	(690,364)	(286,358)
Cash and cash equivalents at the beginning of the half-year	<u>693,789</u>	<u>714,825</u>
Cash and cash equivalents at the end of the half-year	<u>3,425</u>	<u>428,467</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 2011 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2011 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*.

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 2011.

Share based payment transactions

An Employee Share Plan ("ESP") allows certain group employees to acquire shares of the Company. The grant date fair value of the shares granted to employees is recognised as an employee expense with a corresponding increase in equity, over the period during which the employees become unconditionally entitled to the shares. The fair value of the shares granted is measured using a Black Scholes pricing model, taking into account the terms and conditions upon which the shares were granted. The amount recognised as an expense is adjusted to reflect the actual number of shares that vest. Employees have been granted a limited recourse 10 year interest-free loan in which to acquire the shares. The loan has not been recognised as the Company only has recourse to the value of the shares.

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 two reportable segments: logistics and transport and property.

The reportable segments are involved in the following operations:

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

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

The group's CEO 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 CEO for the reportable segments for the half-year ended 31 December 2011 is as follows:

Half-year 2011	Logistics and Transport \$	Property \$	Other \$	Total \$
External revenues	39,625,728	367,692	5,358,735	45,352,155
Intra and inter-segment revenue	2,430,834	1,624,533	(4,055,367)	-
Interest expense	46,145	417,851	4,433	468,429
Depreciation and amortisation	938,993	218,605	343,372	1,500,970
Total segment profit before income tax	5,380,389	790,629	(641,859)	5,529,159
Total segment assets	27,153,608	33,796,057	7,328,549	68,278,214
Half-year 2010				
External revenues	31,320,169	316,009	5,708,363	37,344,541
Intra and inter-segment revenue	1,891,673	1,488,842	(3,380,515)	-
Interest expense	7,865	441,821	9,743	459,429
Depreciation and amortisation	641,986	219,282	366,063	1,227,331
Total segment profit before income tax	4,706,988	627,665	(201,573)	5,133,080
Total segment assets	17,376,248	33,345,803	7,406,343	58,128,394

CTI LOGISTICS LIMITED
Notes to the condensed consolidated financial statements
31 December 2011

3. DIVIDENDS

	2011 \$	2010 \$
Ordinary shares		
Dividends provided for or paid during the half-year	<u>1,476,675</u>	<u>1,230,565</u>

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 3 cents per fully paid ordinary share, (2010 - 3 cents) fully franked based on tax paid at 30% (2010 - 30%). The aggregate amount of the proposed dividend expected to be paid on 2 May 2012 out of retained profits at 31 December 2011, but not recognised as a liability at period end, is \$1,476,675 (2010 - \$1,476,675).

4. EQUITY SECURITIES

	2011 Shares	2010 Shares	2011 \$	2010 \$
Balance at the beginning of the half-year	49,222,517	41,018,830	7,292,807	7,292,807
Bonus issue				
Ordinary shares – 1 for 5	<u>-</u>	<u>8,203,687</u>	<u>-</u>	<u>-</u>
Balance at the end of the half-year	<u>49,222,517</u>	<u>49,222,517</u>	<u>7,292,807</u>	<u>7,292,807</u>

5. INTANGIBLE ASSETS

Consolidated	Goodwill \$	Trade names \$	Customer relationships \$	Security lines \$	Software \$	Consolidated Total \$
At 1 July 2011						
Cost	1,285,670	180,225	121,567	1,431,804	305,410	3,324,676
Accumulated amortisation	-	(54,258)	(51,128)	(1,401,142)	(252,466)	(1,758,994)
Net book amount	<u>1,285,670</u>	<u>125,967</u>	<u>70,439</u>	<u>30,662</u>	<u>52,944</u>	<u>1,565,682</u>
Half-year ended 31 December 2011						
Opening net book amount	1,285,670	125,967	70,439	30,662	52,944	1,565,682
Additions	2,505,058	256,720	1,210,568	1,004	83,602	4,056,952
Amortisation charge	-	(25,527)	(112,143)	(4,930)	(52,058)	(194,658)
Closing net book amount	<u>3,790,728</u>	<u>357,160</u>	<u>1,168,864</u>	<u>26,736</u>	<u>84,488</u>	<u>5,427,976</u>
At 31 December 2011						
Cost	3,790,728	436,945	1,332,135	1,432,808	389,012	7,381,628
Accumulated amortisation	-	(79,785)	(163,271)	(1,406,072)	(304,524)	(1,953,652)
Net book amount	<u>3,790,728</u>	<u>357,160</u>	<u>1,168,864</u>	<u>26,736</u>	<u>84,488</u>	<u>5,427,976</u>

CTI LOGISTICS LIMITED
Notes to the condensed consolidated financial statements
31 December 2011

6. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share at 31 December 2011 are as follows:

	2011 Cents per share	2010 Cents per share
(i) Basic earnings per share	7.94	7.40
Profit attributable to ordinary shareholders	\$ 3,906,614	\$ 3,642,313
Weighted average number of shares	Number 49,222,517	Number 49,222,517
(ii) Diluted earnings per share	Cents per share 7.92	Cents per share 7.40
Profit attributable to ordinary shareholders (diluted)	\$ 3,906,614	\$ 3,642,313
<i>Weighted average number of shares (diluted)</i>	Number	Number
Weighted average number of shares (basic)	49,222,517	49,222,517
The effect of the vesting of contingently issuable shares	92,440	-
Weighted average number of shares (diluted) at 31 December	49,314,957	49,222,517

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.

7. BUSINESS COMBINATION

On 15 August 2011, CTI Business Investment Company Pty Ltd, a controlled entity, acquired 100% ownership of the business of Action Couriers and Taxi Trucks (Action).

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	\$
<i>Purchase consideration</i>	
Cash paid	2,750,000
Instalment payable 31 December 2011	450,000
Contingent consideration	550,000
Total purchase consideration	<u>3,750,000</u>

Contingent consideration

In the event that certain predetermined margins are achieved by the business, additional consideration of up to \$550,000 may be payable in cash.

7. BUSINESS COMBINATION (continued)

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value
	\$
Plant and equipment	217,840
Intangible assets: trade name	256,720
Intangible assets: customer relationships	1,210,568
Deferred tax liabilities	<u>(440,186)</u>
Total net identifiable assets	<u>1,244,942</u>

\$

Goodwill

Goodwill has been recognised as a result of the acquisition as follows:

Total consideration	3,750,000
Less fair value of identifiable assets	<u>(1,244,942)</u>
Goodwill	<u>2,505,058</u>

The goodwill is attributable to the workforce, synergies, mutual client base and profitability of the acquired business. The fair value of trade name and customer relationships acquired are based on discounted cash flow models.

8. SUBSEQUENT EVENTS

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

Directors' Declaration

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

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

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



DAVID MELLOR
Director

Perth, WA
27 February 2012



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 2011, condensed consolidated statement of 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 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 2011 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 2011 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*.

A handwritten signature in black ink, appearing to read 'Kpmg'.

KPMG

A handwritten signature in black ink, appearing to read 'Brent Steedman'.

Brent Steedman
Partner

Perth

27 February 2012