# TRANSPORT INVESTMENTS LTD

# Annual Accounts 2015

TNL INTERNATIONAL LTD TIL|FREIGHT McAuley's Transport Ltd PACIFIC FUELHAUL LTD

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TRANSPORT INVESTMENTS LTD

# From the Chairman

It will be evident from the Financial Statements that 2015 has not been a particularly happy year for us.

Revenue stream held at around $260M but our surplus fell. Our EBITDA of circa $14.7M is the lowest for many years.

These results led us to engage an independent consultancy firm to review and report on the largest, and worst performing, business in the Group, TIL Freighting Ltd, which had been formed on 1st July 2014 by the Amalgamation of TNL, Hooker Pacific and Roadstar.

Clearly the amalgamation did not deliver the results or benefits we anticipated, and the Independent review has given us much to consider, as well as making a number of recommendations, which we are working through. Areas of concern included our IT Systems, especially our failure to develop and implement a common system prior to the amalgamation, and other exacerbating factors in connection with overall governance, accountability, culture and client servicing, all of which contributed to the negative impact on TIL Freighting— an impact which has been estimated at around $5-7M for the year.

Fortunately there were some good aspects to the year.

TIL International Division traded strongly and expanded their Australian operation. A restructuring of minority shareholdings has simplified the organisation.

TIL Freighting, while posting poor financial results, achieved several milestones in the Health, Safety and Environment areas, including awards for Fleet Safety, Tertiary Accreditation for the ACC WSMP Scheme, and a National Award for Outstanding Contributions to Safety in the Industry.

McAuleys Transport of Masterton was acquired in September 2014, and has continued to operate independently under the guidance of Colin and Diane McAuley, who delivered results in excess of expectation.

During the year we were approached to sell Actus Transport Ltd, a good offer resulted from the discussion, we agreed to sell and completed this transaction at the end of June.

Pacific Fuel Haul Ltd continued to improve performance, both operationally and financially and has been successful in renewing a number of major contracts, as well as achieving a number of Health and Safety milestones during 2015.

ATL Transport in Alexandra, a joint venture with HWR Group which specialises in servicing Central Otago posted good results.




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TIL Properties Ltd commissioned a new facility at Wiri in Auckland. The 7,500 square metre Terminal, being constructed by Euroclass Ltd to a very high standard on a 24,000 square metre site, will be completed prior to the end of 2015, and will enable us to vacate two sets of leased properties.

The Company has continued with other capital programs in the truck and trailer fleets and these are contributing to lower operating costs.

There has been a continuing emphasis on safety, training and environmental improvements during the year. Our staff have shown genuine commitment and dedication in these areas, and thanks is due to them for their on going efforts.

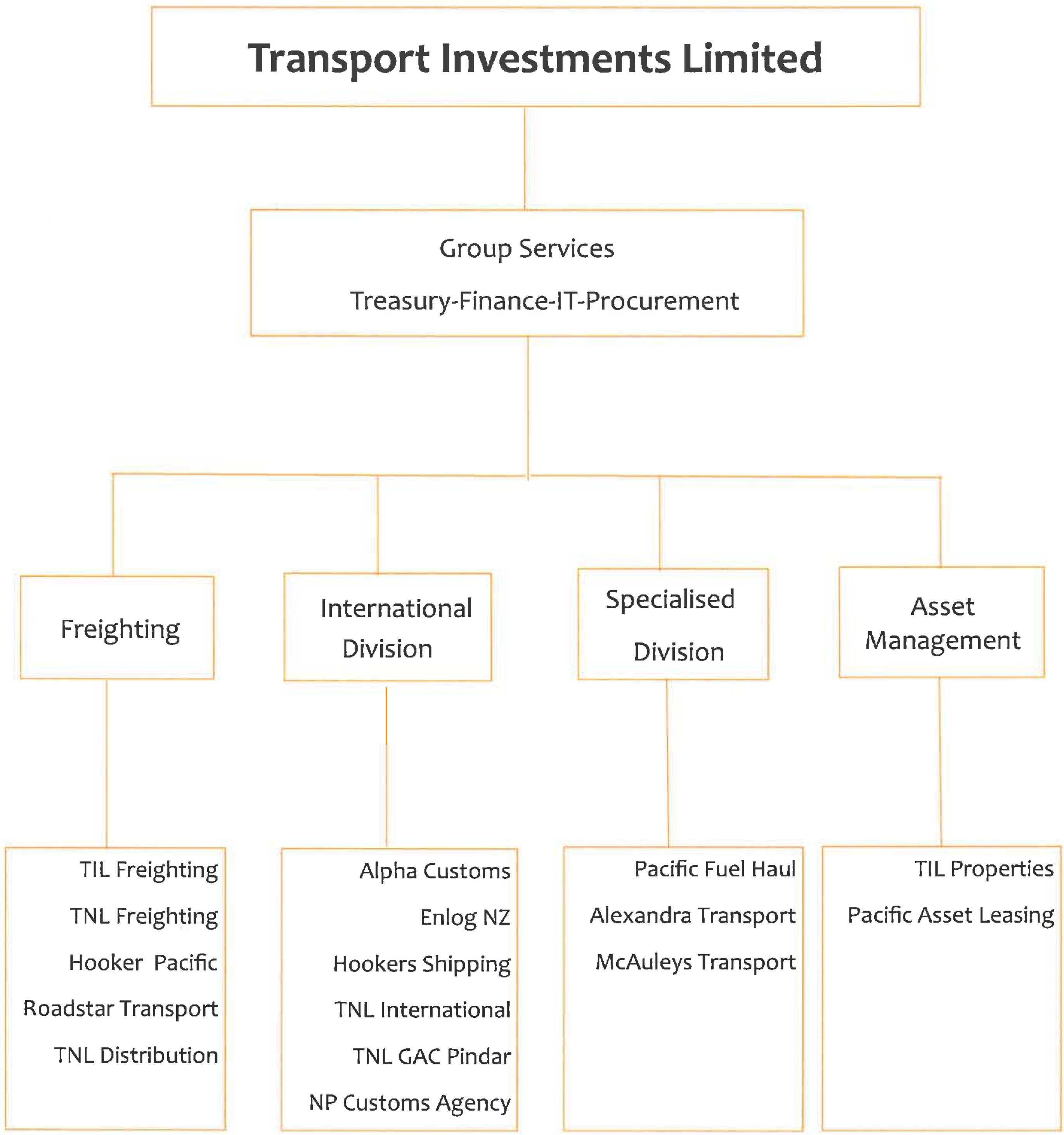
We do however recognise that the purpose of the business is not only to operate safely, but to generate returns while doing so. We have not achieved the financial targets this year, but we go into the coming year confident that effective change will be felt within the company, and that acceptable results will be delivered.

I would also like to record my appreciation to our Bankers and Asset Funders for their strong support during a difficult year. Their presence and that of our other advisors has been very welcome.

Jim Ramsay

Directors left to right:
Larry Stewart, Jim Ramsay, Alan Terris, Greg Whitham

# Group Structure



# Director's Report

The Directors of Transport Investments Ltd have pleasure in presenting the 2015 Annual Report to our Shareholders. The Report includes all information to be disclosed under the Companies Act 1993.

**Principal Activities**

The Transport Investments Group core operations are in the New Zealand transport sector. These include general transport, bulk liquids, heavy haulage, shipping, storage and distribution, national and international household removals and storage.

**Performance Overview**

**Financial Performance**

The Group reported a Profit after tax of $2,771k.

**Earnings per Share**

The profit for the year, represented a return of 57 cents per share.

**Dividend**

We have resolved that no dividend be paid.

**Corporate Governance**

**Board of Directors**

The Board is the governing body of Transport Investments Ltd and currently has four members. We are elected by the shareholders to oversee the management of the Company and are responsible for all corporate governance matters. We endeavour to ensure that the activities undertaken are carried out in the best interest of all shareholders, while respecting the rights of other stakeholders. This includes maintaining clear policies in relation to customers and the environment.

**Operation of the Board**

**Responsibilities**

We are responsible for the management, supervision and direction of the Group. This incorporates the long term strategic financial plan, strategic initiatives, budgets and the policy framework.

**Code of Conduct**

We operate under a code of conduct designed to ensure matters can be discussed openly, frankly and confidentially. We are obliged to identify any potential conflict of interest we may have in dealing with the Groups affairs.

**Independent Professional Advice**

We are entitled to seek independent professional advice to assist us in meeting our responsibilities. The Group pays for this advice upon approval by the Chairperson.

**Risk Assessment and Management**

The Board oversees the Group's risk management framework. This includes reviewing the key business and financial risks which could prevent the Group from achieving its objectives, and ensuring appropriate controls are in place to effectively manage those risks.

**The Environment, Occupational Health and Safety**

We recognise the importance of environmental and occupational health and safety (OH&S) issues and are committed to the highest levels of performance within the Group. To help meet this objective, a Health and Safety Management System (HSMS) has been established with the assistance of external consultants.

**The Group aims to:**

- Comply with all relevant legislation;
- Continually assess and improve the impact of its operations on the environment;
- Encourage to actively participate in the management of environmental and OH&S issues;
- Encourage the adoption of similar standards by the Groups principal suppliers, contractors and distributors;
- Use energy and other resources efficiently.

**Interests Register**
Each company in the Group is required to maintain an interests register in which the particulars of certain transactions and matters involving the Directors must be recorded. The interests registers for Transport Investments Ltd and its subsidiaries are available for inspection at its registered office.

The following are transactions recorded in the Interests Register for the year:

A. *Interested Transactions*
TIL Freighting Limited paid Hooker Bros Investments Limited the amount of $1,140,120 in respect of Property Leases. These leases are based on commercial rates derived from registered valuations of the various properties.

B. *Directors Remuneration*
Details of the Directors Remuneration are provided below.

C. *Directors Insurance*
The company has taken Directors and Officers Liability Insurance with a limit of $1m for any one claim or event.

**Directors**
In accordance with the Company's Constitution, Messrs J Ramsay, G P Whitham, A P Terris and L W Stewart, being eligible, have been reappointed to their respective Boards.

**Remuneration**
Within the Group, remuneration and benefits above $100,000 are as below:

| Remuneration | Number of Employees |
|---|---|
| $100 - $110k | 68 |
| $110 - $120k | 25 |
| $120 - $130k | 6 |
| $130 - $140k | 2 |
| $140 - $150k | 1 |
| $150+ | 5 |
| **Total** | **107** |

| Remuneration of Directors | 2015 | 2014 |
|---|---|---|
| | $000 | $000 |
| J Ramsay | 177 | 175 |
| G P Whitham | 166 | 176 |
| A P Terris | 170 | 175 |
| L W Stewart | 2 | 1 |

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## Donations

During the current financial year donations and sponsorship totalling $125,614 were made by the companies in the Group to various organisations including:
Taranaki Rugby Football Union, Taranaki Arts Festival Trust, Sailability NZ, Variety Childrens Charity, Hawkes Bay Rescue Helicopters, Taranaki Thoroughbred Racing, WOMAD, New Plymouth Rangers A.F.C., Taranaki Health Foundation, ITU Triatholon, Tukupa Rugby, Life Flight Trust, Aquaculture NZ.

## Auditors

In accordance with Section 200 of the companies Act 1993 the auditors, PricewaterhouseCoopers, continue in office.

| | 2015 | 2014 |
|---|---|---|
| | $000 | $000 |
| Amounts paid to auditors for: | | |
| Auditing the financial accounts: | | |
| PricewaterhouseCoopers | 120 | 120 |
| | 120 | 120 |

For, and on behalf of the Board

James Ramsay

**Chairman, Managing Director**

Greg P Whitham

**Finance Director**

# Financial Statements

## Directors Responsibility Statements

The Directors are responsible for ensuring that the Financial Statements give a true and fair view of the financial position of the Company and the Group as at 30 June 2015 and their financial performance and cash flows for the year ended on that date.

The Directors consider that the Financial Statements of the Company and the Group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the financial statements with the Financial Reporting Act 2013.

The Directors consider they have taken adequate steps to safeguard the assets of the Company and the Group to prevent and detect fraud and other irregularities.

The Directors have pleasure in presenting the Financial Statements for the year ended 30 June 2015.

The Board of Directors of Transport Investments Limited authorised these Financial Statements for issue on the 2nd October 2015.

For, and on behalf of the Board

James Ramsay

**Director**

Greg P Whitham

**Director**



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# TIL FREIGHT

"Our single biggest asset continues to be our people"

This year has been one containing huge change, amalgamation and difficulty. We began the financial year by amalgamating our freight companies of Roadstar, Hooker Pacific and TNL Freighting, along with TNL Distribution together to form TIL Freight and herald in a new era for our business.
The aim of this amalgamation was to continue to present these brands to the public but behind the scenes a single team was created that would meld the separate cultures together and create a company that could go toe to toe with the very largest opposition yet still retain a local community feel to offer a nimble but professional service.

The expected synergies and business growth have eluded us this year, with a combination of high personnel changes, late systems roll out, diminished customer service, loss of revenue, a softening economy and a lack of profitability forcing us to make heavy changes to our cost structures in the second half of the year. Our customer KPI levels have steadily risen over the last quarter and we are now rebuilding our revenue streams to take advantage of the reduced cost base that we now operate with.

Positive news for the year included the continued arrival of new fleet in the form of MAN tractor units and Maxitrans B trains which have been steadily entering service. These new units improve our image, reduce emissions and also increase productivity with the new units being 50max capable. The construction of a new purpose built depot in Auckland began and this facility is due to be opened late 2015.
This new depot will allow us to operate from one site and give us the area to maximize our utilisations and reduce the chances of damages occurring to our freight. The three separate IT systems that we were operating with were reduced to two in April. The final Acumen based system was shut off in August.

Throughout the year we have not taken our eye off the ball with regard to Health and Safety and we have maintained excellent levels of training and focus so that everyone remains safe.

The coming year is crucial for us to deliver acceptable results and to regrow our business to a place which everyone can be proud of.

Jon Kyle
**CEO—TIL Freighting Limited**

# TIL | INTERNATIONAL

Highlights of 2014/15:

- Establishment of Hooker Shipping Ltd
- Merger of TNL International, Auckland and Nelson into TNL International
- The purchase by Hooker Shipping of Liquid Logistics Ltd (International ISO Tank Management agency )
- Development of TNL International Melbourne office
- Restructure of Enlog New Zealand by Alpha Customs
- Successful management of Volvo Ocean Race Auckland stopover, and management of Extreme Sailing logistics in Sydney Regatta – managed by TNL GAC Pindar
- Increased overall profitability

In the next financial year we aim to open further offices in Australia and grow the Division.

Falling commodity prices and the reduction of oil and gas exploration will present challenges for 2016, however, I am confident that we are well placed to maximise new market opportunities that will present themselves and enable us to reach our goals.

I would like to thank our management team at Hookers Shipping and our partners at TNL International and Alpha Customs for a very satisfying year. We look forward to the year ahead.

Alan Terris
**Chairman—International Division**





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PACIFIC
FUELHAUL Ltd.

At Pacific Fuel Haul we have found the market a very challenging one.
However we have had success in increasing our Revenue to $65M from last year at $62M.

This was reflected in a better bottom line than in previous years.

We will also continue to analyse all activities to ensure all are making contributing profits.

It has been pleasing to see new fleet being brought in to our numerous contracts. We will certainly start seeing the benefit of this with a drop in our R&M costs and fuel consumptions.

Approximately 30 new units are scheduled to come into Pacific Fuel Haul over the coming financial year.

Our fleet consists of 180 powered units with 130 trailers. They travelled over 17 million kilometers delivering over 3 Billion litres of product throughout New Zealand, and we employed 288 staff to do the job.

As you are aware the new Health and Safety laws have been introduced and safety continues to receive our undivided attention. Our aim is for Zero harm at work and also at home.

Our whole team at Pacific Fuel Haul continue to give 100% devotion and loyalty to make Pacific Fuel Haul the leading fuel haulage provider in New Zealand.

Andy Stanley
**CEO—Pacific Fuel Haul Limited**

# McAuley's Transport Ltd

As we welcome the end of August and winter we also see the end of our first year with TIL.

This first year as part of the group has worked extremely well, all staff have embraced the change and worked very hard with the confidence that our company has the backing it needs. Along with the senior staff Diane and I are very happy with the way things have evolved.

New Vehicles have increased efficiencies and our ability to meet customers needs, over the year we have added two new MAN Tractor units, a set of six axle B-Trains and a new MAN truck with five axle trailer, these look exceptionally good in blue.

Excavator work, we are expecting a far better year this coming year, we have been told there is extra work for us. We have ordered a new Case excavator to replace our older machine and expect it to arrive mid September.

With regards to Health & Safety, our team have recently had training in Load Security and Log Book work time rule – together with completing First Aid Renewals. We are also in the process of completing the Traction Programme, whereby Staff have the opportunity to assess and comment on our Health & Safety by way of an private online Survey. We carried out this survey in 2011, so will be able to compare results and look towards using the information for Health & Safety Goals for 2016.

Diane and I would like to thank the Board and all those associated for their continued support of our business.

Colin McAuley
**CEO—McAuley's Transport Limited**

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# Statement of Financial Position

## As at 30th June 2015

| | Notes | 2015 | 2014 |
|---|---|---|---|
| | | $000 | $000 |
| **Assets** | | | |
| ***Non-current Assets*** | | | |
| Property, plant and equipment | 4 | 80,430 | 68,878 |
| Intangible assets | 5 | 3,157 | 2,460 |
| Investments in associates | 6 | 18 | 18 |
| Advances to associates | 24 | 1,495 | 1,236 |
| Deferred income tax assets | 15 | - | 68 |
| **Total Non Current Assets** | | **85,100** | **72,660** |
| ***Current Assets*** | | | |
| Cash and cash equivalents | 11 | 1,864 | 1,084 |
| Tax Receivable | | 835 | 299 |
| Inventories | | 191 | 202 |
| Trade and other receivables | 10 | 36,075 | 31,757 |
| **Total Current Assets** | | **38,965** | **33,342** |
| *Total Assets* | | 124,065 | 106,002 |
| **Equity** | | | |
| Ordinary shares | 12 | 5,473 | 5,473 |
| Asset revaluation reserve | | 5,713 | 4,727 |
| Retained earnings | | 17,039 | 14,634 |
| | | **28,225** | **24,834** |
| Minority interest in equity | | 1,163 | 868 |
| ***Total Equity*** | | **29,388** | **25,702** |
| **Liabilities** | | | |
| **Non-current Liabilities** | | | |
| Borrowings | 14 | 22,750 | 26,836 |
| Deferred income tax liability | 15 | 2 | - |
| Provisions for other liabilities and charges | | 496 | 278 |
| **Total Non-current Liabilities** | | **23,248** | **27,114** |
| **Current Liabilities** | | | |
| Trade and other payables | 13 | 31,470 | 27,021 |
| Borrowings | 14 | 28,816 | 17,672 |
| Employee entitlements | | 8,630 | 7,898 |
| Shareholder advances | 24 | 2,513 | 595 |
| **Total Current Liabilities** | | **71,429** | **53,186** |
| ***Total Liabilities*** | | **94,677** | **80,300** |
| ***Total Equity & Liabilities*** | | **124,065** | **106,002** |

The accompanying notes form an integral part of these financial statements.

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# Statement of Profit or Loss and Other Comprehensive Income

## Year ended 30th June 2015

| | Notes | 2015 | 2014 |
|---|---|---|---|
| | | $000 | $000 |
| Revenue | 16 | 256,259 | 255,322 |
| Management fees | 24 | - | 45 |
| Finance income on short term deposit | | 109 | 96 |
| Gains on disposal of assets | | 1,666 | 340 |
| Dividends received | | 10 | 2 |
| Other income | | 1,405 | 1,707 |
| ***Total Income*** | | **259,449** | **257,512** |
| Operating expenses | 17 | (244,937) | (241,949) |
| Finance costs - interest on borrowing | | (3,466) | (2,926) |
| Depreciation/amortisation expenses | 4/5 | (8,631) | (10,285) |
| ***Total Expenses*** | | **(257,034)** | **(255,160)** |
| Operating surplus before income tax | | 2,415 | 2,352 |
| Share of Profit of associates | | 228 | 233 |
| Impairment of associate carrying value | | - | (119) |
| **Profit Before Income Tax** | | **2,643** | **2,466** |
| Income tax credit / (expense) | 19 | 128 | (467) |
| ***Profit For The Year From Continuing Operations*** | | **2,771** | **1,999** |
| Profit Attributable to: | | | |
| Owners of the parent | | 2,452 | 1,647 |
| Minority interest | | 319 | 352 |
| | | **2,771** | **1,999** |
| Other Comprehensive Income not subsequently recycled to profit or loss | | | |
| Fair value gain, properties | | 986 | 306 |
| ***Other Comprehensive Income For The Year*** | | **986** | **306** |
| ***Total Comprehensive Income For The Year, Net Of Tax*** | | 3,757 | 2,305 |

The accompanying notes form an integral part of these financial statements.

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# Statement of Changes in Equity

As at 30th June 2015

| | Attributable to equity holders of the Company | | | | | |
|---|---|---|---|---|---|---|
| | Share Capital | Revaluation Reserves | Retained Earnings/ (Accum. losses) | Total | Non-Controlling Interest | Total Equity |
| | $000 | $000 | $000 | $000 | $000 | $000 |
| **Balance as at 1 July 2013** | **5,473** | **4,421** | **12,987** | **22,881** | **549** | **23,430** |
| <u>Comprehensive income</u> | | | | | | |
| Profit for the year | - | 306 | 1,647 | 1,953 | 352 | 2,305 |
| ***TOTAL COMPREHENSIVE INCOME*** | - | **306** | **1,647** | **1,953** | **352** | **2,305** |
| <u>Transaction with owners:</u> | | | | | | |
| Dividends | - | - | - | - | (33) | (33) |
| **Balance as at 30 June 2014** | **5,473** | **4,727** | **14,634** | **24,834** | **868** | **25,702** |
| | | | | | | |
| **Balance as at 1 July 2014** | **5,473** | **4,727** | **14,634** | **24,834** | **868** | **25,702** |
| <u>Comprehensive income</u> | | | | | | |
| Profit for the year | - | 986 | 2,452 | 3,438 | 319 | 3,757 |
| ***TOTAL COMPREHENSIVE INCOME*** | - | **986** | **2,452** | **3,438** | **319** | **3,757** |
| <u>Transaction with owners:</u> | | | | | | |
| Derecognise Minority Interest | - | - | - | - | (24) | (24) |
| Dividends | - | - | (47) | (47) | - | (47) |
| **Balance as at 30 June 2015** | **5,473** | **5,713** | **17,039** | **28,225** | **1,163** | **29,388** |

The accompanying notes form an integral part of these financial statements.

# Statement of Cash Flows

## Year ended 30th June 2015

| | 2015 | 2014 |
|---|---|---|
| | $000 | $000 |
| **Cash flows from operating activities** | | |
| Receipts from customers | 253,776 | 255,484 |
| Interest received | 109 | 96 |
| Dividends received | 10 | 2 |
| Payments to suppliers and employees | (240,543) | (241,965) |
| Interest paid | (3,466) | (2,926) |
| Income tax paid | (311) | (324) |
| ***Net cash generated from operating activities*** | 9,575 | 10,367 |
| **Cash flows from investing activities** | | |
| Purchase of subsidiary, net of cash acquired | (3,742) | - |
| Purchase of property, plant and equipment (PPE) | (20,130) | (9,145) |
| Proceeds from sale of PPE | 6,604 | 2,084 |
| Purchases of intangible assets | (402) | (198) |
| Advances to associates | (31) | 139 |
| ***Net cash used in investing activities*** | (17,701) | (7,120) |
| **Cash flows from financing activities** | | |
| Net proceeds from / (repayments of) borrowings | 7,714 | (3,680) |
| Advances to/from shareholders | 1,918 | (892) |
| Dividends paid to shareholders/non-controlling interests | (71) | (33) |
| ***Net cash flow from/(used in) financing activities*** | 9,561 | (4,605) |
| Net increase / (decrease) in cash and cash equivalents | 1,436 | (1,358) |
| Cash and cash equivalents beginning of year | (1,428) | (70) |
| ***Cash and cash equivalents at end of year*** | 8 | (1,428) |

The accompanying notes form an integral part of these financial statements.



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# Notes to the Consolidated Financial Statements

## 1. General Information

The core operations of Transport Investments Ltd ("the Company") and its subsidiaries (collectively "the Group") are in the New Zealand transport sector. These include general transport, bulk liquids, heavy haulage, shipping, storage and distribution, national and international household removals and storage.

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of the registered office is 330 Devon Street East, New Plymouth.

These financial statements were authorised for issue by the Board of Directors on 2nd October 2015.

## 2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1. Basis of preparation

The consolidated financial statements for the "Group" are for the economic entity comprising Transport Investments Limited and subsidiaries.

These financial statements have been prepared in accordance with the New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable financial reporting standards as appropriate for profit orientated entities.

These financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013 and Companies Act 1993. These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand. The financial statements of Transport Investments Limited comply with International Financial Reporting Standards ("IFRS").

The policies set out below have been consistently applied to all the years presented.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings.

The Group has a negative working capital balance. Assets are available to meet the Group's liabilities as they fall due. Given the liability profile, aspects of the balances presented as current liabilities will be funded by the on going future activities of the business. Details of undrawn facilities available to the Group are set out in Note 14.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

# Notes to the Consolidated Financial Statements

### Standards, interpretations and amendments to existing standards that have become effective.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 July 2014. None of these new standards impacted the Group's financial statements.

### Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Groups accounting periods beginning on or after 1 July 2015 or later periods, but which the Group has not early adopted. These standards are not expected to significantly affect the Group. The Group is yet to assess the full impact of these standards and intends to adopt these as soon as they become effective.

NZ IFRS 15, Revenue from contracts with customers (Effective date: periods beginning on or after 1 January 2017). NZ IFRS 15 addresses recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in NZ IAS 18 Revenue and NZ IAS 11 Construction Contracts and is applicable to all entities with revenue. It sets out a five step model for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. This standard is not expected to significantly impact the Group.

# Notes to the Consolidated Financial Statements

## 2.2. Consolidation

### a. Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more that one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary of the fair value of the assets transferred, the liabilities incurred and the equity interest issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognise any non-controlling interest in the acquisition either at fair value or at the non-controlling interests proportionate share of the acquirees net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### b. Associates

Associates are all entities which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and initially recognised as cost. The Group's investment in associates includes goodwill identified on acquisition, net of an accumulated impairment loss.

The Group's share of its associates post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves in recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in as associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.





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# Notes to the Consolidated Financial Statements

### 2.3. Foreign Currency Translation

#### a. Functional and presentation currency

Items included in the financial statements of each of the Groups entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in New Zealand dollars (rounded to thousands), which is the Companies functional and the presentation currency of the Group.

#### b. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

### 2.4. Property, Plant and Equipment

Land and buildings comprise mainly freight terminals and offices. Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment 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 assets 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 measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other reserves in shareholders equity. Decreases that offset previous increases of the same asset are charged against other reserves directly in equity; all other decreases are charged to the profit and loss component of the Statement of Comprehensive Income.

Land is not depreciated. Depreciation on other assets is calculated using the diminishing value (DV) or straight line (SL) method, as follows:

| | | |
|---|---|---|
| Buildings | 2.5% to 9.5% | DV |
| Leasehold improvements | 9.5% to 48% | DV |
| Trucks | 14 years | SL |
| Trailers | 18 years | SL |
| Plant and equipment | 7.5% to 42% | DV |
| Motor vehicles | 18% to 36% | DV |
| Office equipment | 12% to 60% | DV |
| Furniture and fittings | 9.5% to 60% | DV |

The assets useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An assets carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Gains on Disposal of Assets' in the Statement of Comprehensive Income. When re-valued assets are sold, any amounts included in other reserves in relation to that asset are transferred to retained earnings.

# Notes to the Consolidated Financial Statements

## 2.5. Intangible Assets

### a. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Groups share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'Intangible Assets'. Goodwill on acquisitions of associates is included in 'Investments in Associates' and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. 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 for the purpose of impairment testing. The allocation is made to those generating units or groups of cash-generating units that are expected to benefit from the business combination on which the goodwill arose.

### b. Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised, using the diminishing value method at a rate of 48%.

Costs associated with maintaining computer software programmes are recognised as an expense when incurred.

## 2.6. Impairment of Non-financial Assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets 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 flows (cash-generating units). Non-financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## 2.7. Financial Assets

The Group classifies its financial assets in the following categories: loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

### a. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date which are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the statement of financial position. Loans and receivables are carried at amortised cost using the effective interest method.

# Notes to the Consolidated Financial Statements

## 2.8. Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable has been impaired. The amount of the provision is the difference between the assets carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

## 2.9. Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

## 2.10. Share Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax from the proceeds.

## 2.11. Trade Payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## 2.12. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any 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.

Borrowing costs are expensed as incurred, unless they relate to the acquisition, construction or production of a qualifying asset in which case the borrowing costs are capitalised.

## 2.13. Current and Deferred Income Tax

The tax expense for the tax year comprised current and deferred tax. Tax is recognised in the profit and loss component of the statement of comprehensive income except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date.

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, 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 income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

## 2.14. Employee Benefits

### a. Superannuation benefits

The Group operates a defined contribution superannuation scheme. The scheme is funded through employee and Group contributions to a trustee-administered fund.

The Group has no further payment obligations once contributions have been paid. Contributions are recognised as employee benefits where they are due.

### b. Other employee benefits

A liability for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave is accrued and recognised in the balance sheet when it is probable that settlement will be required and they are capable of being measured reliably.

### c. Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing where an agreement exists between the Group and certain specific employees.

## 2.15. Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Groups activities. Revenue is shown net of GST, returns, rebates and discounts and after eliminating sales within the Group.

### a. Sales of services

Revenue for all domestic contracted deliveries is recognised when the goods have been collected from the customer. Revenue derived from international freight forwarding is recognised on a stage of completion basis. Fees for warehousing are recognised as services are provided to the customer. Two subsidiary companies derive the greater part of their revenue from customs clearance work that involves a high degree of disbursements on behalf of customers, revenue is recognised on a net basis after disbursements as the subsidiary companies are acting as agent for the customer.

### b. Interest income

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

### c. Dividend income

Dividend income is recognised when the right to receive payment is established.

# Notes to the Consolidated Financial Statements

### 2.16. Leases

Operating Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss component of the statement of comprehensive income on a straight-line basis over the period of the lease.

### 2.17. Dividend Distribution

Dividends to the company shareholders are recognised as a liability in the Groups financial statements in the period in which the dividends are declared.

## 3. Critical Accounting Estimates and Judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### a. Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculation. These calculations require the use of estimates. The assumptions used in the estimation of recoverable amount and the carrying amount of goodwill are discussed in note 5.

### b. Useful lives of assets

The Group determines the useful lives of assets based on historical experience as well as turnover policies for motor vehicles. In addition the condition of assets is assessed at least annually and considered against the remaining useful life. Adjustments to useful life are made when considered necessary.

### c. Change in accounting estimates

During the current year the Group re-estimated the useful lives of their truck and trailer fleet. This is deemed a change in accounting estimate under NZ IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Such change is prospectively applied in accordance with the standard and was carried out due to management's assessment that the fleet had longer useful lives than were previously estimated. The revision also included a change from the diminishing value method of depreciation to a straight-line method to reflect current market/industry practice and the pattern of use of the assets. Trucks are now depreciated using the straight line method over 14 years and Trailers over 18 years.

The impact of the change in accounting estimate is a reduction of the depreciation expense for the current year of $1,927k, also increasing the carrying value of the trucks and trailers by the same amount. Management have performed a sensitivity analysis over the change in depreciation rate. If a higher rate was used (16 years for Trucks and 20 years for Trailers) the impact would have been a decrease in depreciation of $1,135k. If a lower rate was used (12 years for Trucks and 16 years for Trailers) then the impact would have been a $378k increase to depreciation. The impact on future periods is expected to be less than, but materially similar to, the current period.

# Notes to the Consolidated Financial Statements

## 4. Property, Plant and Equipment

| | Land and Buildings | Motor Vehicles | Furniture and Office Equipment | Plant and Equipment | Work in Progress | Total |
|---|---|---|---|---|---|---|
| | $000 | $000 | $000 | $000 | $000 | $000 |
| At 1 July 2013 | | | | | | |
| Cost or Valuation | 20,963 | 98,634 | 3,162 | 6,015 | 2,767 | 131,541 |
| Accumulated depreciation | (289) | (54,121) | (2,474) | (3,430) | - | (60,314) |
| ***Net book amount*** | 20,674 | 44,513 | 688 | 2,585 | 2,767 | 71,227 |
| Year ended 30 June 2014 | | | | | | |
| Revaluation surplus | 306 | - | - | - | - | 306 |
| Additions | 1,127 | 5,449 | 260 | 664 | 1,645 | 9,145 |
| Disposals | (880) | (697) | (29) | (138) | - | (1,744) |
| Transfers | - | - | 2,676 | - | (2,767) | - |
| Depreciation charge | (476) | (8,612) | (297) | (671) | - | (10,056) |
| ***Closing net book amount*** | **20,751** | **43,420** | **622** | **2,440** | **1,645** | **68,878** |
| At 1 July 2014 | | | | | | |
| Cost or Valuation | 21,426 | 105,319 | 2,245 | 5,568 | 1,645 | 136,203 |
| Accumulated depreciation | (675) | (61,899) | (1,623) | (3,128) | - | (67,325) |
| ***Net book amount*** | 20,751 | 43,420 | 622 | 2,440 | 1,645 | 68,878 |
| Year ended 30 June 2015 | | | | | | |
| Revaluation surplus | 986 | - | - | - | - | 986 |
| Additions | 26 | 11,802 | 112 | 209 | 13,477 | 25,626 |
| Disposals | (78) | (4,645) | (11) | (205) | (1,750) | (6,689) |
| Transfers | - | 1,579 | 66 | - | (1,645) | - |
| Depreciation charge | (458) | (7,089) | (282) | (542) | - | (8,371) |
| ***Closing net book amount*** | **21,227** | **45,067** | **507** | **1,902** | **11,727** | **80,430** |

An independent valuation of the Blenheim land and buildings was conducted by Alexander Hayward Limited (Val-Group) in August 2013 and the property was valued at $4,885,000.

An independent valuation of the Christchurch land and buildings was conducted by Knight Frank in August 2013 and the property was valued at $7,880,000.

An independent valuation of the Rai Valley land and buildings was conducted by Telfer Young (Nelson) in June 2015 and the property was valued at $290,000.

An independent valuation of the Nelson land and buildings was conducted by Telfer Young in August 2013 and the property was valued at $5,750,000.

An independent valuation of the Hawera land and buildings was conducted by Hutchins Dick in May 2015 and the property was valued at $345,000.

An independent valuation of the Westport land and buildings was conducted by Preston Rowe Paterson in May 2015 and the property was valued at $200,000.

There are $36,574,378 of motor vehicles secured against UDC borrowings, (2014 : $31,975,500).

TRANSPORT INVESTMENTS LTD



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# Notes to the Consolidated Financial Statements

## 5. Intangible Assets

| | Goodwill | Capitalised Software / Customer Lists | Total |
|---|---|---|---|
| | $000 | $000 | $000 |
| At 1 July 2013 | | | |
| Cost | 4,083 | 1,317 | 5,400 |
| Accumulated amortisation and impairment | (1,974) | (935) | (2,909) |
| ***Net book amount*** | 2,109 | 382 | 2,491 |
| Year ended 30 June 2014 | | | |
| Additions | 38 | 162 | 200 |
| Disposals | - | (2) | (2) |
| Amortisation / Impairment charge | - | (229) | (229) |
| ***Closing Net Book Amount*** | **2,147** | **313** | **2,460** |
| At 1 July 2014 | | | |
| Cost | 4,121 | 949 | 5,070 |
| Accumulated amortisation and impairment | (1,974) | (636) | (2,610) |
| ***Net book amount*** | 2,147 | 313 | 2,460 |
| Year ended 30 June 2015 | | | |
| Additions | 555 | 402 | 957 |
| Amortisation / Impairment charge | - | (260) | (260) |
| ***Closing Net Book Amount*** | **2,702** | **455** | **3,157** |

The Group has classified its Goodwill into the following cash generating units (CGUs)

| | 2015 | 2014 |
|---|---|---|
| | $000 | $000 |
| TIL Freighting Ltd | 1,027 | 1,027 |
| Alpha Customs Ltd | 934 | 934 |
| TNL International Ltd | 186 | 186 |
| McAuley's Transport Ltd | 555 | - |
| ***Total*** | **2,702** | **2,147** |

The recoverable amount of all CGUs has been determined based in value in use calculations. These calculations are pre-tax cash flow projections based on financial budgets approved by management. Covering a five year period. The agreed budgets don't take into consideration the current year performance for TIL Freighting Limited as they were negatively impacted by the amalgamation.

The Group has conducted impairment tests over each of these CGUs using cash flow projections on financial forecasts prepared by senior management covering a five year period and an assumed terminal real growth rate and inflation rate of 1.0% (2014:3.0%). The Group has applied discounted pre-tax cash flows using a rate of 7.5%. (2014: 12%).





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# Notes to the Consolidated Financial Statements

## 5. Intangible Assets (continued)

The Group completed sensitivity testing on the CGU's impairment models as follows: growth rate,+/- 1.0%, terminal +/- 1.0% and discount rates +/- 1.0%

Sensitivity testing demonstrated no issues with impairment headroom in all cases except for TIL Freighting Ltd, which showed under certain negative conditions (decrease in inflation rate/terminal assumption of 1.0% and increase in discount rate of 1.0%) will result in full impairment. Conversely positive changes to these assumptions showed that the balance is not impaired. Management has noted that significant judgement is involved in determining the assumptions used, and that the financial models are sensitive to changes in inputs, however given the outcomes noted from the sensitivity testing, management has concluded that the goodwill relating to TIL Freighting Ltd is not impaired, although management will continue to monitor the positions closely for any respective evidence that the goodwill has become impaired.

Other than the value in use for TIL Freighting Ltd, the management believes that no reasonably possible change in key assumptions would cause the carrying value of the CGU's to materially exceed the recoverable amount

## 6. Investments in Associates

The Group's results of its principal associates, all of which are unlisted, and aggregated assets (including goodwill) and liabilities, are as follows. The results are for the associate's most recent financial year end. The Group equity accounts for these associate's based on management reporting for the year end to 30 June (the Group's balance date).

| | 2015 | 2014 |
|---|---|---|
| | $000 | $000 |
| Beginning of the year | 18 | 653 |
| Disposal/write off of investment | - | (635) |
| ***Total*** | **18** | **18** |

| | Assets | Liabilities | Revenue | Profit / Loss | Interest Held | Balance Date | Goodwill |
|---|---|---|---|---|---|---|---|
| | $000 | $000 | $000 | $000 | % | | $000 |
| 2015 | | | | | | | |
| ATL Limited | 4,720 | 4,185 | 7,235 | 270 | 50 | 31 Aug | - |
| ***Total*** | **4,720** | **4,185** | **7,235** | **270** | | | - |
| 2014 | | | | | | | |
| ATL Limited | 4,522 | 4,257 | 6,514 | 528 | 50 | 31 Aug | - |
| ***Total*** | **4,522** | **4,257** | **6,514** | **528** | | | - |

# Notes to the Consolidated Financial Statements

## 7. Investments in Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 2.2. All subsidiaries are incorporated in New Zealand.

| | 2015 | 2014 | Balance Date | Principal Activity |
|---|---|---|---|---|
| | Shareholding | Shareholding | | |
| TIL Freighting Ltd | 100% | 100% | 30 June | National transport operator |
| Pacific Fuel Haul Ltd | 100% | 100% | 30 June | National fuel operator |
| Alpha Customs Services Ltd | 70% | 70% | 30 June | Customs agent and logistics |
| Actus Transport Ltd | 100% | 100% | 30 June | Transport stockfeed & live chickens |
| Pacific Asset Leasing Ltd | 100% | 100% | 30 June | Asset leasing |
| Hookers Shipping Ltd | 100% | - | 30 June | Shipping agent and logistics |
| McAuley's Transport Ltd | 93% | - | 30 June | General transport operator |
| TIL Properties Ltd | 100% | 100% | 30 June | Property investment |
| TNL International Ltd | 50% | 67% | 30 June | Customs agents and logistics |

All subsidiaries results up to 30 June 2015 have been incorporated in the consolidated financial statements.

## 8. Financial Instruments by Category

The accounting categorisation for financial instruments have been applied to the line items below:

| | 2015 | 2014 |
|---|---|---|
| Financial Assets | $000 | $000 |
| Loan and receivables | | |
| Advances to associates | 1,495 | 1,236 |
| Trade and other receivables | 34,923 | 30,950 |
| Cash and cash equivalents | 1,864 | 1,084 |
| ***Total*** | **38,282** | **33,270** |
| Financial Liabilities | | |
| Measured at amortised cost | | |
| Trade payables | 30,976 | 25,354 |
| Borrowings / Capital notes | 51,566 | 44,507 |
| Employee entitlements | 8,630 | 7,898 |
| Shareholding advances | 2,513 | 595 |
| ***Total*** | **93,685** | **78,354** |

TRANSPORT INVESTMENTS LTD



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# Notes to the Consolidated Financial Statements

## 9. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

### a. Credit risk management

In the normal course of business the Group incurs credit risk from trade debtors and transactions with financial institutions. The Group has a credit policy that it uses to manage this risk. As part of this policy limits on exposures with counterparties have been set and approved by the Board of Directors and are monitored on a regular basis.

The Group has no significant concentrations of credit risk. The Group does not require any collateral or security to support financial instruments due to the quality of the financial institutions and trade debtors dealt with. The Group normally gives both 30 or 60 days credit on its trade receivables.

At 30th June the aging analysis of trade and other receivables representing the Group's credit risk exposure is as follows:

| | 2015 | 2014 |
|---|---|---|
| | $000 | $000 |
| Trade and other receivables | | |
| Current receivables | 24,342 | 23,027 |
| Outstanding 30 to 60 days | 5,272 | 5,863 |
| Outstanding 60 to 90 days | 2,012 | 1,281 |
| Outstanding more than 90 days | 3,298 | 779 |
| ***Total trade and other receivables*** | **34,924** | **30,950** |
| Cash and short-term bank deposits | | |
| ***Bank with AA credit rating*** | **1,864** | **1,084** |

### b. Interest rate risk

It is the Group's policy to utilise the ANZ bank for short term and long term borrowings and UDC Finance Ltd for asset financing.

Rates are based on the prevailing overdraft rates and the 90 day bill rate for longer term loans. UDC quote a mix of floating and fixed rates.

From time to time the Group enters into interest rate swaps to manage its interest rate risk.

**Sensitivity analysis**

The effect of a 1% increase or decrease in the floating interest rates for the Group would be a decrease/increase in profit and equity of $366,000(2014: $445,000).

**Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding through having flexible funding lines available to them. Management monitors rolling forecasts of the Group's liquidity reserve, which comprises its undrawn borrowing facility (note 14) and cash and cash equivalents (note 11) on the basis of expected cash flows.

# Notes to the Consolidated Financial Statements

## 9. Financial risk management (continued)

While the Group's current liabilities exceed its current assets, the current assets are predominantly highly liquid and convertible to cash in a short period of time, whereas a substantial portion of the current liabilities are payable across the next 12 months. As a result, the Group is able to fund the repayment of its liabilities as they fall due from the ongoing future revenues generated by business activities.

The maturity table for financial liabilities based on the contractual undiscounted cash flows, is as follows:

| **2015** | **Effective Interest Rate** | **Total** | **Less than 1 Year** | **Between 1 and 2 Years** | **Between 3 and 5 Years** |
|---|---|---|---|---|---|
| | | $000 | $000 | $000 | $000 |
| Borrowings | 6.66% | 56,727 | 30,961 | 6,610 | 19,156 |
| Trade and other payables | 0.00% | 30,976 | 30,976 | - | - |
| Advances from shareholders | 0.00% | 2,513 | 2,513 | - | - |
| Employee Entitlements | 0.00% | 8,630 | 8,630 | - | - |
| Provisions for other liabilities | 0.00% | 496 | 296 | 200 | - |
| ***Total*** | | **99,342** | **73,376** | **6,810** | **19,156** |

| **2014** | **Effective Interest Rate** | **Total** | **Less than 1 Year** | **Between 1 and 2 Years** | **Between 3 and 5 Years** |
|---|---|---|---|---|---|
| | | $000 | $000 | $000 | $000 |
| Borrowings | 6.64% | 48,839 | 19,611 | 11,569 | 17,659 |
| Trade and other payables | 0.00% | 25,354 | 25,354 | - | - |
| Advances from shareholders | 0.00% | 595 | 595 | - | - |
| Employee Entitlements | 0.00% | 7,898 | 7,898 | - | - |
| Provisions for other liabilities | 0.00% | 278 | 278 | - | - |
| ***Total*** | | **82,964** | **53,736** | **11,569** | **17,659** |

## 9. Financial risk management (continued)

### c. Market Risk

The carrying amount of financial instruments in the Group and Company balance sheet are the same as their fair values in all material aspects due to the features of these instruments and/or their interest rate profiles.

### d. Capital Risk Management

The Groups objectives when managing capital are to safeguard the Groups ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital.

The Groups capital structure is managed and adjustments are made, with Board approval, to the structure in the light of economic conditions at the time. There were no changes to objectives, policies or processes during the year.

The Group is subject to bank covenants in relation to its borrowings from ANZ Bank. Refer note 14 for more information.

### e. Fair Value Estimation

***Fair Values of Financial Instruments***

Cash and cash equivalents, receivables, payables and borrowings are recorded at their carrying values that area reasonable approximation of their fair values. They are an approximation of their fair values as they represent the amounts that would be converted to cash inflows or outflows had they crystallised at balance sheet date.

The fair value of financial instruments are categorised into a fair value hierarchy based on the inputs used in the valuation technique adopted as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within level 1 that are observable for the assets or liability, either directly (that is, as prices) or indirectly (that is derived from prices).
Level 3: Inputs for the asset or liability that is not based on observable market data (that is, unobservable inputs).

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| | $000 | $000 | $000 | $000 |
| Borrowings | 49,710 | 49,710 | 41,995 | 41,995 |

The fair value of the borrowings is based on the quoted market interest rate at balance sheet date and therefore falls under level 1 hierarchy.

# Notes to the Consolidated Financial Statements

## 9. Financial risk management (continued)

***Fair Values of Land and Buildings***

The Group obtains independent valuations for its land and buildings related to freight terminals and offices (classified as property, plant and equipment) at least every three years (note 4).

At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the directors consider information from a variety of sources including:

- current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences
- discounted cash flow projections based on reliable estimates of future cash flows
- capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

The fair values of land and buildings are as follows:

| Group | 2015 | 2014 |
|---|---|---|
| | $000 | $000 |
| Nelson, Blenheim, Christchurch & others | 19,350 | 18,874 |
| New Plymouth | 1,877 | 1,877 |
| ***Total*** | **21,227** | **20,751** |

The fair values of land and buildings in New Plymouth are based on observable market data and therefore fall under level 2. The fair values of the remaining land and buildings were determined using the sales comparison and income capitalisation approach. Therefore, these land and buildings fall under level 3. The revaluation surplus net of applicable deferred income taxes was credited to reserves in statement of changes in equity. The following table shows the level 3 unobservable inputs.

| Description | FV as at 30 June 2015 | Valuation technique (s) | Unobservable inputs | Range of un-observable inputs | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|
| Rai Valley | 290,000 | Income capitalisation approach | Rent per m2 | $380 | The higher the rent per m2 the higher the fair value |
| | | | Capitalisation rate | 8.5% - 13% | The higher the capitalisation rate the lower the fair value |
| Nelson | 5,750,000 | Income capitalisation approach | Rent per m2 | $256 | The higher the rent per m2 the higher the fair value |
| | | | Capitalisation rate | 7.92% - 8.65% | The higher the capitalisation rate the lower the fair value |
| Hawera | 345,000 | Income capitalisation approach | Rent per annum | $36k | The higher the rent per m2 the higher the fair value |
| | | | Capitalisation rate | 9 - 12% | The higher the capitalisation rate the lower the fair value |
| Westport | 200,000 | Sales comparison approach | Price per m2 | $100 - $500 | The higher the price per m2 the higher the fair value |
| Christchurch | 7,880,000 | Income capitalisation approach | Rent per m2 | $200 - $500 | The higher the rent per m2 the higher the fair value |
| | | | Capitalisation rate | 7.25% - 10.1% | The higher the capitalisation rate the lower the fair value |
| Blenheim | 4,885,000 | Income capitalisation approach | Rent per m2 | N/A | The higher the rent per m2 the higher the fair value |
| | | | Capitalisation rate | 8.25% - 10.25% | The higher the capitalisation rate the lower the fair value |

# Notes to the Consolidated Financial Statements

## 10. Trade and Other Receivables

There is no significant concentration of credit risk with respect to trade receivables. As of 30 June 2015, trade receivables of $358,000 (2014: $334,000) were impaired and provided for.

| Group | 2015 | 2014 |
|---|---|---|
| | $000 | $000 |
| Trade receivables | 34,604 | 30,114 |
| Less: provision for impairment of trade receivables | (358) | (334) |
| Trade receivables | 34,246 | 29,780 |
| Prepayments | 1,152 | 808 |
| Sundry receivables | 677 | 1,169 |
| ***Total*** | **36,075** | **31,757** |

As of 30 June 2015, trade receivables of $5,310,000 (2014: $2,060,000) were past due (over 60 days) but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

## 11. Cash and Cash Equivalents

| | 2015 | 2014 |
|---|---|---|
| | $000 | $000 |
| Cash at bank and on hand | 1,864 | 788 |
| Short-term bank deposits | - | 296 |
| ***Total*** | **1,864** | **1,084** |

Cash and cash equivalents include the following for the purpose of the cash flow statement.

| | 2015 | 2014 |
|---|---|---|
| | $000 | $000 |
| Cash and cash equivalents | 1,864 | 1,084 |
| Bank overdrafts (Note 14) | (1,856) | (2,512) |
| ***Total*** | **8** | **(1,428)** |

# Notes to the Consolidated Financial Statements

## 12. Share Capital

| | 2015 | 2014 |
|---|---|---|
| | $000 | $000 |
| Issued and paid up capital: | | |
| Ordinary shares | 5,473 | 5,473 |

As at 30 June 2015 there were 4,923,676 ordinary shares issued and fully paid (2014: 4,923,676). All ordinary shares rank equally with one vote attached to each fully paid ordinary share. Ordinary shares have no par value.

## 13. Trade and Other Payables

| | 2015 | 2014 |
|---|---|---|
| | $000 | $000 |
| Trade payables | 27,886 | 21,557 |
| GST Payable | 494 | 1,667 |
| Accrued expenses | 3,090 | 3,797 |
| ***Total*** | **31,470** | **27,021** |

# Notes to the Consolidated Financial Statements

## 14. Borrowings

| | 2015 | 2014 |
|---|---|---|
| **Non-Current** | $000 | $000 |
| Secured Bank loans ANZ | - | 7,696 |
| Secured Bank loans UDC | 22,750 | 19,140 |
| | 22,750 | 26,836 |
| **Current** | | |
| Bank overdrafts | 1,856 | 2,512 |
| Secured Bank loans ANZ | 21,669 | 9,760 |
| Secured Bank loans UDC | 5,291 | 5,400 |
| | 28,816 | 17,672 |
| ***Total*** | 51,566 | 44,508 |

### Bank Borrowings

ANZ Loans are secured by a first ranking debenture over the Transport Investments Limited Group and subsidiary companies but excluding TNL International Limited and TNL International Auckland Limited. They are also secured by registered first mortgages over specific properties and securities over vehicles by way of specific security arrangements, ranking behind any existing hire purchase securities.

UDC Finance Ltd loans are secured by charges over specific items of the Groups motor vehicle fleet.

The Group is subject to various covenants in relation to borrowings from ANZ Bank. These covenants were met as at 30 June 2015 and include the following:

- Effective equity ratio where effective equity is greater or equal than 20% of total tangible assets;
- Leverage ratio where total finance obligations is no greater than 3.65 to 1 of EBITDA for the 12 month period;
- Fixed charge cover where the sum of EBIT and lease costs is not less than 0.95 to 1 to the sum of the interest and lease costs for the 12 month period;
- Net Capital expenditure for the 12 month period is not to exceed $29.9 million.

# Notes to the Consolidated Financial Statements

## 14. Borrowings (continued)

### Undrawn Borrowings Facilities

The Group has the following undrawn borrowing facilities.

| Floating Rate | 2015 | 2014 |
|---|---|---|
| | $000 | $000 |
| Expiring within one year | 8,291 | - |
| Expiring beyond one year | 4,959 | 4,148 |
| ***Total*** | **13,250** | **4,148** |

### Principal repayment schedule non-current borrowings:

| | 2015 | 2014 |
|---|---|---|
| | $000 | $000 |
| Between one and two years | 5,291 | 10,260 |
| Between two and five years | 17,459 | 16,576 |
| Over 5 years | - | - |
| ***Total*** | **22,750** | **26,836** |

# Notes to the Consolidated Financial Statements

## 15. Deferred Income Tax

Temporary differences arise from the following:

| Deferred tax assets/*(liabilities)* | Opening Balance | Recognised in income | Revaluation in equity | Closing Balance |
|---|---|---|---|---|
| **2014** | $000 | $000 | $000 | $000 |
| Property, plant and equipment | (1,753) | 104 | 16 | (1,633) |
| Provisions and accruals | 1,761 | (60) | - | 1,701 |
| ***Total deferred income tax*** | **8** | **44** | **16** | **68** |
| **2015** | | | | |
| Property, plant and equipment | (1,633) | (420) | - | (2,053) |
| Provisions and accruals | 1,701 | 350 | - | 2,051 |
| ***Total deferred income tax*** | **68** | **(70)** | **-** | **(2)** |

| | 2015 | 2014 |
|---|---|---|
| | $000 | $000 |
| **Deferred tax assets** | | |
| Deferred tax assets to be recovered within 12 months | 1,968 | 1,623 |
| Deferred tax assets to be recovered after more than 12 months | 83 | 78 |
| | 2,051 | 1,701 |
| **Deferred tax liabilities** | | |
| Deferred tax liabilities to be recovered within 12 months | (164) | (138) |
| Deferred tax liabilities to be recovered after more than 12 months | (1,889) | (1,495) |
| | (2,053) | (1,633) |
| ***Deferred tax assets/(liabilities) net*** | **(2)** | **68** |

# Notes to the Consolidated Financial Statements

## 16. Revenue

| | 2015 | 2014 |
|---|---|---|
| | $000 | $000 |
| Freight | 238,788 | 239,013 |
| Warehousing | 6,902 | 7,721 |
| Trading | 10,569 | 8,588 |
| ***Total Revenue*** | **256,259** | **255,322** |

## 17. Operating Expenses

| | 2015 | 2014 |
|---|---|---|
| | $000 | $000 |
| Transport costs | 137,280 | 138,596 |
| Employee expenses (note 18) | 82,174 | 75,453 |
| Property lease expenses | 6,756 | 6,913 |
| Operation lease expenses | 5,371 | 4,223 |
| Trading expenses | 2,433 | 5,998 |
| Communications | 3,185 | 3,516 |
| Bad debts | 221 | 302 |
| Audit fees paid to principal auditors | 120 | 115 |
| Donations | 126 | 146 |
| Directors fees | 2 | 3 |
| Other expenses | 7,269 | 6,684 |
| ***Total Operating Expenses*** | **244,937** | **241,949** |

TRANSPORT INVESTMENTS LTD



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# Notes to the Consolidated Financial Statements

## 18. Employee Benefits Expense

| | 2015 | 2014 |
|---|---|---|
| | $000 | $000 |
| Wages and salaries & other related costs | 80,321 | 73,883 |
| Superannuation fund contributions | 1,584 | 1,271 |
| Fringe benefit tax | 269 | 299 |
| ***Total Employee Benefit Expense*** | **82,174** | **75,453** |

TIL Freighting Limited has a defined contribution company superannuation scheme that has been operating for a number of years. The company has three contribution rates:

a. 4% of salary/wage for general staff
b. 6% of salary for managers
c. 10% of salary for senior managers

Members contribute a minimum of 4% of their salary/wage and can go as high as 15%. The Company contributions vested to the member at the rate of 20% per year of service with the Company. i.e. 100% after five years of service.

## 19. Income Tax Expense

Income tax recognised in the statement of comprehensive income.

| | 2015 | 2014 |
|---|---|---|
| | $000 | $000 |
| Current tax on profits for the year | (98) | 684 |
| Adjustments in respect to prior years | (100) | (173) |
| Deferred tax | 70 | (44) |
| | **(128)** | **467** |


TRANSPORT INVESTMENTS LTD

# Notes to the Consolidated Financial Statements

## 19. Income Tax Expense (continued)

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

| | 2015 | 2014 |
|---|---|---|
| | $000 | $000 |
| Profit before income tax | 2,643 | 2,466 |
| Share of profit of associates | (228) | (114) |
| | 2,415 | 2,352 |
| Prima facie tax payable at 28% | 676 | 659 |
| **Tax effects of:** | | |
| Income not subject to tax | (223) | (53) |
| Expenses not deductible | 38 | 16 |
| Tax losses utilised | (514) | - |
| Prior year adjustment | (105) | (155) |
| ***Income tax (credit)/expenses*** | **(128)** | **467** |

### Imputation Credit Account

| | 2015 | 2014 |
|---|---|---|
| | $000 | $000 |
| Imputation credits available for use in subsequent periods | 10,272 | 9,791 |

# Notes to the Consolidated Financial Statements

## 20. Dividends Per Share

| Dividends paid to minority interest | 2015 | 2014 |
|---|---|---|
| | $000 | $000 |
| Dividends paid | 47 | 33 |

## 21. Cash Generated from Operations

| | 2015 | 2014 |
|---|---|---|
| | $000 | $000 |
| Reported surplus after tax | 2,771 | 1,999 |
| **Non cash items** | | |
| Depreciation expense | 8,371 | 10,056 |
| Amortisation expense | 260 | 229 |
| Bad Debts | 211 | 302 |
| Foreign Exchange losses/(gains) on operating activities | 17 | - |
| | 11,630 | 12,586 |
| Impact of changes in working capital | | |
| Tax receivable / deferred tax | (439) | 143 |
| Trade and other receivables | (3,888) | (1,578) |
| Creditors and accruals/employee entitlements | 4,155 | (665) |
| Inventories | 11 | 311 |
| | 11,469 | 10,797 |
| Items classified as investing or financing activities | | |
| Profit on disposal of property, plant and equipment | (1,666) | (349) |
| Profit for Associates/Discontinued operations | (228) | (114) |
| ***Net cash flow from operating activities*** | 9,575 | 10,328 |

# Notes to the Consolidated Financial Statements

## 22. Contingencies

The Group has no contingent liabilities in respect of legal claims arising in the ordinary course of business, (2014: none).

## 23. Commitments

### a. Capital commitments

Capital expenditure contracted for at the reporting date but not yet incurred is as follows:

| | 2015 | 2014 |
|---|---|---|
| | $000 | $000 |
| Land and Building | 6,480 | - |
| Trucks and Trailers | 11,175 | 9,160 |
| ***Total*** | **17,655** | **9,160** |

### b. Operating lease commitments

The Group leases various property, plant and equipment under non-cancellable operating lease agreements. The property lease terms are between 1 and 15 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| | 2015 | 2014 |
|---|---|---|
| | $000 | $000 |
| Within one year | 8,158 | 7,509 |
| Between one and two years | 6,647 | 6,087 |
| Between two and five years | 15,018 | 14,084 |
| More than five years | 7,417 | 9,221 |
| ***Total*** | **37,240** | **36,901** |

### c. Bank Guarantee

Transport Investments Limited provides (via ANZ Bank) a guarantee of $4.5m in favour of Chevron New Zealand.

# Notes to the Consolidated Financial Statements

## 24. Related-party Transactions

The following transactions were carried out with related parties:

### a. Purchases of Goods and Services

| | 2015 | 2014 |
|---|---|---|
| | $000 | $000 |
| Related parties - Associates | 1,140 | 1,245 |
| *Total* | 1,140 | 1,245 |

### b. Key Management Compensation

Key Management includes Directors, and CEOs of the Company and Subsidiaries of the Group.

| | 2015 | 2014 |
|---|---|---|
| | $000 | $000 |
| Salaries and other short term employee benefits | 1,253 | 1,277 |

### c. Year end balances from sales/purchases of goods/services

All year end balances are due on demand and are non-interest bearing.

| | 2015 | 2014 |
|---|---|---|
| | $000 | $000 |
| **Receivables from related parties** | | |
| Advances to associates | 1,495 | 1,236 |
| ***Total receivables from related parties*** | **1,495** | **1,236** |
| **Shareholders advances** | | |
| TIL Freighting Ltd | 2,387 | 348 |
| Alpha Customs Ltd | 126 | 247 |
| ***Total shareholder advances*** | **2,513** | **595** |

# Notes to the Consolidated Financial Statements

## 25. Business Combinations

On 1 September 2014 the Group acquired 93% of the share capital in McAuley's Transport Limited, a company specialising in palletised freight for a consideration of $3.8m. This acquisition allowed the group to expand into an area of freighting that was currently offered by the groups existing businesses.

The table below summarises the consideration paid by the Group and the fair value of assets acquired and liabilities assumed:

| | $000 |
|---|---|
| **Purchase consideration (cash)** | 3,832 |
| Contingent consideration | 300 |
| **Fair value of assets acquired and liabilities assumed** | |
| Cash and cash equivalents | 90 |
| Trade and other receivables | 801 |
| Property, plant and equipment | 3,745 |
| Trade and other payables | (1,059) |
| **Goodwill** | 555 |

There were no contingent assets or liabilities acquired as part of the transaction. The contingent consideration has been booked in the financials and is based on an agreed EBITDA multiple over 3 years.

Any direct costs relating to the acquisition were charged to operating expense in the consolidated income statement for the year ended 30 June 2015.

The acquired business contributed revenues of $5,038,571 and net profit of $485,421 to the group for the period from 1 September 2014 to 30 June 2015. If the acquisition has occurred on 1 July 2014, consolidated pro-forma revenue and profit for the year ended 30 June 2015 would have been $6,046,285 and $582,505 respectively.

## 26. Events after the Reporting Date

No significant events have occurred since balance date that may affect the Group's operations.



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# *Independent Auditors' Report*
to the shareholders of Transport Investments Limited

## *Report on the Financial Statements*
We have audited the Group financial statements of Transport Investments Limited ("the Company") on pages 15 to 46, which comprise the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for the Group. The Group comprises the Company and the entities it controlled at 30 June 2015 or from time to time during the financial year.

### *Directors' Responsibility for the Financial Statements*
The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We are independent of the Group. Other than in our capacity as auditors we have no relationship with, or interests in, the Group.

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# Independent Auditors' Report

Transport Investments Limited

### Opinion

In our opinion, the financial statements on pages 15 to 46 present fairly, in all material respects, the financial position of the Group as at 30 June 2015 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

## Restriction on Use of our Report

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants
2 October 2015

Wellington