CTI Logistics Limited

ABN 69 008 778 925

Appendix 4D
Half-year report

Half-year ended 31 December 2012

For announcement to the market

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

Revenue	up	38.8%	to	62,927
Profit from ordinary activities after tax attributable to members	up	57.4%	to	6,147
Net profit for the period attributable to members	up	57.4%	to	6,147

Dividends		Amount per security	Franked amount per security
Final dividend	Year ended 30 June 2012	3.5 cents	3.5 cents
	Previous corresponding period	3.0 cents	3.0 cents
Interim dividend	Current period	3.5 cents	3.5 cents
	Previous corresponding period	3.0 cents	3.0 cents
+Record date for determining entitlements to the dividend		12 April 2013	

NTA backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	64 cents	62 cents

Dividend

Details of dividends declared or paid during or subsequent to the period ended 31 December 2012 are as follows:

	Payment date	Amount per security	Total dividend	Franked amount per security
Final dividend – year ended 30 June 2012 (fully franked at 30%)	16 November 2012	3.5 cents	$2,067,341	3.5 cents
Interim dividend – Current period (fully franked at 30%)	3 May 2013	3.5 cents	$2,067,341	3.5 cents

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

The board has established a dividend reinvestment plan and bonus share plan which will apply to the 3 May 2013 interim dividend.

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 2012

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 2012 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 2012 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 2012 - ordinary	3.5	$2,067,341	Franked	16 November 2012
Declared after end of half-year				
Interim 2013 - ordinary	3.5	$2,067,341	Franked	3 May 2013

After the half-year end the directors have declared a fully franked interim dividend of 3.5 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 2012 and will be recognised in subsequent financial reports.

Review of operations and results
Profit after tax from operations was $6,147,367 compared to $3,906,614 in the previous corresponding period. Revenue from operations was $62,927,287 compared to $45,352,155 in the previous corresponding period. The increase in revenue in the logistics segment is primarily reflected in the continued development and ramping up of resource related work. Net cash inflows from operating activities were $3,769,591 down from $3,837,976 in the prior period due mainly to funding of working capital growth.

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 2012.

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

DAVID MELLOR
Director

Perth, WA
27 February 2013

KPMG

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 2012 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 2013

Contents

Condensed consolidated statement of comprehensive income for the half-year ended 31 December 2012

	2012 $	2011 $
Revenue	62,927,287	45,352,155
Other income	153,309	85,399
Changes in inventories of finished goods and work in progress	466,853	541,195
Raw materials and consumables used	(4,280,664)	(1,601,281)
Employee benefits expense	(18,127,367)	(12,472,932)
Subcontractor expense	(19,910,955)	(17,027,267)
Depreciation and amortisation expense	(1,557,792)	(1,500,970)
Motor vehicle and transportation costs	(4,182,833)	(3,366,487)
Other expenses	(5,799,248)	(3,804,889)
Results from operating activities	9,688,590	6,204,923
Finance income	37,164	33,618
Finance expense	(799,182)	(709,382)
Net finance costs	(762,018)	(675,764)
Profit before income tax	8,926,572	5,529,159
Income tax expense	(2,779,205)	(1,622,545)
Profit for the half-year	6,147,367	3,906,614
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Net change in fair value of available-for-sale financial assets	6,415	1,446
Total comprehensive income for the half-year	6,153,782	3,908,060
	Cents	**Cents**
Earnings per share for profit attributable to the ordinary equity holders of the Company as adjusted for the bonus issue on 5 June 2012		
Basic earnings per share (refer note 6)	10.41	6.61
Diluted earnings per share (refer note 6)	10.37	6.60

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 2012

	31 December 2012 $	30 June 2012 $
ASSETS		
Current assets		
Cash and cash equivalents	799,292	1,407,492
Trade and other receivables	22,788,609	17,354,887
Inventories	3,205,369	2,733,503
Total current assets	26,793,270	21,495,882
Non-current assets		
Other receivables	19,800	39,600
Available-for-sale financial assets	72,043	62,877
Property, plant and equipment	44,676,025	35,714,360
Investment properties	9,835,487	9,889,986
Deferred tax assets	916,260	922,675
Intangible assets	4,641,856	4,826,909
Total non-current assets	60,161,471	51,456,407
Total assets	86,954,741	72,952,289
LIABILITIES		
Current liabilities		
Trade and other payables	11,761,200	8,275,330
Borrowings	183,922	1,812
Current tax liabilities	1,741,111	1,236,017
Provisions	2,257,446	2,167,592
Total current liabilities	15,943,679	11,680,751
Non-current liabilities		
Borrowings	27,999,079	22,600,000
Provisions	505,411	472,722
Total non-current liabilities	28,504,490	23,072,722
Total liabilities	44,448,169	34,753,473
Net assets	42,506,572	38,198,816
EQUITY		
Contributed equity	7,292,807	7,292,807
Reserves	503,458	275,728
Retained profits	34,710,307	30,630,281
Total equity	42,506,572	38,198,816

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 2012

Consolidated	Contributed equity	Reserves	Retained profits	Total equity
	$	$	$	$
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	7,292,807	79,245	28,681,081	36,053,133
Balance at 1 July 2012	7,292,807	275,728	30,630,281	38,198,816
Total comprehensive income for the half-year	-	6,415	6,147,367	6,153,782
Transactions with equity holders in their capacity as equity holders:				
Share-based payment	-	221,315	-	221,315
Dividends provided for or paid	-	-	(2,067,341)	(2,067,341)
Balance at 31 December 2012	7,292,807	503,458	34,710,307	42,506,572

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 2012

	Half-year 2012 $	2011 $
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	63,940,164	46,099,749
Payments to suppliers and employees (inclusive of goods and services tax)	(57,453,166)	(40,196,246)
	6,486,998	5,903,503
Interest received	37,164	33,618
Dividends received	2,054	2,144
Interest paid	(468,711)	(468,429)
Income taxes paid	(2,287,914)	(1,632,860)
Net cash inflow from operating activities	3,769,591	3,837,976
Cash flows from investing activities		
Payments for property, plant and equipment	(6,932,611)	(1,888,902)
Proceeds from sale of property, plant and equipment	32,565	146,676
Purchase of business (refer note 8)	(408,592)	(2,750,000)
Net cash outflow from investing activities	(7,308,638)	(4,492,226)
Cash flows from financing activities		
Proceeds from borrowings	5,000,000	1,500,000
Repayment of borrowings	(1,812)	(59,439)
Dividends paid to Company's shareholders	(2,067,341)	(1,476,675)
Net cash inflow (outflow) from financing activities	2,930,847	(36,114)
Net decrease in cash and cash equivalents	(608,200)	(690,364)
Cash and cash equivalents at the beginning of the half-year	1,407,492	693,789
Cash and cash equivalents at the end of the half-year	799,292	3,425

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 2012 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 2012 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 2012.

2. SEGMENT INFORMATION

(a) Description of segments

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

During the period the logistics and transport segment was split for reporting purposes due to the growth in revenue and the different type of assets involved and as a result the prior year figures has been restated to reflect the split of the segment.

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, fleet management and document storage services.
- Logistics - warehousing and distribution and supply based management.
- 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 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 2012 is as follows:

Half-year 2012	**Transport $**	**Logistics $**	**Property $**	**Other $**	**Total $**
External revenues	37,490,593	19,797,956	331,679	5,307,059	62,927,287
Intra and inter-segment revenue	2,440,677	90,042	1,716,848	(4,247,567)	-
Interest expense	59,414	-	404,421	4,876	468,711
Depreciation and amortisation	655,012	282,189	218,704	401,887	1,557,792
Total segment profit before income tax	5,679,598	3,309,595	918,376	(980,997)	8,926,572
Total segment assets	21,406,789	11,009,145	44,241,479	10,297,328	86,954,741
Half-year 2011					
External revenues	30,945,276	8,680,452	367,692	5,358,735	45,352,155
Intra and inter-segment revenue	2,332,155	98,679	1,624,533	(4,055,367)	-
Interest expense	45,391	754	417,851	4,433	468,429
Depreciation and amortisation	656,433	282,560	218,605	343,372	1,500,970
Total segment profit before income tax	4,080,408	1,299,981	790,629	(641,859)	5,529,159
Total segment assets	21,992,954	5,160,654	33,796,057	7,328,549	68,278,214

3. DIVIDENDS

	2012 $	2011 $
Ordinary shares		
Dividends provided for or paid during the half-year	2,067,341	1,476,675

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 3.5 cents per fully paid ordinary share, (2011 - 3 cents) fully franked based on tax paid at 30% (2011 – 30%). The aggregate amount of the proposed dividend expected to be paid on 3 May 2013 out of retained profits at 31 December 2012, but not recognised as a liability at period end, is $2,067,341 (2011 - $1,476,675).

4. EQUITY SECURITIES

	2012 Shares	2011 Shares	2012 $	2011 $
Balance at the beginning of the half-year	59,066,899	49,222,517	7,292,807	7,292,807
Balance at the end of the half-year	59,066,899	49,222,517	7,292,807	7,292,807

At 31 December 2012 there were 1,260,000 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 2012					
Cost	12,254,012	15,679,019	17,663,801	8,772,105	54,368,937
Accumulated depreciation	-	(3,536,898)	(11,300,407)	(3,817,272)	(18,654,577)
Net book amount	12,254,012	12,142,121	6,363,394	4,954,833	35,714,360
Half-year ended 31 December 2012					
Opening net book amount	12,254,012	12,142,121	6,363,394	4,954,833	35,714,360
Additions	2,804,604	5,513,576	1,557,678	416,834	10,292,692
Disposals	-	-	(1,718)	(13,688)	(15,406)
Depreciation charge	-	(160,084)	(712,418)	(443,119)	(1,315,621)
Closing net book amount	15,058,616	17,495,613	7,206,936	4,914,860	44,676,025
At 31 December 2012					
Cost	15,058,616	21,192,595	19,211,176	9,107,996	64,570,383
Accumulated depreciation	-	(3,696,982)	(12,004,240)	(4,193,136)	(19,894,358)
Net book amount	15,058,616	17,495,613	7,206,936	4,914,860	44,676,025

6. INTANGIBLE ASSETS

Consolidated	Goodwill	Trade names	Customer relationships	Security lines	Software	Total
	$	$	$	$	$	$
At 1 July 2012						
Cost	3,350,542	436,945	1,332,135	1,443,587	404,894	6,968,103
Accumulated amortisation	-	(107,985)	(295,590)	(1,411,221)	(326,398)	(2,141,194)
Net book amount	3,350,542	328,960	1,036,545	32,366	78,496	4,826,909
Half-year ended 31 December 2012						
Opening net book amount	3,350,542	328,960	1,036,545	32,366	78,496	4,826,909
Additions	-	-	-	-	2,618	2,618
Amortisation charge	-	(27,308)	(133,210)	(5,817)	(21,336)	(187,671)
Closing net book amount	3,350,542	301,652	903,335	26,549	59,778	4,641,856
At 31 December 2012						
Cost	3,350,542	436,945	1,332,135	1,443,587	407,512	6,970,721
Accumulated amortisation	-	(135,293)	(428,800)	(1,417,038)	(347,734)	(2,328,865)
Net book amount	3,350,542	301,652	903,335	26,549	59,778	4,641,856

7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share at 31 December 2012 are as follows:

	2012	2011
	Cents per share	**Cents per share**
(i) Basic earnings per share as adjusted for the 1 for 5 bonus issue on 5 June 2012.	10.41	6.61
	$	**$**
Profit attributable to ordinary shareholders.	6,147,367	3,906,614
	Number	**Number**
Weighted average number of shares as adjusted for the 1 for 5 bonus issue on 5 June 2012.	59,066,899	59,066,899
	Cents per share	**Cents per share**
(ii) Diluted earnings per share as adjusted for the 1 for 5 bonus issue on 5 June 2012.	10.37	6.60
	$	**$**
Profit attributable to ordinary shareholders (diluted)	6,147,367	3,906,614
	Number	**Number**
Weighted average number of shares (diluted)		
Weighted average number of shares as adjusted for the 1 for 5 bonus issue on 5 June 2012 (basic).	59,066,899	59,066,899
The effect of the vesting of contingently issuable shares	234,956	92,440
Weighted average number of shares as adjusted for the 1 for 5 bonus issue on 5 June 2012 (diluted) at 31 December 2012.	59,301,855	59,159,339

7. EARNINGS PER SHARE (continued)

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.

8. 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:

	2011
	$
Purchase consideration	
Cash paid	3,200,000
Contingent consideration	*550,000
Total purchase consideration	3,750,000

**Contingent consideration*
At 31 December 2012 additional consideration of $408,592 was paid. The initial estimate was $550,000 which was accrued in the financial statements as of 30 June 2012. The resulting reduction of $141,408 has been recognised in the consolidated statement of comprehensive income.

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

	Fair value
	2011
	$
Plant and equipment	217,840
Intangible assets: trade name	256,720
Intangible assets: customer relationships	1,210,568
Total net identifiable assets	1,685,128

	2011
	$
Goodwill	
Goodwill has been recognised as a result of the acquisition as follows:	
Total consideration	3,750,000
Less fair value of identifiable assets	(1,685,128)
Goodwill	2,064,872

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.

9. CAPITAL COMMITMENT

There is capital expenditure commitments totalling $3,435,135 as at 31 December 2012.

10. SUBSEQUENT EVENTS

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

Directors' Declaration

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

(a) the consolidated financial statements and notes that are set out on pages 6 to 14 are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the group's financial position as at 31 December 2012 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 2013

KPMG

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 Logistic Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2012, 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 1 to 10 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 2012 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*.

KPMG

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 2012 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

Brent Steedman
Partner

Perth

27 February 2013