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CTI Logistics Limited

ACN 008 778 925

ANNUAL REPORT 2024

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Directory

DIRECTORS

David Robert Watson
(Executive Chairman)

David Anderson Mellor
(Executive)

Bruce Edmond Saxild
(Executive)

Owen Roy Venter
(Executive)

Matthew David Watson
(Executive)

William Edward Moncrieff
(Non-executive)

Roger Maitland Port
(Non-executive)

SECRETARY

Owen Roy Venter

AUDITORS

KPMG
235 St. Georges Terrace
Perth WA 6000
Telephone (08) 9263 7171

SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 17, 221 St. Georges Terrace
Perth WA 6000
Telephone (08) 9323 2000

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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ASX CODE

CLX

The financial report covers the Group consisting of CTI Logistics Limited and its subsidiaries.

The financial report is presented in Australian dollars.

The financial report was authorised for issue by the directors on 28 August 2024.

CTI Logistics Limited is a company limited by shares, incorporated and domiciled in Australia.

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Chairman's Statement

Revenue for the year was up 6.3% to \$321.2m, with EBITDA of \$55.9m and net profit after tax of \$15.8m, resulting in earnings per share of 20.5 cents. The Company declared dividends totalling 10.5 cents per share, fully franked, for the year ended 30 June 2024.

The 2024 financial results have benefitted from continued revenue growth across the business, driven by strong freight volumes across the national transport network, network expansion in regional WA, continued growth from project work in both transport and warehousing in WA and increased national warehousing demand for storage and handling services. We maintain a continued focus on productivity improvements, cost controls and higher utilisation of facilities.

Construction of the Regional Freight hub at Hazelmere was completed in September 2023 and has facilitated growth in the WA metro and regional businesses. The development on the adjoining property has commenced and is expected to be operational by mid 2025. These new developments, together with the recent expansion of our flooring products logistics operations in Queensland, Victoria and New South Wales, give the Company over 245,000 sqm of buildings with available capacity to support future growth.

The Company has retained its ISO certifications for Quality, Environment and Health and Safety across all Company activities. Moving forward, we continue to develop our plans to reduce and offset our carbon footprint. We have installed solar power and LED lighting on our new and existing properties and continue to upgrade our vehicles.

The Company's excellent safety record is a priority and has been maintained while continuing to operate at significantly higher volumes. Staff are invested in a positive health and safety culture, and this reflects in the Company's strong operational results. I would like to acknowledge the Company's staff for their efforts and dedication in what has been another successful year for the Company.

I would also like to thank Peter Leonhardt who retired in November 2023 for his dedicated service to the Company since he joined the Board as a non-executive director in 1999.

Looking ahead, we see uncertainties related to inflation, continuing cost pressures and changes in market conditions, but we have a large team of dedicated and enthusiastic people, including management, staff, drivers and subcontractors, to address these challenges as they arise.



David Watson
EXECUTIVE CHAIRMAN

Perth, WA
28 August 2024

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Directors' Report

Your directors present their report on the Group of companies (Group) consisting of CTI Logistics Limited (Company) and the entities it controlled at the end of, or during, the year ended 30 June 2024.

Directors

Directors of the Company who were in office during the financial year and up to the date of this report are (unless otherwise indicated):

David Robert Watson (Executive Chairman)

Mr Watson is the founder, executive chairman and chief executive officer of the Group. Mr Watson is a member of the Remuneration and Nomination Committee. Mr Watson has not held any other directorships in listed companies over the past 3 years.

David Anderson Mellor (Executive Director)

Mr Mellor is a chartered accountant who has been with the Group since 1978. He is responsible for the Group's finances and accounts. Mr Mellor has not held any other directorships in listed companies over the past 3 years.

Bruce Edmond Saxild (Executive Director)

Mr Saxild has been with the Group since 1977. He is responsible for the Group's logistics and transport operations. He is a member of the Audit and Risk Committee. Mr Saxild has not held any other directorships in listed companies over the past 3 years.

Owen Roy Venter (Executive Director)

Mr Venter is a chartered accountant who has been with the Group since 2014. He is the Company Secretary and has finance and accounts responsibilities for the Group. Mr Venter has previously been a director with PricewaterhouseCoopers in the UK as well as a senior manager with KPMG in Perth. During his career of over 30 years he has worked in audit and advisory in public accounting in South Africa, the UK and the US across various industries and sectors. Mr Venter has not held any other directorships in listed companies over the past 3 years.

Matthew David Watson (Executive Director)

Mr Watson is a chartered management accountant who has been with the Group since 2019 and previously was a non-executive director of CTI Logistics Limited from 2010 to 2019. During his career of 25 years, Mr Watson has worked for Rio Tinto in Perth, Cisco Systems in London and Accenture in Europe in various financial, operational and project management positions. Mr Watson is a member of the Audit and Risk Committee and has compliance and operational responsibilities for the Group. Mr Watson has not held any other directorships in listed companies over the past 3 years.

Peter James Leonhardt (Non-Executive Director) – resigned 23 November 2023

Mr Leonhardt was a non-executive director of CTI Logistics Limited, having been with the Group since 1999. During the past 3 years Mr Leonhardt served as Chairman of Carnarvon Petroleum Limited. Mr Leonhardt is a former managing partner of Coopers & Lybrand (now PricewaterhouseCoopers). Mr Leonhardt resigned as a director on 23 November 2023.

William Edward Moncrieff (Non-Executive Director)

Mr Moncrieff is a non-executive director of CTI Logistics Limited following his appointment in 2021. Mr Moncrieff is counsel with the law firm Blackwall Legal LPP and a proprietor of McKenzie Moncrieff Consulting. He has previously been a partner of the law firms Jackson McDonald and Clayton UTZ, a director of McKenzie Moncrieff Lawyers and an executive officer with ASX Limited. He has over 30 years' experience in corporate and commercial law, advising on corporate governance and compliance, mergers and acquisitions, securities law and equity capital markets. Mr Moncrieff has not held any other directorships in listed companies over the past 3 years. Mr Moncrieff is a member of the Audit and Risk Committee and the chair of the Remuneration and Nomination Committee.

Roger Maitland Port (Non-executive Director) – appointed 22 September 2023

Mr Port was appointed as a non-executive director of CTI Logistics Limited on 22 September 2023. Mr Port is a chartered accountant and former partner of PricewaterhouseCoopers. He has over 30 years' experience in financial analysis, company and business valuations, transaction due diligence and mergers and acquisitions and led the PricewaterhouseCoopers Perth Deals team for seven years.

Directors' Report

He is a Fellow of the Australian Institute of Company Directors and a Fellow of Chartered Accountants Australia and New Zealand. Mr Port has held a number of board and audit and risk committee positions over the past 25 years and is currently a board member of Eagle Mountain Mining Limited (ASX:EM2) and Cullen Wines (Australia) Pty Ltd and the chair of Linear Clinical Research Limited. Mr Port is the chair of the Audit and Risk Committee and a member of the Remuneration and Nomination Committee.

Principal activities of the Group

The principal activities of the Group during the year were the provision of logistics and transport services and the provision of security services.

Dividends

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

Declared and paid during the year	Cents per share	Total amount	Franked	Date of payment
<i>Final 2023</i>				
Ordinary	5.0	\$3,851,662	Fully franked	16 October 2023
<i>Interim 2024</i>				
Ordinary	5.0	\$3,863,837	Fully franked	5 April 2024

Declared after end of year

After the balance sheet date, the directors have declared the following dividend:

Declared	Cents per share	Total amount	Franked	Date of expected payment
<i>Final 2024</i>				
Ordinary	5.5	\$4,263,856	Fully franked	3 October 2024

The financial effect of this post year dividend has not been brought to account in the financial statements for the year ended 30 June 2024 and will be recognised in subsequent financial reports.

Review of operations and results

The Company is a national transport and logistics provider. Transport operations cover couriers and taxi trucks, business-to-business (B2B) and business-to-customer (B2C) parcel distribution, container handling, fleet management, WA regional road freight and interstate road and rail freight. Logistics includes third party logistics (3PL), offsite fourth party logistics (4PL), supply chain and distribution centre (DC) warehousing, flooring products logistics, e-commerce fulfilment, temperature-controlled warehousing, minerals and energy supply base services, quarantine and preservation wrapping and fumigation, document storage, media destruction and recycling. The Company also has a security business providing installation, maintenance and monitoring of alarms, CCTV visual verification and lone worker protection.

For the year ended 30 June 2024 revenue from operations was up 6.3% to \$321.2m, with both the transport and logistics segments increasing by 6.2% and 6.7% respectively.

EBITDA* of \$55.9m was up 4.7% on the previous year and the profit before tax of \$23.2m was down 6.2%.

The strong result for the year ended 30 June 2024 has been driven by:

- ongoing strong freight volumes and network expansion, in particular in regional WA,
- continued revenue growth from project work across both warehousing and transport, including oil and gas and mining,
- increased warehousing demand for storage space along with high storage utilisation and increased handling volumes, with an ongoing focus on quality revenue to offset rising wage, consumable and property costs,
- a continued focus on productivity and protections to address volatility in both volume and activity levels,
- successful relocation of both Queensland and Victoria flooring products logistics operations to allow for expansion of the storage footprint at a cost of \$1.8m in the period relating to double rent and relocation costs, and
- tighter cost controls and higher utilisation of facilities and equipment.

*EBITDA is results from operating activities excluding depreciation and amortisation expense.

Directors' Report

Operating cash flow has remained strong at \$40.8m for the financial year. The Company's receivables and cash flow management remained well controlled with debtors' days outstanding in line with the prior year. Credit management has been excellent with insignificant credit losses being incurred in the financial year. The gearing ratio has increased slightly with interest bearing debt up by \$8.5m to \$38.9m, as a result of the Hazelmere property development and ongoing investment in energy efficient transport vehicles. The available cash balance marginally increased to \$10.4m and unutilised debt facilities of \$10m as at 30 June 2024 have been further extended to \$15.1m in August 2024.

The Hazelmere development for the regional freight hub was completed in September 2023, consisting of 25,000 square metres (sqm) in buildings on 60,000 sqm of Company-owned land. This development has facilitated growth in the WA metropolitan and regional transport capacity. Construction is underway for the development of the remaining 34,000 sqm adjoining Company-owned land with completion expected by mid 2025.

The Company successfully relocated its Queensland operations to a new strategically located 22,600 sqm leased facility at Yatala between Brisbane and Gold Coast. The Company also relocated its Laverton North flooring products logistics operation to a state-of-the-art 27,400 sqm site in Epping, north of Melbourne. In addition, the Company will increase its flooring products operations capacity in Gregory Hills NSW by 11,700 sqm on an adjoining site with operations expected to commence in September 2024.

The Company has historically invested in owner-occupied WA property for its operations, which has generated significant returns through capital appreciation and operational efficiencies. Property assets are recognised on the balance sheet at historical cost less accumulated depreciation. The Company also obtains independent external valuations for bank mortgage purposes on a rolling 3-year basis for material owned properties. Based on those recent valuations, the value of the property assets increases to \$136m representing a significant value premium of \$42m or 45% above the reported carrying value as at 30 June 2024. These external valuations are completed for bank mortgage purposes only and may not reflect the value which could be achieved in a third-party market transaction. The property assets support a strong balance sheet to pursue further growth and comfortably underpin the current share price.

As part of our annual ISO commitments, the Company was independently audited and was successful in retaining certification for Quality (9001:2015), Environment (14001:2015) and Health and Safety (45001:2018). Environmental, social and governance (ESG) issues remain a focus and we continue to invest in staff wellbeing, safety initiatives and emissions reduction.

Forecasting the operating environment and outlook remains difficult, however we remain positive on the freight industry as Australia's population, regional development and online spending continue to grow. We expect continued consolidation within the transport industry as operators pursue growth and scale. The Company continues to evaluate synergistic acquisition prospects and is well positioned to capture growth opportunities following recent national capacity expansions and substantial investments in property and vehicles.

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.

Events subsequent to balance date

Other than an increase in the undrawn debt facility limit of \$5.1 million in August 2024, with the same maturity date to October 2025, the directors are not aware of any other matters or circumstances that have 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.

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Directors' Report

Likely developments

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

- expansion of existing operations by targeted marketing and by acquisition;
- establishment or acquisition of businesses in fields related to or compatible with the Group's existing core operations; and
- to maximise the profits and returns to shareholders by constant review of existing operations.

Company secretary

The company secretary is Mr O R Venter. He was appointed to the position on 26 August 2016.

Directors' meetings

The number of directors' meetings held in the period each director held office during the financial year and the number of meetings attended by each director were:

Board of Directors

	Number held whilst in office	Number Attended
P J Leonhardt*	5	5
D A Mellor	11	11
W E Moncrieff	11	11
B E Saxild	11	11
O R Venter	11	11
D R Watson	11	11
M D Watson	11	11
R M Port**	9	9

Audit and Risk Committee

	Number held whilst in office	Number Attended
P J Leonhardt*	1	1
W E Moncrieff	4	4
B E Saxild	4	4
M D Watson	4	4
R M Port**	3	3

Remuneration and Nomination Committee

	Number held whilst in office	Number Attended
P J Leonhardt*	1	1
W E Moncrieff	1	1
R M Port**	-	-
D R Watson	1	1

*Resigned 23 November 2023

**Appointed 22 September 2023

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Directors' Report

Particulars of directors' interests in shares of CTI Logistics Limited at the date of this report

The relevant interest of each director in the shares issued by the Company as notified by the directors to the ASX in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Direct Holding	Indirect Holding
D A Mellor ⁺	522,080	2,538,864
W E Moncrieff	-	-
R M Port [*]	-	-
O R Venter ⁺	-	-
B E Saxild ⁺	347,120	2,337,605
D R Watson	18,627,488	7,273,093
M D Watson	324,512	-

⁺The above do not include contingently issuable shares which may be issued under the Employee Share Plan (refer page 9)

^{*}Appointed 22 September 2023

Directors' and officers' indemnity insurance

The Company's directors' and officers' indemnity insurance policy indemnifies the directors named in this report in respect of their potential liability to third parties for wrongful acts committed by them in their capacity as directors (as defined in the policy). The disclosure of the premium paid in respect of the insurance policy is prohibited under the terms of the policy.

Environmental regulation

The operations of the Company are not subject to any particular or significant environmental regulation. However, the Board believes the Company have adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Company and its controlled entities.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the auditor, KPMG, for audit services provided during the year are set out in note 20 of the financial statements. No non-audit services were provided during the year. The directors are satisfied the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001*.

The Lead auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 10.

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Directors' Report

Remuneration report - audited

The remuneration report is set out under the following main headings:

- A. Principles used to determine the nature and amount of remuneration
- B. Details of remuneration
- C. Service agreements
- D. Key management personnel transactions
- E. Consequences of performance on shareholder wealth

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

- A. Principles used to determine the nature and amount of remuneration
- Executive directors*

The Remuneration and Nomination Committee makes specific recommendations on remuneration packages and other terms of employment for executive directors. Remuneration is set to competitively reflect market conditions for comparable roles. There are no guaranteed base pay increases each year, no element of the remuneration is based upon the Company's performance and no bonus schemes operated during the financial year.

Non-executive directors

Remuneration of non-executive directors is determined by the Board within the maximum amount of \$900,000, approved by shareholders at the annual general meeting on 25 November 2021.

- B. Details of remuneration

Details of the nature and amount of each element of the emoluments of each director of the Company and the Group is set out in the following table.

	Short-term		Post-employment	Total
	Cash salary and fees	Non-monetary benefits	Superannuation	
	\$	\$	\$	\$
2024				
P J Leonhardt (resigned 23 November 2023)	29,845	-	-	29,845
D A Mellor	533,532	10,986	27,492	572,010
W E Moncrieff	67,568	-	7,432	75,000
B E Saxild	635,019	21,441	27,492	683,952
O R Venter	349,547	12,352	27,492	389,391
D R Watson	580,812	-	27,492	608,304
M D Watson	375,375	13,911	27,492	416,778
R M Port (appointed 22 September 2023)	52,235	-	5,746	57,981
Total	2,623,933	58,690	150,638	2,833,261
2023				
P J Leonhardt	75,000	-	-	75,000
D A Mellor	476,376	6,140	27,492	510,008
W E Moncrieff	67,873	-	7,127	75,000
B E Saxild	591,215	21,321	27,492	640,028
O R Venter	314,421	14,149	27,492	356,062
D R Watson	567,112	-	27,492	594,604
M D Watson	331,208	-	27,492	358,700
Total	2,423,205	41,610	144,587	2,609,402

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Directors' Report

Remuneration report – audited (continued)

C. Service agreements

There are no service agreements in existence and entitlements on termination would be subject to assessment by the Remuneration and Nomination Committee within legislative framework at the time.

D. Key management personnel transactions

Movement in shares

The number of ordinary shares in the Company held during the financial year by each director, including their personally-related entities, are set out below. There were no shares granted during the reporting period as remuneration or any additions relating to additional shares purchased during the year or issued as part of the dividend reinvestment plan.

	Balance at the start of the year	Additions during the year	Disposed during the year	Balance at the end of the year
P J Leonhardt (resigned 23 November 2023)	717,544	-	-	-*
D A Mellor	3,060,944	-	-	3,060,944
W E Moncrieff	-	-	-	-
B E Saxild	2,684,725	-	-	2,684,725
O R Venter	-	-	-	-
D R Watson	25,900,581	-	-	25,900,581
M D Watson	324,512	-	-	324,512
R M Port (appointed 22 September 2023)	-	-	-	-

*Shown as nil due to resignation on 23 November 2023

E. Consequences of performance on shareholder wealth

As there is no remuneration link between management compensation and the performance of the Company on the Australian Securities Exchange, disclosure of the past four years results is deemed not necessary.

Having regard to the size and structure of the Group, the nature of its operations, and the close involvement of the executive directors, it is the opinion of the directors that there are no other key management personnel apart from the directors.

Employee Share Plan

The number of contingently issuable shares in the Company held during the financial year by each director of CTI Logistics Limited, including their personally-related entities, under the Employee Share Plan are set out below.

	Number at the start of the year	Exercised during the year	Number at the end of the year
D A Mellor (issued 05/12/11, 01/12/14)	330,000	-	330,000
B E Saxild (issued 05/12/11, 01/12/14)	330,000	-	330,000
O R Venter (issued 28/11/14, 18/01/17, 22/12/17)	60,000	-	60,000

The shares vested 2 years after issue and may be purchased with the assistance of an interest-free, limited recourse loan. The shares were priced using a Black-Scholes pricing model to determine the fair value and amortised through the statement of profit or loss and other comprehensive income.



DAVID WATSON
Director

Perth, WA
28 August 2024



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 audit of CTI Logistics Limited for the financial year ended 30 June 2024 there have been:

- i. No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. No contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Jane Bailey

KPMG

Jane Bailey
Partner
Perth
28 August 2024

Consolidated Statement of Profit or Loss and other Comprehensive Income for the year ended 30 June 2024

	Notes	Consolidated	
		2024 \$	2023 \$
Revenue	5	321,162,515	301,991,052
Other income	6	1,466,408	1,227,089
Changes in inventories of finished goods and work in progress		(66,543)	13,423
Raw materials and consumables used		(1,592,864)	(1,003,696)
Employee benefits expense		(92,954,252)	(85,363,159)
Subcontractor expense		(98,188,051)	(97,995,239)
Depreciation and amortisation expense	7	(26,805,261)	(24,877,227)
Motor vehicle and transport costs		(48,487,346)	(43,385,230)
Impairment	14	-	(3,074,710)
Reversal of prior impairment	14	-	3,715,720
Property costs		(5,957,862)	(5,123,793)
Other expenses		(19,449,953)	(17,604,212)
Results from operating activities		<u>29,126,791</u>	<u>28,520,018</u>
Finance income		217,103	176,490
Finance expenses	7	(6,186,802)	(4,002,064)
Net finance costs		<u>(5,969,699)</u>	<u>(3,825,574)</u>
Profit before income tax		23,157,092	24,694,444
Income tax expense	8	(7,323,167)	(7,673,196)
Profit for the year		<u>15,833,925</u>	<u>17,021,248</u>
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Equity investments at FVOCI – net change in fair value		(6,472)	4,347
Total comprehensive income		<u>15,827,453</u>	<u>17,025,595</u>
Earnings per share for profit attributable to the ordinary equity holders of the Company		Cents	Cents
Basic earnings per share	25a	20.49	22.27
Diluted earnings per share	25b	20.36	22.12

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

Consolidated Statement of Financial Position as at 30 June 2024

	Notes	Consolidated	
		2024 \$	2023 \$
ASSETS			
Current assets			
Cash and cash equivalents		10,395,674	10,282,435
Trade and other receivables	9	42,201,302	37,274,911
Inventories		167,494	234,037
Total current assets		52,764,470	47,791,383
Non-current assets			
Other investments		51,021	60,267
Property, plant and equipment	10	132,402,899	116,427,777
Right-of-use assets	11	69,854,471	51,420,323
Investment properties	12	2,207,021	2,208,431
Deferred tax assets	8	911,250	-
Intangible assets	13	23,915,131	24,981,822
Total non-current assets		229,341,793	195,098,620
Total assets		282,106,263	242,890,003
LIABILITIES			
Current liabilities			
Trade and other payables	15	26,919,013	23,851,650
Loans	16	-	9,905,000
Lease liabilities	16	17,689,125	16,339,264
Current tax liabilities		3,216,319	1,136,052
Employee benefits provision		9,994,892	9,167,046
Total current liabilities		57,819,349	60,399,012
Non-current liabilities			
Lease liabilities	16	61,812,368	46,508,339
Loans and borrowings	16	38,905,000	20,500,000
Deferred tax liabilities	8	-	986,678
Employee benefits provision		2,129,171	1,886,055
Total non-current liabilities		102,846,539	69,881,072
Total liabilities		160,665,888	130,280,084
Net assets		121,440,375	112,609,919
EQUITY			
Contributed equity	17	30,321,136	29,602,634
Reserves		1,842,352	1,848,824
Retained profits		89,276,887	81,158,461
Total equity		121,440,375	112,609,919

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

Consolidated Statement of Changes in Equity for the year ended 30 June 2024

	Notes	Contributed equity \$	Reserves \$	Retained profits \$	Total equity \$
Consolidated					
Balance at 1 July 2022		27,947,489	1,933,417	70,910,030	100,790,936
Total comprehensive income for the year		-	4,347	17,021,248	17,025,595
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity/share issue	17	986,722	-	-	986,722
Contingently issuable shares exercised	17	81,110	(88,940)	88,940	81,110
Dividends provided for/paid	18	587,313	-	(6,861,757)	(6,274,444)
Balance at 30 June 2023		<u>29,602,634</u>	<u>1,848,824</u>	<u>81,158,461</u>	<u>112,609,919</u>
Balance at 1 July 2023		29,602,634	1,848,824	81,158,461	112,609,919
Total comprehensive income for the year		-	(6,472)	15,833,925	15,827,453
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity/share issue	17	661,888	-	-	661,888
Dividends provided for/paid	18	56,614	-	(7,715,499)	(7,658,885)
Balance at 30 June 2024		<u>30,321,136</u>	<u>1,842,352</u>	<u>89,276,887</u>	<u>121,440,375</u>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

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Consolidated Statement of Cash Flows for the year ended 30 June 2024

	Notes	Consolidated	
		2024 \$	2023 \$
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		348,784,098	333,429,357
Payments to suppliers and employees (inclusive of goods and services tax)		(295,131,839)	(276,006,112)
Dividends received		2,415	2,346
Interest received		217,103	176,490
Interest paid		(5,881,401)	(3,679,901)
Income taxes paid net of income tax refunded		(7,141,053)	(7,135,700)
Net cash inflow from operating activities	24	<u>40,849,323</u>	<u>46,786,480</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(25,383,830)	(29,769,517)
Payments for intangibles - security lines		(6,057)	(12,356)
Payments for intangibles - software		(23,426)	(39,141)
Proceeds from sale of property, plant and equipment		1,377,793	803,225
Net cash outflow from investing activities		<u>(24,035,520)</u>	<u>(29,017,789)</u>
Cash flows from financing activities			
Proceeds from borrowings		18,500,000	10,000,000
Proceeds from exercise of contingently issuable shares		-	81,110
Repayment of borrowings		(10,000,000)	(2,500,000)
Repayment of lease liabilities		(18,203,568)	(19,189,194)
Dividend paid to Company's shareholders net of dividend reinvestment/bonus share plan shares issued		(6,996,996)	(5,287,722)
Net cash outflow from financing activities		<u>(16,700,564)</u>	<u>(16,895,806)</u>
Net increase in cash and cash equivalents		113,239	872,885
Cash and cash equivalents at the beginning of the financial year		<u>10,282,435</u>	<u>9,409,550</u>
Cash and cash equivalents at the end of the financial year		<u>10,395,674</u>	<u>10,282,435</u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

REPORTING ENTITY

CTI Logistics Limited (the Company) is a company domiciled in Australia. The address of the Company's registered office is 1 Drummond Place, West Perth, Western Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2024 comprise the Company and its subsidiaries (together referred to as the Group and individually as Group entities). The Group is a for-profit entity and is primarily involved in the provision of logistics and transport services and the provision of security services.

The future economic environment continues to be uncertain in the context of global economic markets and events, inflation and interest rates, along with wage cost pressure. The Group has considered the impact of this uncertain environment on each of its significant accounting judgments and estimates, particularly with respect to assumptions used in determining expected credit losses on receivables, impairment of non-current assets and going concern. At this stage no further significant estimates have been identified, however management is continuing to monitor the increased level of uncertainty in future cash flow forecasts used in asset valuation and financial viability.

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the consolidated financial report are set out below. These policies have been consistently applied to all the years presented, except as described below. The financial report is for the consolidated entity consisting of CTI Logistics Limited and its subsidiaries.

(a) BASIS OF PREPARATION OF FINANCIAL REPORT

This general purpose financial report has been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board and the *Corporations Act 2001*.

Compliance with IFRS

The consolidated financial statements of the CTI Logistics Limited Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of directors on 28 August 2024.

Historical cost convention

These financial statements have been prepared under the historical cost convention except for Fair value through other comprehensive income (FVOCI) investments which are measured at fair value.

Functional and presentation currency

All Group entities are based in Australia. The consolidated financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

(b) PRINCIPLES OF CONSOLIDATION

Subsidiaries

The financial statements incorporate the assets and liabilities of all entities controlled by CTI Logistics Limited as at 30 June 2024 and the results of all subsidiaries for the period the Company controlled them during the year then ended.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intercompany transactions, balances and unrealised gains on transactions within the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Notes to the Financial Statements

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(c) SEGMENT REPORTING

Determination and presentation of operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Executive Chairman to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's Executive Chairman include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly parent company and items that cannot be allocated to specific segments in respect of revenue, profit, assets and liabilities.

(d) INCOME TAX

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent they relate to a business combination, or items recognised directly in equity or in other comprehensive income (OCI).

The income tax expense or benefit for the financial year is the tax payable on the current year's taxable income based on the notional income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Tax consolidation

CTI Logistics Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to or distribution from wholly-owned tax consolidated entities.

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Notes to the Financial Statements

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(e) LEASES

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in AASB 16 *Leases*.

i. As a lessee

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

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' or 'right-of-use assets' and lease liabilities in 'lease liabilities' in the statement of financial position.

Notes to the Financial Statements

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Short-term leases and leases of low-value assets

The Group has elected not to recognise the right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

ii. As a lessor

At inception 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 their relative stand alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease, if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies AASB 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from AASB 16.

(f) IMPAIRMENT OF ASSETS

Non-derivative financial assets

Financial instruments

The Group recognises loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost, being trade and other receivables.

These loss allowances are measured at an amount equal to lifetime ECLs. Lifetime ECLs are ECLs that result from all possible default events over the expected life of a financial instrument.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any held).

Notes to the Financial Statements

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Measurement of ECLs

ECLs are probability weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 60 days past due;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowance for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment of customers with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of the amount due.

Assets classified as available-for-sale

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss.

Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. Value-in-use calculations are described in note 14.

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Notes to the Financial Statements

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(g) CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(h) FINANCIAL ASSETS

(i) *Recognition and initial measurement*

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair Value Through Profit and Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) *Classification and subsequent measurement*

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held with the objective to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss de-recognition is recognised in profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

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Notes to the Financial Statements

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(iii) *De-recognition*

The Group de-recognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(i) **PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment other than freehold land is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be reliably measured. All repairs and maintenance expenses are charged to profit and loss during the financial period in which they are incurred.

Land is recorded at historical cost and not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost net of their residual values, over their estimated useful lives, as follows:

Buildings	25 - 40 years
Plant and equipment	5 - 15 years
Motor vehicles	5 - 10 years
Furniture and fittings	3 - 8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(f)).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in profit or loss under other income and other expenses.

(j) **INTANGIBLE ASSETS**

(i) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets acquired. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note 4).

(ii) *Security lines*

Security lines have a finite useful life and are carried at cost less accumulated amortisation and impairment losses.

(iii) *Software*

Costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software.

(iv) *Trade names*

Trade names have a finite useful life and are carried at cost less accumulated amortisation and impairment losses.

(v) *Customer relationships*

Customer relationships acquired as part of a business combination are recognised separately from goodwill. The customer relationships are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses.

Notes to the Financial Statements

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated over the cost of the asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Security lines	5 - 7 years
Software	2.5 - 4 years
Trade names	5 - 8 years
Customer relationships	5 - 10 years

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(k) TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are paid based on the terms of trade which are usually 30 to 60 days from the date of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(l) BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

The Group de-recognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(m) EMPLOYEE BENEFITS

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' service up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of service provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using Group of 100 Discount Rates provided by Milliman at the end of the reporting period with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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Notes to the Financial Statements

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(iii) Retirement benefit obligations

Contributions to the defined contribution funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Share-based payment transactions

The Company's 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.

(n) CONTRIBUTED EQUITY

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(o) DIVIDENDS

Provision is made for the amount of any dividend declared, determined or publicly recommended by the directors on or before the end of the financial year but not distributed at balance date.

(p) EARNINGS PER SHARE

(i) Basic earnings per share

Basic earnings per share is determined by dividing profit for the year by the weighted average number of ordinary shares outstanding during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(q) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amounts of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(r) PARENT ENTITY FINANCIAL INFORMATION

The financial information for the parent entity, CTI Logistics Limited, disclosed in note 26 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less any impairment in the financial statements of CTI Logistics Limited.

Notes to the Financial Statements

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(ii) Tax consolidation legislation

CTI Logistics Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, CTI Logistics Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, CTI Logistics Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into tax sharing and funding agreements. Under the terms of these agreements, the controlled entities will reimburse the Company for any current tax payable by the Company arising in respect of their activities and the Company will reimburse the controlled entities for any tax refund due to the Company arising in respect of their activities. The reimbursements are payable by the Company and will limit the joint and several liability of the controlled entities in the case of default by the Company.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreements are recognised as a contribution to or distribution from wholly-owned tax consolidated entities.

(iii) Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees is not recognised as contributions or as part of the cost of the investment.

(s) REVENUE RECOGNITION

Under AASB 15 *Revenue from Contracts with Customers*, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control at a point in time or over time requires judgment. The details of the Group's revenue recognition for major business activities are set out below:

Income inside the scope of AASB 15

(i) Logistics and transport

Revenue is recognised over the period of time that the goods or services are being delivered to or collected by a customer in accordance with the arrangements made within the Group. The provision of these services and sale of goods is in most cases either performed on the same day, or within a week for long distance freight.

(ii) Security, manufacturing and other

A sale is recorded when goods have been despatched to a customer pursuant to a sales order and control has transferred to the customer. A sale is recorded for services over the period of time the service is performed.

Other income outside the scope of AASB 15

(iii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(iv) Dividends

Dividends are recognised as revenue when the right to receive payment is established.

Notes to the Financial Statements

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(v) *Other revenue*

Revenue from outside the operating activities includes rent. This revenue is recognised over time on a straight-line basis.

(t) **NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED**

The Group has adopted all new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

(i) *Deferred tax related to assets and liabilities arising from a single transaction*

The Group has adopted Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to AASB 112) from 1 July 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences such as leases. For leases, an entity is required to recognise the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, an entity applies the amendments to transactions that occur on or after the beginning of the earliest period presented.

The Group previously accounted for deferred tax on leases by applying the 'integrally linked' approach, resulting in a similar outcome as under the amendments, except that the deferred tax asset or liability was recognised on a net basis. Following the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. However, there was no impact on the statement of financial position because the balances qualify for offset under paragraph 74 of AASB 112. There was also no impact on the opening retained earnings as at 1 July 2023 as a result of the change. The key impact for the Group relates to disclosure of the deferred tax assets and liabilities recognised (see note 8).

(ii) *Material accounting policy information*

The Group has adopted Disclosure of Accounting Policies (Amendments to AASB 1 and IFRS Practice Statement 2) from 1 July 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 1 Summary of material accounting policies (2023: Summary of significant accounting policies) in certain instances in line with the amendments.

The application of the amendments did not have a material impact on the Group's consolidated financial statements.

Accounting standards issued but not yet effective

A number of new accounting standards are effective for annual periods beginning after 1 July 2024, earlier application permitted. The Group has not early adopted any of the amended accounting standards in preparing these consolidated financial statements.

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Notes to the Financial Statements

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

The amended accounting standards which may have an impact on the Group's future financial standards is explained below:

- *Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants (Amendments to AASB 1)*: The amendments, as issued in 2020 and 2022, aim to clarify the requirements on determining whether a liability is current or non-current, and require new disclosures for non-current liabilities that are subject to future covenants. The amendments apply for annual reporting periods beginning on or after 1 July 2024. The Group has a secured bank loan subject to specific covenants. While bank loans are classified as non-current at 30 June 2024, a future breach of the related covenants may require the Group to repay the liabilities earlier than the contractual maturity dates. The Group is in the process of assessing the potential impact of the amendments on the classification of these liabilities and the related disclosures.

There are no other accounting standards issued but not yet effective at 30 June 2024 which are expected to have a material impact on the financial statements of the Group.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates, assumptions and judgements may be used to assess the measurement of certain items of income and expense, and assets and liabilities. Such estimates, assumptions and judgements are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Where estimates and assumptions are made concerning the future, the resulting accounting estimates may not equal the related actual outcome. The estimates and assumptions which give rise to a risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Intangible assets

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(f). The recoverable amounts of CGUs have been determined based on value-in-use calculations as described in note 14.

The fair value of trade names acquired in a business combination is based on the discounted estimated royalty payments that are expected to be avoided as a result of the trade names being owned. The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

Property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are tested for impairment where there is an indicator of impairment, in accordance with the accounting policy stated in note 1(f). The recoverable amounts of CGUs have been determined based on value-in-use calculations or fair value less cost to dispose as described in note 14.

3. FINANCIAL RISK MANAGEMENT

Overview

The Group has exposure to the following risks from the use of financial instruments:

- (a) Market risk
- (b) Credit risk
- (c) Liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Notes to the Financial Statements

3. FINANCIAL RISK MANAGEMENT (continued)

Risk management framework

The Board of directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management is carried out by the director responsible for finance under the guidance of the Board of directors. The Board of directors considers principles for overall risk management, as well as determining policies covering specific areas, such as mitigating interest rate and credit risks and investing excess liquidity.

The Group's risk management policies are established to identify and analyse the risks faced by the Group. These policies are reviewed regularly to reflect changes in market conditions and the Group's activities.

(a) Market risk

(i) Price risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified on the balance sheet as other investments.

The price risk for listed and unlisted securities is immaterial in terms of the possible impact on profit or loss or total equity. Therefore no sensitivity analysis is completed.

The Group is not exposed to commodity price risk, or foreign exchange risk from currency exposure.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from borrowings and cash and cash equivalents. Borrowings and lease liabilities (hire purchases component only) issued at variable rates expose the Group to cash flow interest rate risk. Borrowings and lease liabilities (hire purchases component only) issued at fixed rates expose the Group to fair value interest rate risk. At the year end, 2.66% (2023 – 9.52%) of borrowings and lease liabilities were at fixed rates.

(iii) Borrowings and cash and cash equivalents

At the reporting date the Group had the following borrowings and cash and cash equivalents.

	Weighted average interest rate	Consolidated		
		Weighted average interest rate		
		2024	2023	
	2024	2023	2023	
	%	\$	%	\$
Cash and cash equivalents	4.12	10,395,674	2.78	10,282,435
Bank loans	5.10	38,905,000	4.57	30,405,000
Lease liabilities	5.97	79,501,493	5.27	62,847,603

An analysis by maturities is provided in 3(c) below.

The Group manages interest rate risk by assessing the appropriateness of fixed or floating rate debt when funding is required.

The Group monitors loan covenants on a regular basis to ensure compliance with agreements.

Group sensitivity

The Group's main interest rate risk arises from loans and cash and cash equivalents. At 30 June 2024, if the interest rates had changed by +/- 100 basis points (bps) from the year-end rates with all other variables held constant, post-tax profit for the financial year would have been higher/lower by \$272,335 (2023 - change of 100bps: \$212,835 higher/lower) for loans and higher/lower by \$72,770 (2023 - change of 100bps: \$71,977 higher/lower) for cash and cash equivalents, mainly as a result of higher/lower interest expense from borrowings and higher/lower interest income from cash and cash equivalents.

Notes to the Financial Statements

3. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The Group has no significant concentrations of credit risk. Cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

There is no independent rating of individual customers. Financial institutions have Standard and Poor's credit ratings of AA and higher at 30 June 2024. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Customers that are graded as high risk are placed on a restricted customer list and monitored on a weekly basis. Receivables balances are monitored on an ongoing basis.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as follows:

	Consolidated	
	2024	2023
	\$	\$
Cash and cash equivalents	10,395,674	10,282,435
Trade receivables	38,045,153	32,414,695
Other receivables	2,313,734	3,509,157
	<u>50,754,561</u>	<u>46,206,287</u>

Trade receivables are non-interest bearing and terms of trade are 30 days from month end. At 30 June 2024, 4.58% (2023 – 7.88%) of trade receivables of the Group exceed 30 days.

Other receivables are non-interest bearing and have repayment terms exceeding 30 days but are not considered impaired.

The ageing of receivables that are past due but not impaired at the reporting date is as follows:

	Past due but not impaired		
	30-60 days	> 60 days	Total
	\$	\$	\$
2024			
Consolidated			
Trade receivables	<u>1,580,276</u>	<u>162,564</u>	<u>1,742,840</u>
2023			
Consolidated			
Trade receivables	<u>1,855,269</u>	<u>697,908</u>	<u>2,553,177</u>

The Group uses an allowance matrix to measure the expected credit losses (ECLs) of trade receivables from individual customers, which comprise a very large number of small balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Loss rates are based on actual credit loss experience over the past 5 years, adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Notes to the Financial Statements

3. FINANCIAL RISK MANAGEMENT (continued)

The Group's recoverability of receivables is closely monitored due to the ongoing changes in market conditions. Credit limits continue to be monitored and the Group continues to have strong recovery of its trade receivables.

The following table provides information about the ECLs for trade receivables as at 30 June.

	Consolidated	
	2024	2023
	\$	\$
1 to 30 days	147,215	105,222
31 to 60 days	177,286	92,227
Over 60 days	114,867	105,419
Total	<u>439,368</u>	<u>302,868</u>

Provision for expected credit losses

Movements in the ECLs of receivables are as follows:

Balance 1 July	302,868	387,368
Net loss allowance recognised	411,727	34,469
Receivables written off during the year as uncollectable	(275,227)	(118,969)
Balance 30 June	<u>439,368</u>	<u>302,868</u>

The creation and release of the ECLs provision has been included in 'other expenses' in profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering cash.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of current financial assets and liabilities. Due to the dynamic nature of the underlying businesses, the Board of directors aims to maintain flexibility in funding by keeping committed credit lines available with a variety of counterparties. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets.

Financing arrangements

The Group had access to the following undrawn borrowing facilities at the reporting date:

	Consolidated	
	2024	2023
	\$	\$
Floating rate		
Expiring beyond one year (note 16c)	<u>10,001,167</u>	<u>18,501,167</u>

The bank loan facilities may be drawn at any time subject to the continuance of satisfactory credit ratings and are also subject to annual review. The bill acceptance facilities have defined maturity dates.

Maturities of financial liabilities

The table below sets out the Group's financial liabilities at the reporting date into relevant maturity groupings based on the remaining period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 30 June 2024, the Group had variable rate borrowings of \$38,905,000 which are due to mature in October 2025. These borrowings are reviewed on an ongoing basis.

Notes to the Financial Statements

3. FINANCIAL RISK MANAGEMENT (continued)

Consolidated	Maturity				Total contractual cash flows \$	Carrying amount \$
	1 year or less \$	1 to 2 years \$	2 to 5 years \$	> 5 years \$		
2024						
Trade and other payables (Non-interest bearing)	26,919,013	-	-	-	26,919,013	26,919,013
Lease liabilities*	22,182,953	16,851,710	33,702,102	24,546,517	97,283,282	79,501,493
Borrowings	1,971,174	39,605,805	-	-	41,576,979	38,905,000
Total	51,073,140	56,457,515	33,702,102	24,546,517	165,779,274	145,325,506
2023						
Trade and other payables (Non-interest bearing)	23,851,650	-	-	-	23,851,650	23,851,650
Lease liabilities*	19,338,603	14,779,280	26,477,513	12,695,779	73,291,175	62,847,603
Borrowings	11,180,379	932,915	20,810,971	-	32,924,265	30,405,000
Total	54,370,632	15,712,195	47,288,484	12,695,779	130,067,090	117,104,253

*Lease liability cash flows include fixed rate contractual cash flows of \$1,113,601 (2023 - \$3,332,810) which are linked to hire purchase liabilities with a carrying value of \$1,064,500 (2023 - \$3,198,706) (included within lease liabilities).

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The Group has not disclosed the fair value for financial instruments such as short-term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair values. The Group's assets measured and recognised at fair value at 30 June 2024 comprises of 'Level 1' equity securities of \$51,021 (2023 - \$60,267).

Capital risk management

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern, to continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio (a non-IFRS measure). This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings excluding 'lease liabilities' less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The gearing ratios at 30 June 2024 and 30 June 2023 were as follows:

	Notes	Consolidated	
		2024 \$	2023 \$
Total debt (excluding lease liabilities)	16	38,905,000	30,405,000
Less: cash and cash equivalents		(10,395,674)	(10,282,435)
Net debt		28,509,326	20,122,565
Total equity		121,440,375	112,609,919
Total capital employed		149,949,701	132,732,484

Notes to the Financial Statements

3. FINANCIAL RISK MANAGEMENT (continued)

	2024	2023
Gearing ratio	19%	15%

The Group's gearing ratio has increased during the financial year as a result of significant expenditure on buildings, property, plant and equipment during the year funded through cash and debt.

4. 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: logistics, transport and property.

The reportable segments operate solely in Australia and 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 services - includes the provision of warehousing and distribution, flooring products logistics, supply based management services and document storage services.
- Property - rental of owner-occupied and investment property.

Other segments includes the provision of security services. These segments do not meet any of the quantitative thresholds for determining reportable segments.

The Group does not have a single external customer which represents greater than 10% of the entity's revenue.

The Group's Executive Chairman assesses the performance of the operating segments based on segment profit before income tax, as included in internal management reports. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

(b) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1(c) and accounting standard AASB 8 *Operating Segments*.

Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an arm's length basis and are eliminated on consolidation.

Segment assets and liabilities

Segment assets are allocated based on the operations of the segment and the physical location of the asset. Segment liabilities are allocated based on the operations of the segment.

Unallocated amounts

Unallocated amounts are made up of the parent company and amounts that cannot be allocated to specific segments in respect of revenue, profit, assets and liabilities.

(c) Information about reportable segments

The segment information provided to the Group's Executive Chairman for the reportable segments for the year ended 30 June 2024 is as follows:

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Notes to the Financial Statements

4. SEGMENT INFORMATION (continued)

	Transport \$	Logistics \$	Property \$	Other \$	Consolidated \$
2024					
Reportable segment revenue					
Sales to external customers	196,077,158	118,217,501	324,747	6,537,554	321,156,960
Intra and inter-segment revenue	29,338,784	62,900	6,045,866	764,426	36,211,976
Total segment revenue	<u>225,415,942</u>	<u>118,280,401</u>	<u>6,370,613</u>	<u>7,301,980</u>	<u>357,368,936</u>
Other income	863,135	396,173	38,640	168,460	1,466,408
Interest expense	1,282,534	3,221,206	1,167,463	-	5,671,203
Depreciation and amortisation	9,746,907	14,883,487	811,342	458,652	25,900,388
Reportable segment profit before income tax	<u>14,469,857</u>	<u>7,106,157</u>	<u>2,844,107</u>	<u>608,109</u>	<u>25,028,230</u>
Reportable segment assets	<u>70,207,449</u>	<u>102,846,056</u>	<u>94,461,211</u>	<u>2,768,193</u>	<u>270,282,909</u>
Capital expenditure	<u>10,983,065</u>	<u>3,759,914</u>	<u>9,227,146</u>	<u>336,945</u>	<u>24,307,070</u>
Reportable segment liabilities	<u>35,368,583</u>	<u>79,940,871</u>	<u>25,678,665</u>	<u>2,022,675</u>	<u>143,010,794</u>
2023					
Reportable segment revenue					
Sales to external customers	184,665,594	110,842,378	330,358	6,150,376	301,988,706
Intra and inter-segment revenue	27,334,409	76,328	4,035,521	690,824	32,137,082
Total segment revenue	<u>212,000,003</u>	<u>110,918,706</u>	<u>4,365,879</u>	<u>6,841,200</u>	<u>334,125,788</u>
Other income	536,411	644,329	-	46,349	1,227,089
Interest expense	608,487	2,317,251	422,751	-	3,348,489
Depreciation and amortisation	9,614,288	13,287,471	806,420	308,734	24,016,913
Reportable segment profit before income tax*	<u>14,210,315</u>	<u>7,181,931</u>	<u>5,442,918</u>	<u>494,766</u>	<u>27,329,930</u>
Reportable segment assets	<u>60,595,215</u>	<u>87,774,334</u>	<u>85,995,679</u>	<u>3,042,599</u>	<u>237,407,827</u>
Capital expenditure	<u>8,281,510</u>	<u>3,739,214</u>	<u>15,984,774</u>	<u>1,719,901</u>	<u>29,725,399</u>
Reportable segment liabilities	<u>35,067,545</u>	<u>62,219,371</u>	<u>25,125,117</u>	<u>1,774,108</u>	<u>124,186,141</u>

*Transport profit includes impairment of \$3,074,710 and Property profit include the reversal of impairment of \$3,715,720 (refer to note 14).

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Notes to the Financial Statements

4. SEGMENT INFORMATION (continued)

(d) Reconciliations of reportable segment revenues, profit, assets and liabilities and other items	Notes	Consolidated	
		2024 \$	2023 \$
<i>Revenues</i>			
Total segment revenue for reportable segments		357,368,936	334,125,788
Elimination of intra-segment and inter-segment revenue		(36,211,976)	(32,137,082)
Unallocated revenue		5,555	2,346
Consolidated revenue	5	<u>321,162,515</u>	<u>301,991,052</u>
<i>Profit</i>			
Total profit before tax for reportable segments		25,028,230	27,329,930
Unallocated amounts		(1,871,138)	(2,635,486)
Consolidated profit before income tax		<u>23,157,092</u>	<u>24,694,444</u>
<i>Assets</i>			
Total assets for reportable segments		270,282,909	237,407,827
Elimination of intersegment receivables		(6,815,429)	(5,841,581)
Unallocated amounts		18,638,783	11,323,757
Consolidated total assets		<u>282,106,263</u>	<u>242,890,003</u>
<i>Capital expenditure</i>			
Total capital expenditure of reportable segments		24,307,070	29,725,399
Unallocated capital expenditure		1,106,243	842,789
Consolidated total capital expenditure		<u>25,413,313</u>	<u>30,568,188</u>
<i>Liabilities</i>			
Total liabilities for reportable segments		143,010,794	124,186,141
Elimination of intersegment payables		(6,815,429)	(5,841,581)
Unallocated amounts		24,470,523	11,935,524
Consolidated total liabilities		<u>160,665,888</u>	<u>130,280,084</u>
<i>Other material items</i>			
<i>Interest Income</i>			
Unallocated amounts		217,103	176,490
Consolidated interest income		<u>217,103</u>	<u>176,490</u>
<i>Other income</i>			
Total for reportable segments		1,466,408	1,227,089
Consolidated other income		<u>1,466,408</u>	<u>1,227,089</u>
<i>Interest expense</i>			
Total for reportable segments		5,671,203	3,348,489
Unallocated amounts		279,559	437,471
Consolidated interest expense		<u>5,950,762</u>	<u>3,785,960</u>
<i>Depreciation and amortisation</i>			
Total for reportable segments		25,900,388	24,016,913
Unallocated amounts		904,873	860,314
Consolidated depreciation and amortisation	7	<u>26,805,261</u>	<u>24,877,227</u>

The reports provided to the Group's Executive Chairman with respect to reconciliation of reportable segment revenues, profit, assets and liabilities are measured in a manner consistent with the financial statements.

Notes to the Financial Statements

5. REVENUE

The Group generates revenue primarily from the provision of transport, logistics and security services. Other sources of revenue include rental income from investment properties and dividends from other investments (refer to note 1(s)).

In the following table, revenue from contracts with customers is disaggregated by major services provided.

	Consolidated	
	2024	2023
	\$	\$
Revenue from contracts with customers		
<i>Sales revenue</i>		
Transport	196,077,158	184,665,594
Logistics	118,217,501	110,842,378
Other services, including security	6,537,554	6,150,376
	<u>320,832,213</u>	<u>301,658,348</u>
<i>Other revenue</i>		
Dividends	2,415	2,346
Rent	324,747	330,358
Other	3,140	-
	<u>330,302</u>	<u>332,704</u>
	<u>321,162,515</u>	<u>301,991,052</u>

6. OTHER INCOME

Net gain on disposal of:

- motor vehicles	912,546	627,301
- plant and equipment	159,494	93,504
Other	394,368	506,284
	<u>1,466,408</u>	<u>1,227,089</u>

7. EXPENSES

Profit before income tax includes the following specific expenses:

Employee benefits

Defined contribution superannuation	<u>7,363,032</u>	<u>6,531,521</u>
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Depreciation and amortisation

Buildings	1,216,713	1,169,168
Investment property	1,410	2,117
Plant and equipment and motor vehicles	7,886,907	7,121,591
Right-of-use assets	16,604,057	15,042,797
Security lines	23,518	23,450
Software	202,144	269,636
Trade name and customer relationships	870,512	1,248,468
	<u>26,805,261</u>	<u>24,877,227</u>

Finance expenses

Interest	5,950,762	3,785,960
Finance charges	236,040	216,104
	<u>6,186,802</u>	<u>4,002,064</u>

Notes to the Financial Statements

8. INCOME TAXES

	Consolidated	
	2024	2023
	\$	\$
(a) Income tax expense		
Current tax	8,904,808	5,239,845
Deferred tax	(1,895,154)	2,228,545
Under provided in prior years	313,513	204,806
Income tax expense	<u>7,323,167</u>	<u>7,673,196</u>
Deferred income tax (benefit) included in income tax expense comprises:		
Increase in deferred tax assets (note 8d)	(6,075,384)	(4,960,560)
Increase in deferred tax liabilities (note 8e)	4,180,230	7,189,105
	<u>(1,895,154)</u>	<u>2,228,545</u>
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	<u>23,157,092</u>	<u>24,694,444</u>
Tax at the Australian rate of 30% (2023 - 30%)	6,947,128	7,408,333
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation	53,884	108,113
Impairment	-	(192,303)
Rebatable dividends	(1,035)	(1,005)
Sundry items	9,677	145,252
	<u>7,009,654</u>	<u>7,468,390</u>
Under provision in prior years	313,513	204,806
Income tax expense	<u>7,323,167</u>	<u>7,673,196</u>
(c) Amounts recognised directly in equity		
Net deferred tax – debited directly to equity (note 8d)	<u>2,774</u>	<u>1,283</u>
(d) Deferred tax assets		
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in profit or loss</i>		
Doubtful debts	131,810	90,860
Employee benefits	3,637,219	3,315,930
Depreciation and amortisation	275,894	269,405
Lease liabilities	23,531,097	17,894,669
Other	403,156	331,645
	<u>27,979,176</u>	<u>21,902,509</u>
<i>Amounts recognised directly in equity</i>		
Other investments	2,774	1,283
	<u>27,981,950</u>	<u>21,903,792</u>
Set-off of deferred tax liabilities (note 8e)	(27,070,700)	(21,903,792)
Net deferred tax assets	<u>911,250</u>	<u>-</u>

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Notes to the Financial Statements

8. INCOME TAXES (continued)

	Consolidated	
	2024 \$	2023 \$
<i>Movements (deferred tax assets)</i>		
Balance 1 July	21,903,792	16,941,949
Credited to profit or loss	6,075,384	4,960,560
Debited to equity	2,774	1,283
Balance 30 June	<u>27,981,950</u>	<u>21,903,792</u>

(e) Deferred tax liabilities

The balance comprises temporary differences attributable to:

Amounts recognised in profit or loss

Right-of-use assets	20,956,341	15,426,097
Depreciation and amortisation	5,466,188	6,656,906
Intangible assets	75,014	282,284
Other	573,157	525,183
	<u>27,070,700</u>	<u>22,890,470</u>
Set-off of deferred tax assets (note 8d)	<u>(27,070,700)</u>	<u>(21,903,792)</u>
Net deferred tax liabilities	<u>-</u>	<u>986,678</u>

Movements (deferred tax liabilities)

Balance 1 July	22,890,470	15,701,365
Debited to profit or loss	4,180,230	7,189,105
Balance 30 June	<u>27,070,700</u>	<u>22,890,470</u>

9. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

Trade receivables	38,484,521	32,717,563
Provision for impairment of receivables (note 3(b))	<u>(439,368)</u>	<u>(302,868)</u>
	<u>38,045,153</u>	<u>32,414,695</u>
Other receivables	2,313,734	3,509,157
Prepayments	1,842,415	1,351,059
	<u>4,156,149</u>	<u>4,860,216</u>
	<u>42,201,302</u>	<u>37,274,911</u>

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Notes to the Financial Statements

10. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

Consolidated	Freehold land \$	Freehold buildings \$	Plant and equipment and fixtures and fittings \$	Motor vehicles \$	Total \$
1 July 2022					
Cost	44,499,191	35,353,648	27,913,822	43,839,696	151,606,357
Accumulated depreciation	(6,371,500)	(8,366,674)	(21,049,780)	(25,216,731)	(61,004,685)
Net book amount	38,127,691	26,986,974	6,864,042	18,622,965	90,601,672
Year ended 30 June 2023					
Opening net book amount	38,127,691	26,986,974	6,864,042	18,622,965	90,601,672
Additions	400,000	16,700,225	5,292,539	8,123,927	30,516,691
Disposals	-	-	(3,800)	(111,747)	(115,547)
Reversal of impairment**	3,715,720	-	-	-	3,715,720
Depreciation charge	-	(1,169,168)	(2,504,883)	(4,616,708)	(8,290,759)
Closing net book amount	42,243,411	42,518,031	9,647,898	22,018,437	116,427,777
At 30 June 2023					
Cost	44,899,191	52,044,401	32,397,736	49,255,062	178,596,390
Accumulated depreciation*	(2,655,780)	(9,526,370)	(22,749,838)	(27,236,625)	(62,168,613)
Net book amount	42,243,411	42,518,031	9,647,898	22,018,437	116,427,777
Year ended 30 June 2024					
Opening net book amount	42,243,411	42,518,031	9,647,898	22,018,437	116,427,777
Additions	600,000	9,743,221	3,817,510	11,223,099	25,383,830
Disposals	-	-	(60,087)	(245,001)	(305,088)
Depreciation charge	-	(1,216,713)	(2,803,128)	(5,083,779)	(9,103,620)
Closing net book amount	42,843,411	51,044,539	10,602,193	27,912,756	132,402,899
At 30 June 2024					
Cost	45,499,191	61,646,216	34,791,498	55,822,851	197,759,756
Accumulated depreciation*	(2,655,780)	(10,601,677)	(24,189,305)	(27,910,095)	(65,356,857)
Net book amount	42,843,411	51,044,539	10,602,193	27,912,756	132,402,899

* Includes depreciation and historical impairment charges

**Refer to note 14

Freehold land and buildings include properties owned by the Group throughout Western Australia. These properties are included in the financial statements at 30 June 2024 at \$93,887,950, being historical cost less accumulated depreciation and historical impairment charges. As part of the Group's compliance with its bank lending facilities, properties owned by the Group are valued for bank mortgage purposes by independent external valuation experts on a rolling 3 year basis. During the current financial year, properties comprising 97% by value of the Group's properties were independently valued. These external valuations are completed for bank mortgage purposes only and may not be a reflection of the value which could be achieved for the sale of these properties in a third party market transaction.

Based on these external valuations, the total value of the Group's properties is \$134,347,795 (excluding leasehold improvements) representing an additional \$41,974,091 of value above the recognised carrying value of these properties at 30 June 2024.

The development of new buildings on two of the vacant lots of land held in Western Australia has been completed during the year. In the prior year, an amount of \$17,871,328 was included within freehold buildings relating to assets under construction.

Notes to the Financial Statements

10. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Non-current assets pledged as security

Refer to note 16(b) for information on non-current assets pledged as security.

11. NON-CURRENT ASSETS – RIGHT-OF-USE ASSETS

A. Leases as lessee

The Group leases warehouse and transport depot facilities. These leases typically run for a period of 5 years, however the lease periods 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. The Group also leases plant and equipment.

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

(i) Right-of-use assets

Consolidated	Land and buildings \$	Plant and equipment \$	Total \$
1 July 2022			
Cost	64,763,408	5,486,965	70,250,373
Accumulated depreciation	(31,922,105)	(3,003,137)	(34,925,242)
Net book value	<u>32,841,303</u>	<u>2,483,828</u>	<u>35,325,131</u>
Year ended 30 June 2023			
Opening net book amount	32,841,303	2,483,828	35,325,131
Depreciation for the period	(13,068,269)	(1,974,528)	(15,042,797)
Additions to right-of-use assets	29,715,714	1,501,198	31,216,912
Disposal of right-of-use assets	-	(78,923)	(78,923)
Closing net book amounts	<u>49,488,748</u>	<u>1,931,575</u>	<u>51,420,323</u>
At 30 June 2023			
Cost	94,479,122	5,762,466	100,241,588
Accumulated depreciation	(44,990,374)	(3,830,891)	(48,821,265)
Net book amount	<u>49,488,748</u>	<u>1,931,575</u>	<u>51,420,323</u>
Year ended 30 June 2024			
Opening net book amount	49,488,748	1,931,575	51,420,323
Depreciation for the period	(14,283,850)	(2,320,207)	(16,604,057)
Additions to right-of-use assets	31,387,299	4,291,021	35,678,320
Disposal of right-of-use assets	(600,861)	(39,254)	(640,115)
Closing net book amounts	<u>65,991,336</u>	<u>3,863,135</u>	<u>69,854,471</u>
At 30 June 2024			
Cost	108,790,061	9,328,430	118,118,491
Accumulated depreciation	(42,798,725)	(5,465,295)	(48,264,020)
Net book amount	<u>65,991,336</u>	<u>3,863,135</u>	<u>69,854,471</u>

Notes to the Financial Statements

11. NON-CURRENT ASSETS – RIGHT-OF-USE ASSETS (continued)

Additions to right-of-use assets during the financial year were driven by long term extensions to existing properties and a new long term lease in Victoria for the logistics segment.

Included within property, plant and equipment are right-of-use assets with a carrying value of \$3,423,279 at 30 June 2024 (2023 - \$6,180,962), these assets have hire purchase liabilities. There were no additions to these assets during the year (2023 - \$874,768) with depreciation of \$604,785 (2023 - \$1,047,040).

(ii) Amounts recognised in profit or loss

	2024	2023
	\$	\$
Interest on lease liabilities	3,805,954	2,685,251
Income from sub-leasing right-of-use assets presented in other income	-	(399,480)
Expenses relating to short-term leases	3,244,207	2,930,555
Variable lease payments excluded from lease liability calculations	4,047,745	1,633,881

(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 financial year was \$324,747 (2023: \$330,358).

12. NON-CURRENT ASSETS - INVESTMENT PROPERTIES

(a) Valuations

Investment freehold land and buildings were recorded at cost (net of prior impairments) at 30 June 2024 at \$2,207,021, which approximates fair value (2023 - \$2,208,431).

The basis of valuation of investment properties for impairment testing purposes is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

(b) Contractual obligations

There are no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance or enhancements.

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Notes to the Financial Statements

13. NON-CURRENT ASSETS - INTANGIBLE ASSETS

Consolidated	Goodwill \$	Trade names \$	Customer relationships \$	Security lines \$	Software \$	Total \$
1 July 2022						
Cost	26,461,029	3,726,914	9,178,756	1,631,326	2,355,640	43,353,665
Accumulated amortisation	-	(3,044,680)	(7,312,364)	(1,564,173)	(1,885,859)	(13,807,076)
Net book amount	26,461,029	682,234	1,866,392	67,153	469,781	29,546,589
Year ended 30 June 2023						
Opening net book amount	26,461,029	682,234	1,866,392	67,153	469,781	29,546,589
Additions	-	-	-	12,356	39,141	51,497
Impairment*	(3,074,710)	-	-	-	-	(3,074,710)
Amortisation charge	-	(443,137)	(805,331)	(23,450)	(269,636)	(1,541,554)
Closing net book amount	23,386,319	239,097	1,061,061	56,059	239,286	24,981,822
At 30 June 2023						
Cost	26,461,029	3,726,914	9,178,756	1,643,682	2,394,781	43,405,162
Accumulated impairment	(3,074,710)	-	-	-	-	(3,074,710)
Accumulated amortisation	-	(3,487,817)	(8,117,695)	(1,587,623)	(2,155,495)	(15,348,630)
Net book amount	23,386,319	239,097	1,061,061	56,059	239,286	24,981,822
Year ended 30 June 2024						
Opening net book amount	23,386,319	239,097	1,061,061	56,059	239,286	24,981,822
Additions	-	-	-	6,057	23,426	29,483
Amortisation charge	-	(65,181)	(805,331)	(23,518)	(202,144)	(1,096,174)
Closing net book amount	23,386,319	173,916	255,730	38,598	60,568	23,915,131
At 30 June 2024						
Cost	26,461,029	3,726,914	9,178,756	1,649,739	2,242,707	43,259,145
Accumulated impairment	(3,074,710)	-	-	-	-	(3,074,710)
Accumulated amortisation	-	(3,552,998)	(8,923,026)	(1,611,141)	(2,182,139)	(16,269,304)
Net book amount	23,386,319	173,916	255,730	38,598	60,568	23,915,131

*Refer to note 14

The segment-level summary of goodwill allocation is presented below.

	Transport \$	Logistics \$	Other \$	Total \$
2023	5,474,232	17,868,016	44,071	23,386,319
2024	5,474,232	17,868,016	44,071	23,386,319

14. IMPAIRMENT

The Group annually tests whether CGUs that include goodwill have suffered any impairment. CGUs within the transport, logistics and other segments with goodwill were tested for impairment utilising value-in-use calculations.

Notes to the Financial Statements

14. IMPAIRMENT (continued)

The summary of CGUs tested for impairment is presented below aggregated by segment.

	Transport \$	Logistics \$	Property \$	Other / Unallocated \$	Consolidated \$
2024					
Property, plant and equipment	26,001,908	10,616,571	91,005,653	4,778,767	132,402,899
Right-of-use assets	9,795,787	60,058,684	-	-	69,854,471
Intangible asset – Goodwill	5,474,232	17,868,016	-	44,071	23,386,319
Intangible assets – Other	135,327	353,204	-	40,281	528,812
Total assets available for testing	41,407,254	88,896,475	91,005,653	4,863,119	226,172,501
Less assets not tested (no goodwill)	(4,428,440)	(15,058,371)	(59,487,715)	(4,401,537)	(83,376,063)
Subject to impairment testing*	36,978,814	73,838,104	31,517,938	461,582	142,796,438
Impairment reversal / (recognition)					

*Assets subject to impairment testing in the property segment are owner occupied properties utilised by CGU's within the transport segment.

	Transport \$	Logistics \$	Property \$	Other/ Unallocated \$	Consolidated \$
2023					
Property, plant and equipment	20,069,804	9,105,123	83,530,266	3,722,584	116,427,777
Right-of-use assets	9,238,321	42,182,002	-	-	51,420,323
Intangible asset – Goodwill	5,474,232	17,868,016	-	44,071	23,386,319
Intangible assets – Other	314,939	1,132,891	-	147,673	1,595,503
Total assets available for testing	35,097,296	70,288,032	83,530,266	3,914,328	192,829,922
Less assets not tested	(1,492,959)	(16,005,712)	(39,671,831)	(3,647,313)	(60,817,815)
Subject to impairment testing	33,604,337	54,282,320	43,858,435	267,015	132,012,107
Impairment reversal / (recognition)	(3,074,710)	-	3,715,720	-	641,010

Key assumptions utilised in the value-in-use calculations are as follows:

Cash flows for year 1 are based on the budget for the year ending 30 June 2025. This budget represents the current forecast sustainable earnings of CGUs as approved by the Board. The budget does not forecast any significant improvement in cash flows.

Cash flows for years 2 to 5 are extrapolated based on the budget, adjusted for changing market conditions, with an assumed growth rate of 2.5% (2023 – 2.5%). Terminal value calculations utilise a long term expected annual growth rate of 2.5% (2023 – 2.5%). Nominal post tax discount rates ranging between 9.5% and 11.0% (2023 – 9.5%) are used to discount the forecast future attributable post-tax cash flows when performing the value-in-use calculations. Management has applied a discount rate commensurate with the size of the relevant CGU, with higher discount rates applied to smaller size CGU's.

Transport segment – recognition of impairment

In the prior year, an impairment expense of \$3,074,710 was recognised in the transport segment for goodwill relating to the acquired businesses of Action Couriers and Foxline, which are separate CGUs. Ongoing reductions in volumes, coupled with reduced margins from a highly competitive market and increasing costs to service meant that the cash flow forecasts within the value-in-use model did not support the value of this goodwill.

As a result, the entire prior year balance of goodwill related to these CGUs was impaired.

Notes to the Financial Statements

14. IMPAIRMENT (continued)

Property segment – reversal of impairment

An independent valuation of three vacant blocks of land in Hazelmere, Western Australia was performed at 30 June 2020, which resulted in an impairment charge of \$5,771,500 in that year. During the prior year, the Group commenced building a new transport depot on two of these blocks for its own use. Due to this change in use, management allocated the value of land and buildings for these two blocks into the value-in-use calculations for the respective CGUs within the transport segment.

At 30 June 2023, the calculated value-in-use cashflows exceeded the carrying value of assets within the CGUs by \$29,599,880, resulting in a trigger for impairment reversal on these two blocks. Management obtained an independent valuation to confirm the current value of the land exceeded its original cost, and accordingly, the full amount of the original impairment on these two blocks, being \$3,715,720, was reversed in the prior year.

At 30 June 2024, the remaining block of land in Hazelmere remains vacant. Management has assessed there have been no changes which would require further impairments or reversal of impairment to be recognised.

Reasonable possible change in assumptions

Management considered reasonably possible changes of assumptions associated with the CGUs as a 1% (2023 - 1%) increase in the discount rate, or a 7.5% (2023 - 7.5%) reduction in EBITDA margins. Management has not identified any reasonably possible change in the key assumptions of the cashflow model that would cause the carrying amount to exceed the recoverable amount of the CGU. Should a combination of these sensitivities occur in the same manner, there may be a potential impairment.

Management has determined that there are no other reasonably possible changes that could result in material impairments to the CGUs, however management recognise the uncertainty associated with the national economy which could result in a significant worsening of the Group's performance. These outcomes have not been reflected in management's assessment.

15. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated	
	2024	2023
	\$	\$
Trade payables	16,386,888	14,504,827
Other payables	10,532,125	9,346,823
	<u>26,919,013</u>	<u>23,851,650</u>

16. LEASE LIABILITIES AND LOANS AND BORROWINGS

Lease liabilities - current	17,689,125	16,339,264
Bank loan - current	-	9,905,000
Lease liabilities - non-current	61,812,368	46,508,339
Bank loans - non-current	38,905,000	20,500,000
Total interest-bearing borrowings	<u>118,406,493</u>	<u>93,252,603</u>

(a) Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

Secured

Bank loans	38,905,000	30,405,000
Lease liabilities*	1,064,500	3,198,706
Total secured liabilities	<u>39,969,500</u>	<u>33,603,706</u>

*Represents hire purchase liabilities included within the lease liabilities balance.

Notes to the Financial Statements

16. LEASE LIABILITIES AND LOANS AND BORROWINGS (continued)

(b) Assets pledged as security

Bank overdrafts and bank loans are secured by mortgages over the Group's freehold land and buildings, investment properties and fixed and floating charges over the remaining Group assets (excluding AASB 16 right-of-use assets).

Hire purchase liabilities are effectively secured as the rights to the assets recognised in the financial statements revert to the financier in the event of default.

The carrying amounts of assets pledged as security for current and non-current interest-bearing liabilities are:

	Consolidated	
	2024	2023
	\$	\$
Current		
<i>Floating charge</i>		
Cash and cash equivalents	10,395,674	10,282,435
Receivables	40,358,887	35,923,852
Inventories	167,494	234,037
Total current assets pledged as security	<u>50,922,055</u>	<u>46,440,324</u>
<i>First mortgage</i>		
Freehold land and buildings	<u>34,904,492</u>	<u>35,523,686</u>
<i>Floating charge</i>		
Other investments	51,021	60,267
Plant, equipment and motor vehicles	38,514,949	31,666,335
Freehold land and buildings	58,983,458	49,237,756
Investment properties	2,207,021	2,208,431
Intangible assets	99,166	295,345
	<u>99,855,615</u>	<u>83,468,134</u>
Total non-current assets pledged as security	<u>134,760,107</u>	<u>118,991,820</u>
Total assets pledged as security	<u>185,682,162</u>	<u>165,432,144</u>
(c) Financing arrangements		
Unrestricted access was available at balance date to the following lines of credit:		
<i>Credit standby arrangements</i>		
Total facilities		
Secured bill acceptance facility	48,906,167	48,906,167
Secured financial guarantee and documentary credit facility	2,381,833	2,381,833
	<u>51,288,000</u>	<u>51,288,000</u>
Utilised		
Secured bill acceptance facility	38,905,000	30,405,000
Secured financial guarantee and documentary credit facility	2,381,833	2,381,833
	<u>41,286,833</u>	<u>32,786,833</u>
<i>Bank loan facility</i>		
Total facility	51,288,000	51,288,000
Utilised at balance date	(41,286,833)	(32,786,833)
Unutilised at balance date	<u>10,001,167</u>	<u>18,501,167</u>

The bank overdraft facilities may be drawn at any time and are subject to annual review. The bill acceptance facilities have defined maturity dates. Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time.

Subsequent to year end, the Group has entered into a revised facility to increase the total available facility to \$56,363,000 with no change to the maturity date.

Notes to the Financial Statements

16. LEASE LIABILITIES AND LOANS AND BORROWINGS (continued)

The current interest rates are 4.98% - 5.83% per annum on bill facilities and 8.11% per annum on bank overdraft facilities (2023 - bill facilities 1.43% - 4.98%, bank overdraft facilities– 7.86%).

(d) Interest rate risk exposure

Information concerning interest rate risk is set out in note 3.

(e) Fair value

The carrying amounts of interest-bearing liabilities approximate their fair value at balance date.

17. CONTRIBUTED EQUITY

(a) Share capital

	Consolidated	
	Number of shares	\$
Ordinary shares (fully paid)		
At 30 June 2023		
Opening balance	75,745,883	27,947,489
Dividend reinvestment plan	701,955	986,722
Bonus share plan	398,859	587,313
Exercise of contingently issuable shares	189,000	81,110
Closing balance	<u>77,035,697</u>	<u>29,602,634</u>
At 30 June 2024		
Opening balance	77,035,697	29,602,634
Dividend reinvestment plan	428,325	661,888
Bonus share plan	36,641	56,614
Exercise of contingently issuable shares	24,000	-
Closing balance	<u>77,524,663</u>	<u>30,321,136</u>

At 30 June 2024 there were 2,472,000 contingently issuable shares (2023 – 2,496,000) relating to shares issued under the Company's Employee Share Plan. During the financial year, 24,000 (2023 - 189,000) of the previously vested contingently issuable shares were issued as a result of the exercise of options relating to these shares. During the financial year, no contingently issuable shares were issued to any employees under the Company's Employee Share Plan (2023 - nil). There is no expiry on these shares subject to exercise by the employee.

(b) Ordinary shares

All ordinary shares are fully paid and entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

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Notes to the Financial Statements

18. DIVIDENDS

	Parent Entity	
	2024 \$	2023 \$
(a) Ordinary shares		
Final dividend for the year ended 30 June 2023 of 5.0 cents (2022 – 4.0 cents) per fully paid share		
Fully franked dividend based on tax paid @ 30% (2022 - 30%)	3,851,662	3,029,734
Less – bonus issue of ordinary shares under the Company’s Bonus Share Plan.	(27,634)	(260,538)
	<u>3,824,028</u>	<u>2,769,196</u>
Interim dividend for the year ended 30 June 2024 of 5.0 cents (2023 – 5.0 cents) per fully paid share		
Fully franked dividend based on tax paid @ 30% (2023 - 30%)	3,863,837	3,832,023
Less – bonus issue of ordinary shares under the Company’s Bonus Share Plan.	(28,980)	(326,775)
	<u>3,834,857</u>	<u>3,505,248</u>
(b) Dividends not recognised at the end of the reporting period		
In addition to the above dividends, since the end of the financial year the directors have declared the payment of a final dividend of 5.5 cents per fully paid ordinary share, (2023 – 5.0 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 3 October 2024 out of retained profits at 30 June 2024, but not recognised as a liability at year end, is		
	<u>4,263,856</u>	<u>3,851,785</u>

(c) Franked dividends

Franking credits available at 30 June 2024 for subsequent financial years based on a tax rate of 30% - \$31,959,037 (2023 - \$28,230,990 - 30%).

19. RELATED PARTIES

(a) Parent entity

CTI Logistics Limited is the ultimate Australian parent entity of the Group and head entity of the tax consolidated group.

(b) Transactions with key management personnel

Key management personnel compensation

	Consolidated	
	2024 \$	2023 \$
Key management personnel compensation comprised the following:		
Short-term	2,682,623	2,464,815
Post-employment	150,638	144,587
	<u>2,833,261</u>	<u>2,609,402</u>

20. REMUNERATION OF AUDITORS

The following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

Audit services

KPMG Australia

Audit and review of financial reports

	<u>273,000</u>	<u>240,000</u>
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Notes to the Financial Statements

21. COMMITMENTS

Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities comprises of plant and equipment of \$3,149,525 (2023 - \$4,718,937) payable within one year. The Group has also entered a contract for construction of a warehouse on the remaining vacant land in Hazelmere, Western Australia. The total value of the construction contract is \$16,883,242 (ex-GST), of which \$3,510,369 is payable within one year, the remaining \$13,372,873 is being funded through a separate loan facility which is payable 3 years from completion of the building.

22. SUBSIDIARIES

All subsidiaries are incorporated in Australia.

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of Incorporation	Equity holding (Ordinary shares)	
		2024 %	2023 %
CTI Logistics Limited	Australia		
Directly controlled by CTI Logistics Limited			
Controlled entities			
Bring Transport Industries Pty Ltd	Australia	100	100
Mercury Messengers Pty Ltd	Australia	100	100
CTI Security Services Pty Ltd	Australia	100	100
CTI Transport Systems Pty Ltd	Australia	100	100
CTI Taxi Trucks Pty Ltd	Australia	100	100
CTI Security Systems Pty Ltd	Australia	100	100
CTI Transport Services Pty Ltd	Australia	100	100
CTI Freight Management Pty Ltd	Australia	100	100
Action Logistics (WA) Pty Ltd	Australia	100	100
CTI Freight Systems Pty Ltd	Australia	100	100
CTI Couriers Pty Ltd	Australia	100	100
CTI Swinglift Services Pty Ltd	Australia	100	100
CTI Xpress Systems Pty Ltd	Australia	100	100
CTI Nationwide Logistics Pty Ltd	Australia	100	100
Consolidated Transport Industries Pty Ltd	Australia	100	100
CTI Logistics (NSW) Pty Ltd	Australia	100	100
Australian Fulfilment Services Pty Ltd	Australia	100	100
Other controlled entities			
Directly controlled by CTI Nationwide Logistics Pty Ltd			
Lafe (WA) Pty Ltd	Australia	100	100
CTI Freightlines Pty Ltd	Australia	100	100
Blackwood Industries Pty Ltd	Australia	100	100
Directly controlled by Blackwood Industries Pty Ltd			
CTI Logistics (Vic) Pty Ltd	Australia	100	100
CTI Online Pty Ltd	Australia	100	100
CTI Records Management Pty Ltd	Australia	100	100
CTI Quarantine & Fumigation Services Pty Ltd	Australia	100	100
Directly controlled by Consolidated Transport Industries Pty Ltd			
Foxline Logistics Pty Ltd	Australia	100	100
Directly controlled by CTI Logistics (NSW) Pty Ltd			
G.M. Kane & Sons Pty Ltd	Australia	100	100

These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 2016/785 issued by the Australian Securities and Investments Commission. For further information refer to note 23.

Notes to the Financial Statements

23. DEED OF CROSS GUARANTEE

CTI Logistics Limited and its wholly-owned entities are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 2016/785 issued by the Australian Securities and Investments Commission. The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee, they also represent the Extended Closed Group.

The consolidated results of the Company and all the parties to the Deed are the same as the consolidated results of the Group.

24. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Consolidated	
	2024	2023
	\$	\$
Profit for the year	15,833,925	17,021,248
Depreciation and amortisation	26,805,261	24,877,227
Impairment	-	3,074,710
Reversal of prior impairment	-	(3,715,720)
Provision for doubtful debts	136,500	(84,500)
Net gain on sale of non-current assets	(1,072,040)	(720,805)
<i>Change in operating assets and liabilities</i>		
(Increase)/decrease in trade and other debtors	(5,062,891)	1,634,132
Increase in inventories	66,543	13,423
Increase/(decrease) in provision for income taxes	2,080,267	(1,693,664)
Increase in deferred tax assets	(6,078,158)	(4,960,930)
Increase in deferred tax liabilities	4,180,230	7,189,105
Increase in trade creditors, employee benefits and other provisions	3,959,686	4,152,254
Net cash inflow from operating activities	<u>40,849,323</u>	<u>46,786,480</u>

25. EARNINGS PER SHARE

	Consolidated	
	2024	2023
	Cents per share	
(a) Basic earnings per share		
Basic earnings per share attributable to the ordinary equity holders of the Company.	<u>20.49</u>	<u>22.27</u>
	\$	\$
Profit attributable to ordinary shareholders used in calculating basic earnings per share.	<u>15,833,925</u>	<u>17,021,248</u>
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share.	<u>77,258,641</u>	<u>76,443,916</u>

Notes to the Financial Statements

25. EARNINGS PER SHARE (continued)

	2024	2023
	Cents per share	
(b) Diluted earnings per share		
Diluted earnings per share attributable to the ordinary equity holders of the Company.	20.36	22.12
	\$	\$
Profit attributable to ordinary shareholders used in calculating diluted earnings per share.	15,833,925	17,021,248

	2024	2023
	Number	
<i>Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share.</i>		
Weighted average number of shares (basic)	77,258,641	76,443,916
The effect of the vesting of contingently issuable shares	504,123	509,873
Weighted average number of shares (diluted)	77,762,764	76,953,789

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. At 30 June 2024, 620,000 (2023: 620,000) contingently issuable shares were considered anti-dilutive and excluded from the calculation.

26. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2024	2023
	\$	
Balance sheet		
Current assets	16,162,546	14,567,642
Total assets	50,342,678	48,848,332
Current liabilities	7,446,757	11,780,676
Total liabilities	17,436,221	12,100,246
Net assets	32,906,457	36,748,086
Shareholders' equity		
Issued capital	30,321,136	29,602,634
Reserves	1,842,355	1,848,827
Retained earnings	742,966	5,296,625
Total equity	32,906,457	36,748,086
Profit for the year	3,161,840	8,185,604
Total comprehensive income	3,155,368	8,189,951

Notes to the Financial Statements

26. PARENT ENTITY FINANCIAL INFORMATION (continued)

(b) Guarantees entered into by the parent entity

	2024	2023
	\$	\$
Carrying amount included in Group		
- current liabilities	891,277	2,061,125
- non-current liabilities	39,078,223	21,637,581
	<u>39,969,500</u>	<u>23,698,706</u>

The parent entity has provided financial guarantees in respect of loans and hire purchase commitments of subsidiaries amounting to \$39,969,500 (2023 - \$23,698,706). The loans are secured by registered mortgages over the freehold properties of the subsidiaries.

In addition, there are cross guarantees given by CTI Logistics Limited as described in note 23. No deficiencies of assets exist in any of these entities.

27. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Subsequent to year end, the Group has entered into a revised loan facility to increase the total available facility (refer to note 16(c)).

There are no other events since the end of the financial year that provide additional evidence of conditions that existed at the end of the financial year or that reveal for the first time a condition that existed at the end of the financial year.

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Consolidated Entity Disclosure Statement

For the year ended 30 June 2024

Name of entity	Body corporate, partnership or trust	Place incorporated / formed	% of share capital held directly or indirectly by the Company in the body corporate	Australian or Foreign tax resident
CTI Logistics Limited (the Company)	Body corporate	Australia	N/A	Australian
Bring Transport Industries Pty Ltd	Body corporate	Australia	100%	Australian
Mercury Messengers Pty Ltd	Body corporate	Australia	100%	Australian
CTI Security Services Pty Ltd	Body corporate	Australia	100%	Australian
CTI Transport Systems Pty Ltd	Body corporate	Australia	100%	Australian
CTI Taxi Trucks Pty Ltd	Body corporate	Australia	100%	Australian
CTI Security Systems Pty Ltd	Body corporate	Australia	100%	Australian
CTI Transport Services Pty Ltd	Body corporate	Australia	100%	Australian
CTI Freight Management Pty Ltd	Body corporate	Australia	100%	Australian
Action Logistics (WA) Pty Ltd	Body corporate	Australia	100%	Australian
CTI Freight Systems Pty Ltd	Body corporate	Australia	100%	Australian
CTI Couriers Pty Ltd	Body corporate	Australia	100%	Australian
CTI Swinglift Services Pty Ltd	Body corporate	Australia	100%	Australian
CTI Xpress Systems Pty Ltd	Body corporate	Australia	100%	Australian
CTI Nationwide Logistics Pty Ltd	Body corporate	Australia	100%	Australian
Consolidated Transport Industries Pty Ltd	Body corporate	Australia	100%	Australian
CTI Logistics (NSW) Pty Ltd	Body corporate	Australia	100%	Australian
Australian Fulfilment Services Pty Ltd	Body corporate	Australia	100%	Australian
Lafe (WA) Pty Ltd	Body corporate	Australia	100%	Australian
CTI Freightlines Pty Ltd	Body corporate	Australia	100%	Australian
Blackwood Industries Pty Ltd	Body corporate	Australia	100%	Australian
CTI Logistics (Vic) Pty Ltd	Body corporate	Australia	100%	Australian
CTI Online Pty Ltd	Body corporate	Australia	100%	Australian
CTI Records Management Pty Ltd	Body corporate	Australia	100%	Australian
CTI Quarantine & Fumigation Services Pty Ltd	Body corporate	Australia	100%	Australian
Foxline Logistics Pty Ltd	Body corporate	Australia	100%	Australian
G.M. Kane & Sons Pty Ltd	Body corporate	Australia	100%	Australian

Key assumptions and judgements

Determination of Tax Residency

Section 295 (3A) of the *Corporations Act 2001* requires that the tax residency of each entity which is included in the Consolidated Entity Disclosure Statement (CEDS) be disclosed. In the context of an entity which was an Australian resident, this term has the meaning provided in the *Income Tax Assessment Act 1997*. The determination of tax residency involves judgment as the determination of tax residency is highly fact dependent and there are currently several different interpretations that could be adopted, and which could give rise to a different conclusion on residency.

In determining Australian tax residency, the consolidated entity has applied current legislation and judicial precedent, including having regard to the Commissioner of Taxation's public guidance in *Tax Ruling TR 2018/5*.

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 15 to 49 and the Remuneration report on pages 8 to 9 in the Directors' Report, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2024 and of its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the Consolidated Entity Disclosure Statement is true and correct in accordance with the *Corporations Act 2001*; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

There are reasonable grounds to believe that the Company and the Group entities identified in note 22 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those Group entities pursuant to *ASIC Class Order 2016/785*.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the Managing Director and Director of Finance required by Section 295A of the *Corporations Act 2001*.

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



DAVID WATSON
Director

Perth, WA
28 August 2024

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Independent Auditor's Report

To the shareholders of CTI Logistics Limited

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of CTI Logistics Limited (the Company).

In our opinion, the accompanying Financial Report of the Company gives a true and fair view, including of the **Group's** financial position as at 30 June 2024 and of its financial performance for the year then ended, in accordance with the *Corporations Act 2001*, in compliance with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2024;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Consolidated entity disclosure statement and accompanying basis of preparation as at 30 June 2024;
- Notes, including material accounting policies; and
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Asset Valuation	
Refer to Note 14 to the Financial Report	
The key audit matter	How the matter was addressed in our audit
<p>The assessment of the existence of impairment or impairment reversal indicators and required impairment testing, including determining the recoverable amount of the CGUs, was a key audit matter given the size of the balance of property, plant and equipment and goodwill.</p> <p>Impairment testing was performed by the Group on the following CGUs:</p> <ul style="list-style-type: none"> Couriers – West Perth, CTI Regional, CTI Interstate, GMK and CTI Security, as the carrying amount of these CGUs included goodwill. <p>We focused on the significant forward-looking assumptions the Group applied in its value in use models, including forecast operating cash flows, growth rates, terminal growth rates and discount rates. Forward looking assumptions of this nature are inherently judgemental, which drives additional audit effort specific to their feasibility as past performance does not guarantee future performance. Certain of the Group’s models are highly sensitive to small changes in these assumptions.</p> <p>We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> We considered the appropriateness of the value in use method applied by the Group to assess the carrying value of goodwill and perform the impairment reversal testing against the criteria in the accounting standards. We analysed the Group’s determination of its CGUs based on our understanding of the operations of the Group’s business, how the identifiable CGUs generate independent cash inflows, and against the requirements of the accounting standards. We assessed the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the models. We considered the sensitivity of the models by varying key assumptions, such as the discount rate and growth rates within a reasonably possible range, to focus our further procedures. We compared forecasts to Board approved budgets. We challenged the Group’s forecast cash flows and growth assumptions, considering the uncertainty in business activity. We compared forecast cash flows to historical performance of the Group, and forecasts to published studies of industry trends and expectations. We used our knowledge of the Group, its past performance, business and customers, and our industry experience in assessing the feasibility of forecast growth rates and terminal growth rates applied by the Group. We assessed the Group’s allocation of corporate assets to CGUs for reasonableness and consistency based on the requirements of the accounting standards. Working with our valuation specialists, we: <ul style="list-style-type: none"> Independently developed a discount rate range using publicly available market data for comparable entities, and considering differences to the relevant CGU, such as size. Assessed the integrity of the value in use models used, including the accuracy of the underlying calculation formulas. We assessed the disclosures in the financial report, using the results of our testing and against the requirements of the accounting standards.



Other Information

Other Information is financial and non-financial information in CTI Logistics Limited's annual report which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- Preparing the Financial Report in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Group, and in compliance with *Australian Accounting Standards* and the *Corporations Regulations 2001*;
- Implementing necessary internal control to enable the preparation of a Financial Report in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Group, and that is free from material misstatement, whether due to fraud or error; and
- Assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- To obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- To issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.



Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of CTI Logistics Limited for the year ended 30 June 2024, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 8 to 9 of the Directors' report for the year ended 30 June 2024.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Jane Bailey

Jane Bailey

Partner

Perth

28 August 2024

Corporate Governance Statement

The Australian Securities Exchange (ASX) Corporate Governance Council has published a number of principles and recommendations relating to the direction and management of companies. These guidelines form a corporate governance framework intended to provide a practical guide for listed companies and their investors.

The Company's Board of directors (Board) are fully cognisant of the Corporate Governance Principles and Recommendations published by the ASX Corporate Governance Council (ASX Recommendations) and have adopted those recommendations where they are appropriate to the Company's circumstances.

Under the ASX Listing Rules companies are required to provide a statement disclosing the extent to which they have followed all the ASX Recommendations and identify the recommendations that have not been followed and give reasons for not following them.

Role of the Board

The role of the Board is to approve the purpose, values, and strategic direction of the Company, guide and monitor the management of the Company in achieving its strategic plans, review, approve and monitor the Company's risk management systems across its businesses, and to oversee overall good governance practice.

The role, responsibilities, structure and processes of the Board are set out in the Board Charter, which is published on the Company's website www.ctilogistics.com.

The Board's primary objective is to oversee the Group's business activities and management for the benefit of all stakeholders by:

- approving the Company's purpose, values, strategy, business plans and policies;
- monitoring the Company's strategic direction and portfolio of activities, and overseeing management goal setting and instilling the Company's values;
- setting the Company's risk appetite and reviewing the effectiveness of the Company's risk management systems;
- approving the annual report, financial statements and other published reporting in accordance with the Constitution, Corporations Act and ASX Listing Rules;
- approving and monitoring budgets, capital expenditure, capital management, and acquisitions and divestments and the payment of dividends;
- overseeing the financial position and monitoring the business and financial affairs of the Company;
- approving and monitoring the effectiveness of the Company's system of corporate governance, ethical, environmental and health and safety standards;
- ensuring significant business risks are identified and appropriately managed;
- ensuring appropriate resources are available;
- ensuring the composition of the Board is appropriate, selecting directors for appointment to the Board and reviewing the performance of the Board and the contribution of individual directors; and
- ensuring the integrity of risk management, internal control, legal compliance and management information systems.

Role of Management

The Board has delegated responsibilities and authorities to management to enable management to conduct the Company's day to day businesses. Core business management issues are handled by the Executive Committee which comprises the executive directors and senior managers from within the Company. Matters which are not within these delegations, such as expenditure and activity approvals which exceed certain parameters, require separate Board approval.

The role of management is set out in the Board Charter.

Agreements with Directors

The ASX Recommendations recommend that a listed company should have a written agreement with each director and senior executive setting out the terms of their appointment.

The Company has entered into written agreements with its non-executive directors setting out their terms of engagement with Company and with executive directors Owen Venter and Matthew Watson as employees of the Company, but does not have written agreements with the chairman, David Watson, and its executive directors Bruce Saxild and David Mellor as a result of being employed as founding directors.

Corporate Governance Statement

Board Composition

The Board comprises seven directors, including five executive directors and two non-executive directors.

Non-executive directors Roger Port and William Moncrieff are independent directors.

The Board does not comprise a majority of independent directors. Due to the size of the Company and its operations, and to avoid additional layers of management, the executive directors are necessarily involved in the day to day operations of the Group's businesses.

The Board has, and will continue to consider the appointment of additional non-executive directors, including a process for succession to ensure the Board maintains a balance of skills, experience and independence appropriate for the Company.

The Company has established a Remuneration and Nomination Committee comprising William Moncrieff (chair, an independent non-executive director), Roger Port (an independent non-executive director) and David Watson (executive chairman), which is considered appropriate given the size and nature of the Company. The committee charter is in the process of being approved by the Board and was not disclosed on the Company's website for the entire reporting period in accordance with the ASX Recommendations.

When appointing a new director, the Company performs checks which include a check on a person's character, experience, education, criminal record and bankruptcy history.

Due to the executive directors' individual separate operational functions, the Board is able to effectively review the performance of management and exercise independent judgement.

The directors have a broad range of qualifications, experience and expertise. External professional advisors are engaged by the Company to supplement the Board's skills when required. Details of individual directors are set out in the Annual Report.

The role of chairman and chief executive officer is filled by David Watson the founder of the business, who is also a substantial shareholder. His knowledge, experience and understanding of the businesses comprising the Group are integral to his performance of both these roles. The Board considers that limited value would be added by separating the roles. The chairman is not an independent director because he is the chief executive officer and a substantial shareholder of the Company.

The Board has adopted a formal policy on access to independent professional advice which provides that directors are entitled to seek such advice for the purposes of the proper performance of their duties. The advice is at the Company's expense and is made available to all directors.

The ASX Recommendations recommend that a listed company should have and disclose a board skills matrix. The Company has not established a formal skills matrix for the Board due to the size and nature of the Company and the Board is satisfied with the experience and skills of the directors.

Company Secretary

The appointment and removal of a company secretary is a matter for decision by the Board. The company secretary is accountable directly to the Board (through the chairman) on all matters to do with the proper functioning of the Board. Details of the company secretary are set out in the Annual Report.

Ethical and Responsible Decision Making

The Company has clarified the ethical behaviour expected of directors and staff, as well as its attitude towards trading in the Company's securities.

The Company has adopted a code of conduct to provide a set of guiding principles, practices and standards of behaviour which are to be observed by all employees, contractors and business partners.

The Board encourages all employees to conduct business in a fair and ethical manner and to report any instances where standards may be at risk.

Corporate Governance Statement

The Company's business conduct and ethics policy, anti-bribery and anti-corruption policy, code of conduct, modern slavery statement and the policy on trading in company securities, are published on the Company's website www.ctilogistics.com.

Diversity

The Company is committed to diversity and equality in all areas and all levels of its operations. Diversity means those attributes which may differ from person to person, including gender, age, ethnicity and cultural background.

The Company recognises that the strength of the business is built on the understanding of individual strengths and differences and seeks to respect these. The Company is committed to providing an inclusive work environment with equal opportunities for all current and prospective employees, customers and suppliers and does not condone harassment or unlawful discrimination of any kind.

The Company recognises that there are many areas in which people experience discrimination and will continue to work towards an anti-discriminatory environment, based on open discussions with employees, customers, suppliers and others on perceptions of discrimination and by ensuring that our processes reflect relevant legislation and good practice.

The Company reports annually to the Workplace Gender Equality Agency which has confirmed that the Company is compliant with the Workplace Gender Equality Act 2012.

Currently the gender split of the Group's employees is 74% male : 26% female. At management levels the split is 92% male : 8% female. There are currently no female Board members.

The Company has a diversity policy, which is published on the Company's website www.ctilogistics.com.

The ASX Recommendations recommend that a listed company's Board should set out measurable objectives for achieving general diversity in the composition of the Board, senior executives and workforce generally, and the company should give disclosure of those measurable objectives.

The Company has not set measurable objectives for achieving general diversity in the composition of the Board, senior executives and workforce generally because of the size of the Company.

Evaluating Performance of Board and Management

The Board generally reviews and evaluates the performance of its directors and committees annually.

However, the Company has not established a formal process for periodically evaluating the performance the Board, the Board's committees and individual directors because of the size of the Company.

The Company evaluates the performance of its senior executives in an annual review process measured against a range of performance criteria determined by the Board and during the reporting period performance evaluations were undertaken in accordance with that process.

Integrity in Financial Reporting

The Company has formed an Audit and Risk Committee consisting of independent directors Roger Port (chair, an independent non-executive director) and William Moncrieff (an independent non-executive director), and executive directors Bruce Saxild and Matthew Watson. Meetings are also attended by executive directors David Mellor and Owen Venter. The Audit and Risk Committee has a formal charter which has been approved by the Board. The charter is published on the Company's website, www.ctilogistics.com.

The ASX Recommendations recommend that a majority of a listed entity's audit committee comprise independent directors. The Company's Audit and Risk Committee does not comprise a majority of independent directors because two of the four members of the committee are executive directors. The size and composition of the Audit and Risk Committee is considered to be appropriate for the size and complexity of the Company.

The Audit and Risk Committee reports directly to the Board and has unlimited access to the Company's external auditors and company employees. The Audit and Risk Committee meets regularly with the external auditors and reviews all comments and findings from them.

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Corporate Governance Statement

The external auditors meet with the Audit and Risk Committee at least twice a year to review their audit procedures and findings. It is the policy of the external auditors to rotate the audit partner at 5 yearly intervals. The Board is satisfied with the external auditor's competence and independence.

In accordance with the ASX Recommendations, the chief executive officer and the chief financial officer have written to the Board giving assurances as to the accuracy and integrity of the Company's financial statements.

Timely and Balanced Disclosure

The Board is committed to ensuring that all matters which should be disclosed to the market are disclosed in a timely and balanced manner. All matters for disclosure are vetted and authorised by the Board prior to disclosure.

The Company's continuous disclosure policy aims to ensure that:

- there is full and timely disclosure of the Company's activities to shareholders, investors and other interested parties in accordance with all statutory obligations;
- all parties have equal access to externally available information about the Company.

The Company's continuous disclosure policy reflects the Company's responsibility to comply with the disclosure requirements of the ASX and is reviewed regularly to reflect any changes in legislative or regulatory requirements and best practice. The continuous disclosure policy is published on the Company's website www.ctilogistics.com.

Rights of Shareholders

The Board encourages direct communication with shareholders.

Shareholders are encouraged to attend general meetings where formal and informal discussions can take place with Board members, senior employees and the external auditors.

The Company's external auditors are always invited to attend the Company's Annual General Meetings and are available to answer shareholders' queries at that time.

Shareholders may also communicate freely with Board members at any time either directly or via our investor relations email address communications@ctilogistics.com.

The Company recognises the importance and value of keeping shareholders fully informed of all matters, in addition to those prescribed by law, which may impact upon their financial interest in the Company. The Company's shareholder communication strategy is published on the Company's website www.ctilogistics.com.

The Company's website will continue to be developed as a medium to facilitate communication with shareholders.

Risk Recognition and Management

The Board has established policies and procedures to recognise, minimise and manage all aspects of risk affecting the Company.

The Board has overseen with the management of each business unit the drawing up of a risk management plan. Management has submitted reports to the Board on the areas of risk, the impacts and risk categorisation affecting the business units.

A robust system for identifying, monitoring and mitigating material risk throughout the Group has been established and each business unit can access the system on-line. It is reviewed at least annually and updated immediately a change is identified.

The Audit and Risk Committee assists the Board in fulfilling its corporate governance and oversight responsibilities including corporate reporting processes, external audit and compliance, risk management and mitigation and internal control. The Audit and Risk Committee charter sets out the roles and responsibilities of the committee including reviewing the effectiveness of the processes for identifying the Company's risks and the appropriateness of the risk management procedures in managing financial, fraud, operational, contract, insurance, cyber security and regulatory compliance risks.

Business continuity plans incorporate disaster recovery and IT risk management plans covering the Company's on and off premise IT infrastructure and cyber risks and controls which are reviewed periodically.

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Corporate Governance Statement

Whilst there is no formal internal audit function, the Company's chief financial officer performs and delegates certain internal audit procedures on a rotational basis throughout the year.

The ASX Recommendations recommend that the chief executive officer and the chief financial officer write to the Board giving assurances regarding risk recognition and management, so that the Board is assured of considering all relevant factors. This has not been undertaken as the Company's chief executive officer is also the chairman of the Company's Board and the chief financial officer is also a member of the Company's Board and report to the Board directly.

Remuneration

The Remuneration and Nomination Committee reviews and makes recommendations on remuneration policies for the Company including, in particular, those governing the directors. Remuneration of directors is periodically benchmarked against similar listed companies.

The Board has the discretion to provide employees with equity-based remuneration including under the Company's Employee Share Plan.

Board members have access to continuing education within their spheres of operation and the Board encourages directors and staff to embark on continuing professional development.

Directors have access to all information required to efficiently discharge responsibilities and may request additional information from management at any time. Operational management are invited to attend Board meetings on a regular basis to facilitate directors' understanding of operational matters.

The ASX Recommendations recommend that a listed entity should disclose its policies and practices regarding the remuneration of its directors. The Company has not established formal policies for the remuneration of directors due to the size of the Company.

Interests of Stakeholders

The Board acknowledges the legitimate interests of all stakeholders and its legal and other obligations to employees, clients and the community as a whole.

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Shareholder Information

THE TWENTY LARGEST SHAREHOLDERS AS AT 31 JULY 2024

	NUMBER OF SHARES	PERCENTAGE
David R Watson	18,627,488	23.29
Dynamic Supplies Investments Pty Ltd	9,956,463	12.45
David Watson Nominees Pty Ltd	5,395,969	6.75
Parmelia Pty Ltd	4,223,149	5.28
Simon Dirk Kenworthy-Groen	3,791,091	4.74
Citicorp Nominees Pty Ltd	3,186,626	3.98
DAM Nominees Pty Ltd	2,798,871	3.50
Bruce E Saxild and Michelle P Saxild	2,579,302	3.22
Catherine R Watson	1,823,486	2.28
Dixson Trust Pty Ltd	1,686,633	2.11
NCH Pty Ltd	1,418,461	1.77
J P Morgan Nominees Australia Pty Ltd	972,297	1.21
Bond Street Custodians Limited	700,000	0.88
David A Mellor	522,080	0.65
Mr Walter Hall and Mrs Hilary Hall	521,000	0.65
H & G High Conviction Limited	500,000	0.62
Mr Simon Wiltshire & Mr Andrew Kerr & Mr Gavin Riley	419,228	0.52
Keiser Investments Pty Ltd	390,000	0.49
Geolyn Pty Ltd	374,104	0.47
Bruce E Saxild	347,120	0.43
	<u>60,233,368</u>	<u>75.29</u>

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders as disclosed in the last substantial shareholder notices given to the Company under the *Corporations Act 2001*.

	DATE OF NOTICE	NUMBER OF SHARES	PERCENTAGE
David R Watson	7 October 2022	25,902,933	33.41
Dynamic Supplies Investments Pty Ltd	12 August 2021	9,064,737	11.64

DISTRIBUTION OF EQUITY SECURITIES AS AT 31 JULY 2024

(i) Distribution schedule of holdings

	NUMBER OF SHAREHOLDERS	ORDINARY SHARES
1 - 1,000	242	105,757
1,001 - 5,000	340	934,047
5,001 - 10,000	136	1,050,438
10,001 - 100,000	313	9,655,723
100,001 and over	69	68,250,698
	<u>1,100</u>	<u>79,996,663</u>

(ii) There were 79 shareholders holding less than a marketable parcel of ordinary shares.

(iii) There were a total of 79,996,663 ordinary shares on issue.

VOTING RIGHTS

Ordinary shares carry voting rights of one vote per share.

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