CTI Logistics Limited

ABN 69 008 778 925

Appendix 4D
Half-year Report

Half-year ended 31 December 2013

For announcement to the market
Extracts from this report for announcement to the market

				$A'000
Revenue	up	17.3%	to	73,833
Profit from ordinary activities after tax attributable to members	up	8.9%	to	6,694
Net profit for the period attributable to members	up	8.9%	to	6,694

Dividends		Amount per security	Franked amount per security
Final dividend	Year ended 30 June 2013	4.0 cents	4.0 cents
	Previous corresponding period	3.5 cents	3.5 cents
Interim dividend	Current period	4.0 cents	4.0 cents
	Previous corresponding period	3.5 cents	3.5 cents

+Record date for determining entitlements to the dividend	1 April 2014

NTA backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	81 cents	64 cents

Dividend

Details of dividends declared or paid during or subsequent to the period ended 31 December 2013 are as follows:

	Payment date	Amount per security	Total dividend	Franked amount per security
Final dividend – year ended 30 June 2013 (fully franked at 30%)	15 November 2013	4.0 cents	$2,406,597	4.0 cents
Interim dividend – Current period (fully franked at 30%)	15 April 2014	4.0 cents	$2,536,585	4.0 cents

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

A dividend reinvestment 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 2013

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 2013 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 2013 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 2013 - ordinary	4.0	$2,406,597	Franked	15 November 2013
Declared after end of half-year				
Interim 2014 - ordinary	4.0	$2,536,585	Franked	15 April 2014

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 2013 and will be recognised in subsequent financial reports.

Review of operations and results

Profit after tax for the period was $6,694,207, up 8.9% on the previous corresponding period. Revenue from operations was up 17.3%, to $73,833,068. The results for the period were impacted by a combination of:

- the tough market conditions that have affected all businesses within the group
- additional costs of $1.25m incurred and expensed in the six month period relating to the on-going development of a regional road freight network in Western Australia
- the Company sold one of its investment properties for a profit of $2.9m, with no tax effect following the recoupment of prior year capital losses, and took impairments totalling $1.6m on two other investment properties
- commenced construction of the second stage of our Hazelmere warehousing and distribution complex, adding an additional 4,000 squares metres of warehousing space

We continue to operate in a difficult environment, but we are positioning the Company for significant growth in revenue and profit for the future, as conditions improve.

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 2013.

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

DAVID MELLOR
Director

Perth, WA
19 February 2014

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 2013 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

Brent Steedman
Partner

Perth

19 February 2014

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Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2013

	2013 $	2012 $
Revenue	73,833,068	62,927,287
Other income	2,990,063	153,309
Changes in inventories of finished goods and work in progress	(23,768)	466,853
Raw materials and consumables used	(4,182,325)	(4,280,664)
Employee benefits expense	(24,970,690)	(18,127,367)
Subcontractor expense	(19,585,568)	(19,910,955)
Depreciation and amortisation expense	(2,636,286)	(1,557,792)
Motor vehicle and transportation costs	(7,118,000)	(4,182,833)
Other expenses	(8,167,551)	(5,799,248)
Results from operating activities	10,138,943	9,688,590
Finance income	41,714	37,164
Finance expense	(1,016,965)	(799,182)
Net finance costs	(975,251)	(762,018)
Profit before income tax	9,163,692	8,926,572
Income tax expense	(2,469,485)	(2,779,205)
Profit for the half-year	6,694,207	6,147,367
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Net change in fair value of available-for-sale financial assets	3,706	6,415
Total comprehensive income for the half-year	6,697,913	6,153,782
	Cents	**Cents**
Earnings per share for profit attributable to the ordinary equity holders of the Company		
Basic earnings per share (refer note 7)	10.70	10.41
Diluted earnings per share (refer note 7)	10.60	10.37

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 2013

	31 December 2013 $	30 June 2013 $
ASSETS		
Current assets		
Cash and cash equivalents	2,819,022	4,440,952
Trade and other receivables	28,855,428	21,604,640
Inventories	2,609,890	2,633,659
Total current assets	34,284,340	28,679,251
Non-current assets		
Available-for-sale financial assets	76,294	71,000
Property, plant and equipment	57,565,950	56,449,648
Investment properties	7,579,291	9,781,361
Deferred tax assets	995,881	992,517
Intangible assets	5,748,114	5,878,074
Total non-current assets	71,965,530	73,172,600
Total assets	106,249,870	101,851,851
LIABILITIES		
Current liabilities		
Trade and other payables	12,904,335	14,016,490
Borrowings	1,878,091	1,965,520
Current tax liabilities	1,237,719	1,163,873
Provisions	2,679,946	2,609,084
Total current liabilities	18,700,091	19,754,967
Non-current liabilities		
Borrowings	30,034,318	35,100,966
Provisions	715,442	589,463
Total non-current liabilities	30,749,760	35,690,429
Total liabilities	49,449,851	55,445,396
Net assets	56,800,019	46,406,455
EQUITY		
Contributed equity	15,145,302	9,187,090
Reserves	961,407	762,717
Retained profits	40,693,310	36,456,648
Total equity	56,800,019	46,406,455

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 2013

Consolidated	Contributed equity	Reserves	Retained profits	Total equity
	$	$	$	$
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
Balance at 1 July 2013	9,187,090	762,717	36,456,648	46,406,455
Total comprehensive income for the half-year		3,706	6,694,207	6,697,913
Transactions with equity holders in their capacity as equity holders:				
Issue of shares (refer note 4)	5,958,212	-	-	5,958,212
Share-based payment	-	194,984	-	194,984
Dividends provided for or paid	-	-	(2,457,545)	(2,457,545)
Balance at 31 December 2013	15,145,302	961,407	40,693,310	56,800,019

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 2013

	Half-year 2013 $	2012 $
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	77,949,572	63,940,164
Payments to suppliers and employees (inclusive of goods and services tax)	(71,422,926)	(57,453,166)
	6,526,646	6,486,998
Interest received	41,714	37,164
Dividends received	1,932	2,054
Interest paid	(726,866)	(468,711)
Income taxes paid	(2,538,078)	(2,287,914)
Net cash inflow from operating activities	3,305,348	3,769,591
Cash flows from investing activities		
Payments for property, plant and equipment	(3,799,151)	(6,932,611)
Proceeds from sale of property, plant and equipment	525,284	32,565
Purchase of business	-	(408,592)
Net cash outflow from investing activities	(3,273,867)	(7,308,638)
Cash flows from financing activities		
Proceeds from borrowings	-	5,000,000
Repayment of borrowings	(5,154,078)	(1,812)
Proceeds from issue of shares	5,958,212	-
Dividends paid to Company's shareholders	(2,457,545)	(2,067,341)
Net cash (outflow)/inflow from financing activities	(1,653,411)	2,930,847
Net decrease in cash and cash equivalents	(1,621,930)	(608,200)
Cash and cash equivalents at the beginning of the half-year	4,440,952	1,407,492
Cash and cash equivalents at the end of the half-year	2,819,022	799,292

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 2013 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 2013 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 2013.

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, supply based management services 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 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 2013 is as follows:

Half-year 2013	**Transport $**	**Logistics $**	**Property $**	**Other $**	**Total $**
External revenues	41,195,612	26,163,105	333,185	6,141,166	73,833,068
Intra and inter-segment revenue	4,373,395	123,744	2,639,525	(7,136,664)	-
Interest expense	240,549	10,589	446,516	29,212	726,866
Depreciation and amortisation	1,322,865	370,466	340,883	602,072	2,636,286
Total segment profit before income tax	2,777,493	3,814,676	2,934,633	(363,110)	9,163,692
Total segment assets	30,976,937	11,986,975	49,697,033	13,588,925	106,249,870
Total segment liabilities	8,299,824	3,148,402	22,847,825	15,153,800	49,449,851
Half-year 2012					
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
Total segment liabilities	7,191,608	3,073,487	27,198,339	6,984,735	44,448,169

3. DIVIDENDS

	2013 $	**2012 $**
Ordinary shares		
Dividends provided for or paid during the half-year	2,457,545	2,067,341

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, (2012 – 3.5 cents) fully franked based on tax paid at 30% (2012 – 30%). The aggregate amount of the proposed dividend expected to be paid on 15 April 2014 out of retained profits at 31 December 2013, but not recognised as a liability at period end, is $2,536,585 (2012 - $2,067,341).

4. EQUITY SECURITIES

	December 2013 Shares	June 2013 Shares	December 2013 $	June 2013 $
Balance at the beginning of the half-year	60,164,921	59,066,899	9,187,090	7,292,807
Share issued	3,065,820	925,822	5,665,678	1,709,808
Dividend reinvestment plan	147,744	89,855	292,534	170,725
Employee share plan	-	10,000	-	13,750
Bonus share plan	36,148	72,345	-	-
Balance at the end of the half-year	63,414,633	60,164,921	15,145,302	9,187,090

During the period the Company issued 3,065,820 ordinary shares at $1.85 to institutional investors and 147,744 ordinary shares at $1.98 under the dividend re-investment plan and 36,148 ordinary shares at $1.98 under the bonus share plan.

At 31 December 2013 there were 1,590,000 (2012 – 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 2013					
Cost	15,058,616	24,984,209	20,965,912	16,245,606	77,254,339
Accumulated depreciation	-	(3,857,556)	(12,506,996)	(4,440,139)	(20,804,691)
Net book amount	15,058,616	21,126,653	8,458,916	11,805,463	56,449,648
Half-year ended 31 December 2013					
Opening net book amount	15,058,616	21,126,653	8,458,916	11,805,463	56,449,648
Additions	-	1,344,003	1,655,259	1,062,347	4,061,609
Disposals	-	-	(32,090)	(597,315)	(629,405)
Depreciation charge	-	(288,787)	(928,338)	(1,098,777)	(2,315,902)
Closing net book amount	15,058,616	22,181,869	9,153,747	11,171,718	57,565,950
At 31 December 2013					
Cost	15,058,616	26,328,211	22,492,225	16,499,704	80,378,756
Accumulated depreciation	-	(4,146,342)	(13,338,478)	(5,327,986)	(22,812,806)
Net book amount	15,058,616	22,181,869	9,153,747	11,171,718	57,565,950

6. INTANGIBLE ASSETS

Consolidated	Goodwill $	Trade names $	Customer relationships $	Security lines $	Software $	Total $
At 1 July 2013						
Cost	4,243,501	594,064	1,712,057	1,443,587	424,569	8,417,778
Accumulated amortisation	-	(186,508)	(562,004)	(1,422,283)	(368,909)	(2,539,704)
Net book amount	4,243,501	407,556	1,150,053	21,304	55,660	5,878,074
Half-year ended 31 December 2013						
Opening net book amount	4,243,501	407,556	1,150,053	21,304	55,660	5,878,074
Additions	-	-	-	-	122,548	122,548
Amortisation charge	-	(18,129)	(190,203)	(4,600)	(39,576)	(252,508)
Closing net book amount	4,243,501	389,427	959,850	16,704	138,632	5,748,114
At 31 December 2013						
Cost	4,243,501	594,064	1,712,057	1,443,587	547,117	8,540,326
Accumulated amortisation	-	(204,637)	(752,207)	(1,426,883)	(408,485)	(2,792,212)
Net book amount	4,243,501	389,427	959,850	16,704	138,632	5,748,114

7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share at 31 December 2013 are as follows:

	2013	2012
(i) Basic earnings per share	10.70 cents	10.41 cents
Profit attributable to ordinary shareholders.	$6,694,207	$6,147,367
Weighted average number of shares	62,577,959	59,066,899
(ii) Diluted earnings per share	10.60 cents	10.37 cents
Profit attributable to ordinary shareholders (diluted)	$6,694,207	$6,147,367
Weighted average number of shares (diluted)		
Weighted average number of shares (basic).	62,577,959	59,066,899
The effect of the vesting of contingently issuable shares	603,055	234,956
Weighted average number of shares (diluted) at 31 December.	63,181,014	59,301,855

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. CAPITAL COMMITMENT

There is capital expenditure commitments totalling $1,043,500 (2013 - nil) as at 31 December 2013.

9. INVESTMENT PROPERTIES

During the period, the group sold an investment property for $3,500,000 resulting in a profit on sale of $2,916,760 after sale costs, with no tax effect following the recoupment of prior year capital losses. The proceeds on the sale were received in February. The group also impaired two of its investment properties by $1,600,000 to reflect a downturn in property values.

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 2013 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
19 February 2014

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 2013, 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 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 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 2013 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 2013 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

19 February 2014