



# **TIL** | TRANSPORT INVESTMENTS LTD

## Annual Report

### 2017





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# Director's Report

The Directors of Transport Investments Ltd have pleasure in presenting the 2017 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 \$6,092,000

### **Earnings per Share**

The profit for the year, represented a return of 1.24 cents per share

### **Dividend**

On the 20th October 2016 a net dividend payment to shareholders of 0.05 cents per share was 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 Group's 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 active participation in the management of environmental and OH&S issues;
- Encourage the adoption of similar standards by the Group’s 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 \$1,245,000 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 (Excluding Directors)	Number of Employees	Remuneration of Directors	2017 \$000	2016 \$000
\$100 - \$110k	82	J Ramsay	174	174
\$110 - \$120k	37	G P Whitham	165	165
\$120 - \$130k	17	A P Terris	175	170
\$130 - \$140k	8	L W Stewart	3	3
\$140 - \$150k	1			
\$150+	4			
<b>Total</b>	<b>149</b>			

## Donations

During the current financial year donations and sponsorship totalling \$62,108 were made by the companies in the Group to various organisations including:

Taranaki Arts Festival Trust, WOMAD, Riwaka Rugby Football Club, Taranaki Health Foundation, ITU Triathlon, Tukupa Rugby, Chamber of Commerce, JPC Motorsport, Taranaki Truckers, Wairarapa Rescue Trust, Southern Helicopters and Toiohomai.

## Auditors

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

	2017	2016
	\$000	\$000
Amounts paid to auditors for:		
Audit fees paid to principal auditors (PWC)	185	120
Non-audit services - due diligence services (PWC)	377	-
	<u>562</u>	<u>120</u>

Fees for non-audit services relate to advisory services in relation to financial and tax due diligence over acquisition targets and advice in respect to best practice principles for certain aspects of the sale and purchase agreements. Appropriate safeguards have been put in place to ensure independence between the auditors and the advisory team is maintained including separate engagement teams. The advisory team has not been involved in making management decisions, with all decision-making carried out by management.

For, and on behalf of the Board



James Ramsay  
**Chairman, Managing Director**



Greg P Whitham  
**Finance Director**



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

# 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 Group as at 30 June 2017 and its financial performance and cash flows for the year ended on that date.

The Directors consider that the consolidated financial statements of 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 Group and facilitate compliance of the consolidated 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 2017.

The Board of Directors of Transport Investments Limited authorised these Financial Statements for issue on the 1st August 2017.

For, and on behalf of the Board



James Ramsay  
**Director**



Greg P Whitham  
**Director**



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# Statement of Financial Position

## As at 30th June 2017

	Notes	2017	2016
		\$000	\$000
<b>Assets</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	4	79,583	88,072
Intangible assets	5	24,074	3,069
Non current assets held for sale	6	37,711	-
Investments in associates	7	2,144	974
<b>Total Non-Current Assets</b>		<b>143,512</b>	<b>92,115</b>
<b>Current Assets</b>			
Cash and cash equivalents	11	3,081	1,579
Inventories		226	200
Trade and other receivables	12	39,345	27,772
Advances to associates	27	478	583
<b>Total Current Assets</b>		<b>43,130</b>	<b>30,134</b>
<b>TOTAL ASSETS</b>		<b>186,642</b>	<b>122,249</b>
<b>Equity</b>			
Ordinary shares	13	5,473	5,473
Asset revaluation reserve	14	7,840	7,840
Retained earnings		27,510	21,755
		<b>40,823</b>	<b>35,068</b>
Minority interest in equity		806	1,306
<b>TOTAL EQUITY</b>		<b>41,629</b>	<b>36,374</b>
<b>Liabilities</b>			
<b>Non-current Liabilities</b>			
Borrowings	15	-	46,697
Deferred income tax liability	16	5,075	831
Provisions for other liabilities and charges	17	1,126	392
<b>Total Non-current Liabilities</b>		<b>6,201</b>	<b>47,920</b>
<b>Current Liabilities</b>			
Trade and other payables	18	30,675	18,540
Borrowings	15	94,228	8,726
Employee entitlements		11,031	8,376
Tax payable		878	481
Shareholder advances	27	2,000	1,832
<b>Total Current Liabilities</b>		<b>138,812</b>	<b>37,955</b>
<b>TOTAL LIABILITIES</b>		<b>145,013</b>	<b>85,875</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>186,642</b>	<b>122,249</b>



# Statement of Profit or Loss & Other Comprehensive Income

## Year ended 30th June 2017

	Notes	2017	2016
		\$000	\$000
Revenue	19	235,266	222,453
Finance income on short term deposit		134	131
Gains on disposal of assets		1,287	488
Dividends received		24	14
Other income		2,689	2,926
<b>Total Income</b>		<b>239,400</b>	<b>226,012</b>
Operating expenses	20	(218,604)	(207,166)
Finance costs - interest on borrowing		(3,369)	(3,351)
Depreciation/amortisation expenses	4/5	(8,690)	(8,320)
<b>Total Expenses</b>		<b>(230,663)</b>	<b>(218,837)</b>
Operating surplus before income tax		8,737	7,175
Share of profit of associates	7	50	245
Loss on revaluation of property		(241)	(383)
<b>Profit Before Income Tax</b>		<b>8,546</b>	<b>7,037</b>
Income tax credit / (expense)	22	(2,454)	(2,163)
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>6,092</b>	<b>4,874</b>
Profit attributable to:			
Owners of the parent		6,020	4,716
Non-controlling Interests		72	158
		<b>6,092</b>	<b>4,874</b>
Items that will not be reclassified to profit or loss:			
Gain on revaluation of land & buildings (net of tax)		-	2,127
<b>Other Comprehensive Income For The Year, Net of Tax</b>		<b>-</b>	<b>2,127</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>		<b>6,092</b>	<b>7,001</b>

## Statement of Changes in Equity

Year ended 30th June 2017

	Attributable to owners of the Company					Total Equity
	Share Capital	Revaluation Reserves	Retained Earnings/ (Accum losses)	Total	Non-Controlling Interest	
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Balance as at 1 July 2015</b>	<b>5,473</b>	<b>5,713</b>	<b>17,039</b>	<b>28,225</b>	<b>1,163</b>	<b>29,388</b>
<u>Comprehensive income</u>						
Profit for the year	-	-	4,716	4,716	158	4,874
Other comprehensive income	-	2,127	-	2,127	-	2,127
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>-</b>	<b>2,127</b>	<b>4,716</b>	<b>6,843</b>	<b>158</b>	<b>7,001</b>
<u>Transaction with owners:</u>						
Derecognise minority interest	-	-	-	-	15	15
Dividends	-	-	-	-	(30)	(30)
<b>Balance as at 30 June 2016</b>	<b>5,473</b>	<b>7,840</b>	<b>21,755</b>	<b>35,068</b>	<b>1,306</b>	<b>36,374</b>
<b>Balance as at 1 July 2016</b>	<b>5,473</b>	<b>7,840</b>	<b>21,755</b>	<b>35,068</b>	<b>1,306</b>	<b>36,374</b>
<u>Comprehensive income</u>						
Profit for the year	-	-	6,020	6,020	72	6,092
Other comprehensive income	-	-	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>-</b>	<b>-</b>	<b>6,020</b>	<b>6,020</b>	<b>72</b>	<b>6,092</b>
<u>Transaction with owners:</u>						
Dividends	-	-	(265)	(265)	(572)	(837)
<b>Balance as at 30 June 2017</b>	<b>5,473</b>	<b>7,840</b>	<b>27,510</b>	<b>40,823</b>	<b>806</b>	<b>41,629</b>

# Statement of Cash Flows

Year ended 30th June 2017

		2017	2016
		\$000	\$000
<b>Cash flows from operating activities</b>			
Receipts from customers		237,712	232,235
Interest received		134	131
Dividends received		24	14
Payments to suppliers and employees		(215,271)	(221,821)
Interest paid		(3,369)	(3,351)
Income tax paid		(1,920)	(382)
<b>Net cash generated from operating activities</b>	24	<b>17,310</b>	<b>6,826</b>
<b>Cash flows used in investing activities</b>			
Purchase of subsidiaries, net of cash acquired	28	(37,403)	-
Purchase of property, plant and equipment		(15,837)	(12,153)
Proceeds from sale of property, plant and equipment		8,108	1,801
Purchases of intangible assets		(310)	(121)
Advances to associates		190	201
<b>Net cash used in investing activities</b>		<b>(45,252)</b>	<b>(10,272)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from borrowings		30,113	5,713
Advances to/(from) shareholders/non controlling interests		168	(666)
Dividends paid to shareholders/non-controlling interests		(837)	(30)
<b>Net cash flow from financing activities</b>		<b>29,444</b>	<b>5,017</b>
Net increase / (decrease) in cash and cash equivalents		1,502	1,571
Cash and cash equivalents beginning of year		1,579	8
<b>Cash and cash equivalents at end of year</b>		<b>3,081</b>	<b>1,579</b>

## 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.

The parent company, Transport Investments Limited, is a for-profit entity, domiciled in New Zealand and registered under the Companies Act 1993. Transport Investments Limited is a for-profit entity under the Financial Reporting Act 2013.

These financial statements were authorised for issue by the Board of Directors on 1st August 2017.

### 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.

The consolidated financial statements of the “Group” have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). Transport Investments Limited is a for-profit entity for the purposes of complying with NZ GAAP. The consolidated financial statements comply with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime (‘NZ IFRS RDR’), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS RDR.

The Group is eligible and has elected to report in accordance with Tier 2 For-profit Accounting Standards (NZ IFRS RDR) on the basis that the group has no public accountability and is not a large for-profit public sector entity. The Group has elected to report in accordance with NZ IFRS RDR and has applied some disclosure concessions.

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 15.

The shareholders are considering selling the operating companies within the Group (excluding the property assets classified as held for sale) within the next 12 months. Options include sale via either an IPO or a trade sale although at date of signing of the financial statements neither of these options were confirmed. Note 15 discloses the impact this has had on the classification of borrowings and specifically the clauses that have triggered classification as current liabilities. Should the Directors undertake transactions triggering the repayment of the UDC, ANZ and B & J Prendergast loans, funds from the transaction and assets held for sale would be used to facilitate the repayment.

The Directors are also in discussions with lenders of the UDC and Mercedes Benz loans to remove the clauses that grant the lenders rights to repayment at their discretion annually. In the Directors opinion, given the recent renewal of these borrowings and the high level of security held by the lenders these clauses are not deemed to impact the entity's ability to continue as a going concern.

## Notes to the Consolidated Financial Statements

### 2.1. Basis of preparation (continued)

The preparation of financial statements in conformity with NZ IFRS RDR 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.

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

Certain new standards, amendments and interpretations to existing standards have been published that were mandatory for the Group's accounting periods beginning on or after 1 July 2016. 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 Group's accounting periods beginning on or after 1 July 2017 or later periods, but which the Group has not early adopted. 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 16: Leases (Effective date: periods beginning on or after 1 January 2019)**

NZ IFRS 16, 'Leases', replaces the current guidance in NZ IAS 17. Under NZ IFRS 16, 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. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted but only in conjunction with NZ IFRS 15, 'Revenue from Contracts with Customers'. The Group intends to adopt NZ IFRS 16 on its effective date. The Group has assessed that it will have both property and fleet leases that will need to be brought on balance sheet as a result of IFRS 16.

#### **NZ IFRS 15: Revenue from Contracts with Customers (Effective date: periods beginning on or after 1 January 2018)**

NZ IFRS 15, 'Revenue from Contracts with Customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group intends to adopt NZ IFRS 15 on its effective date and is currently compiling a database of all of its customer contracts to assess the standards full impact.

#### **NZ IFRS 9: Financial Instruments (Effective date: periods beginning on or after 1 January 2018)**

NZ IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of NZ IFRS 9 was issued in September 2014. It replaces the guidance in NZ IAS 39 that relates to the classification and measurement of financial instruments. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income, and fair value through profit or loss. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group intends to adopt NZ IFRS 9 on its effective date and has recognised that the Group will need to consider how it records the recognition of estimated credit losses on its debtor balance and other receivables.

## 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 than 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 is 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 recognises any non-controlling interest in the acquisition either at fair value or at the non-controlling interests proportionate share of the acquiree's 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.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss & other comprehensive income, statement of changes in equity and statement of financial position respectively.

#### b. Associates

Associates are all entities over 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 under 'Share of profit of associates' in the statement of profit or loss & other comprehensive income, and its share of post-acquisition movements in reserves is 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 an 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.



## 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 Group's 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 functional and the presentation currency of all companies in 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 under profit or loss in the statement of profit or loss & other 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 profit and loss in the statement of profit or loss & other 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 profit or loss & other 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 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.

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 profit or loss & other comprehensive income. When re-valued assets are sold, any amounts included in other reserves in relation to those assets are transferred to retained earnings.

## Notes to the Consolidated Financial Statements

### 2.5. Intangible Assets

#### a. Goodwill

Goodwill represents 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. 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.

#### c. Customer contracts

The customer contracts were acquired as part of a business combination (see note 28 for details). They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on the timing of the projected cash flows of the contracts over their estimated useful life of six years.

### 2.6. Impairment of Non-financial Assets

Assets that have an indefinite useful life, for example goodwill and software under development, 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 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 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 as 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 those with 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. Provisions

Provisions for make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are measured at the present value of Management's best estimate of the expenditure required to settle the present obligations at the end of the reporting period.

### 2.9. 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 asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

### 2.10. 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.

### 2.11. Share Capital

Ordinary shares are classified as equity.

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

### 2.12. Trade Payables

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

### 2.13. 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.

### 2.14. 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 profit or loss & other 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 other comprehensive income or equity respectively.

## Notes to the Consolidated Financial Statements

### 2.14. Current and Deferred Income Tax (continued)

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income.

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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### 2.15. 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 an employee benefits expense 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 statement of financial position 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.

### 2.16. 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 Group's activities. Revenue is shown net of GST, returns, rebates and discounts and after eliminating sales within the Group.

## Notes to the Consolidated Financial Statements

### 2.16. Revenue Recognition (continued)

#### 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 once the shipment has been completed. Fees for warehousing are recognised as services are provided to the customer. Several 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.

### 2.17. 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 profit or loss & other comprehensive income on a straight-line basis over the period of the lease.

### 2.18. 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.

### 2.19 Non-Current Assets held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell off an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.



## Notes to the Consolidated Financial Statements

### 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. Estimate: contingent consideration

In the event that the EBITDA level (earnings before interest, tax, depreciation and amortisation) of MOVE Logistics Ltd and Southern Fleet Leasing Ltd are above a certain level then additional consideration of up to \$10,000,000 maybe payable in cash during June 2018 depending on the date where the parties are in agreement with the numbers presented.

The fair value of the contingent consideration of \$572,000 was estimated by using a weighed average based on the probability of possible EBITDA scenarios. The Directors do not believe that a reasonable change in the assumptions used to evaluate the liability would result in a material difference.

#### c. Change in accounting estimates

There were no changes in accounting estimates in the period.





## Notes to the Consolidated Financial Statements

### 4. Property, Plant and Equipment

	Land and Buildings	Motor Vehicles	Office Equipment and F&F	Plant and Equipment	Work in Progress	Total
	\$000	\$000	\$000	\$000	\$000	\$000
<b>At 1 July 2015</b>						
Cost or valuation	21,487	106,617	2,366	5,348	11,727	147,545
Accum. depreciation	(260)	(61,550)	(1,859)	(3,446)	-	(67,115)
Net book amount	21,227	45,067	507	1,902	11,727	80,430
<b>Year ended 30 June 2016</b>						
Revaluation surplus	2,045	-	13	50	-	2,108
Additions	-	6,091	70	358	14,724	21,243
Disposals	-	(1,262)	(11)	(40)	(6,285)	(7,598)
Transfers	15,940	3,344	-	122	(19,406)	-
Depreciation charge	(675)	(6,822)	(195)	(419)	-	(8,111)
<b>Closing net book amount</b>	<b>38,537</b>	<b>46,418</b>	<b>384</b>	<b>1,973</b>	<b>760</b>	<b>88,072</b>
<b>At 1 July 2016</b>						
Cost or valuation	38,814	112,934	2,420	5,803	760	160,731
Accum. depreciation	(277)	(66,516)	(2,036)	(3,830)	-	(72,659)
Net book amount	38,537	46,418	384	1,973	760	88,072
<b>Year ended 30 June 2017</b>						
Revaluation surplus	-	-	-	-	-	-
Assets held for sale	(37,618)	-	(16)	(77)	-	(37,711)
Impairment loss	(241)	-	-	-	-	(241)
Additions	-	4,258	206	373	11,984	16,821
Acquisition of subsidiaries	72	22,498	721	4,259	-	27,550
Disposals	(56)	(450)	-	(20)	(6,054)	(6,580)
Transfers	-	4,480	-	110	(4,590)	-
Depreciation charge	(552)	(7,156)	(170)	(450)	-	(8,328)
<b>Closing net book amount</b>	<b>142</b>	<b>70,048</b>	<b>1,125</b>	<b>6,168</b>	<b>2,100</b>	<b>79,583</b>

There are \$49,183,394 of motor vehicles secured against UDC borrowings, (2016 : \$42,088,543).

## Notes to the Consolidated Financial Statements

### 5. Intangible Assets

	Goodwill	Capitalised Software /	Total
	\$000	\$000	\$000
<b>At 1 July 2015</b>			
Cost	4,676	1,346	6,022
Accumulated amortisation and impairment	(1,974)	(891)	(2,865)
<b>Net book amount</b>	<b>2,702</b>	<b>455</b>	<b>3,157</b>
<b>Year ended 30 June 2016</b>			
Additions	-	121	121
Amortisation / Impairment charge	-	(209)	(209)
<b>Closing Net Book Amount</b>	<b>2,702</b>	<b>367</b>	<b>3,069</b>
<b>At 1 July 2016</b>			
Cost	4,676	1,468	6,144
Accumulated amortisation and impairment	(1,974)	(1,101)	(3,075)
<b>Net book amount</b>	<b>2,702</b>	<b>367</b>	<b>3,069</b>
<b>Year ended 30 June 2017</b>			
Additions	-	50	50
Acquisition of subsidiary	12,374	8,943	21,317
Amortisation / Impairment charge	-	(362)	(362)
<b>Closing Net Book Amount</b>	<b>15,076</b>	<b>8,998</b>	<b>24,074</b>

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

	2017	2016
	\$000	\$000
TIL Freighting Ltd	1,027	1,027
Alpha Customs Ltd	934	934
MOVE Logistics Ltd	12,374	-
TNL International Ltd	186	186
McAuley's Transport Ltd	555	555
<b>Total</b>	<b>15,076</b>	<b>2,702</b>

The recoverable amount of all CGUs has been determined based on value in use calculations. These calculations are pre-tax cash flow projections based on financial budgets reduced for performance risk for the following 12 months and a further four year forecast period using conservative growth levels of 2% per annum.

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 of 2.0% (2016: 1.0%) and an inflation rate of 2.2% (2016: 0.4%). The Group has applied discounted pre-tax cash flows using a rate of 10.5% (2016: 10.5%).

## 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 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 evidence that the goodwill has become impaired.

Other than the value in use for TIL Freighting Ltd, 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. Non-current Assets held for Sale

The assets related to TIL Properties Limited have been presented as held for sale following the approval of the Group Management on 1 April 2017 to sell these assets.

#### Assets of disposal group classified as held for sale

	2017	2016
	\$000	\$000
Land and Buildings	37,711	-
	<b>37,711</b>	<b>-</b>

### 7. Investments in Associates

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

	2017	2016
	\$000	\$000
Beginning of the year	974	729
Purchase of UNITE Ltd	1,130	-
Dividends received	(10)	-
Impairment of investment	(111)	-
Earnings from associates	161	245
<b>Total</b>	<b>2,144</b>	<b>974</b>

## 7. Investments in Associates (continued)

	Assets	Liabilities	Revenue	Profit	Interest Held	Balance Date	Goodwill
	\$000	\$000	\$000	\$000	%		\$000
<b>2017</b>							
UNITE Ltd *	2,792	2,335	5,974	267	50	31 Mar	
ATL Ltd	5,968	4,064	8,900	483	50	31 Aug	-
<b>Total</b>	<b>8,760</b>	<b>6,399</b>	<b>14,874</b>	<b>750</b>			
<b>2016</b>							
ATL Ltd	6,473	4,871	8,518	490	50	31 Aug	-
<b>Total</b>	<b>6,473</b>	<b>4,871</b>	<b>8,518</b>	<b>490</b>			

\* Acquired June 2017.

## 8. 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.

All subsidiaries results up to 30 June 2017 have been incorporated in the consolidated financial statements.

	Shareholding	Shareholding	Balance Date	Principal Activity
	2017	2016		
TIL Freightling 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
Appian Transport Ltd	100%	100%	30 June	No Longer Trading
Pacific Asset Leasing Ltd	100%	100%	30 June	Asset leasing
Hookers Shipping Ltd	100%	100%	30 June	Shipping agent and logistics
McAuley's Transport Ltd	100%	93%	30 June	General transport operator
MOVE Logistics Ltd	100%	-	30 June	Warehousing and Distribution
Southern Fleet Leasing Ltd	100%	-	30 June	Asset leasing
NZL Group Ltd	100%	-	30 June	Transport operator
Multi-Trans Heavy Haulage Ltd	100%	-	30 June	Transport operator
TIL Properties Ltd	100%	100%	30 June	Property investment
TNL International Ltd	50%	50%	30 June	Customs agents and logistics

## Notes to the Consolidated Financial Statements

### 9. Financial Instruments by Category

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

	2017	2016
<b>Financial Assets</b>	\$000	\$000
Loan and receivables		
Advances to associates	478	583
Trade and other receivables	38,260	27,144
Cash and cash equivalents	3,081	1,579
<b>Total</b>	<b>41,819</b>	<b>29,306</b>
<b>Financial Liabilities</b>		
Measured at amortised cost		
Trade payables	29,753	17,562
Borrowings	94,228	55,423
Employee entitlements	11,031	8,376
Shareholding advances	2,000	1,832
Provision for other liabilities	1,126	392
<b>Total</b>	<b>138,138</b>	<b>83,585</b>



## Notes to the Consolidated Financial Statements

### 10. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including fair value and cash-flow 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:

	2017	2016
	\$000	\$000
<b><u>Trade and other receivables</u></b>		
Current receivables	29,807	21,216
Outstanding 30 to 60 days	6,100	4,020
Outstanding 60 to 90 days	1,724	849
Outstanding more than 90 days	484	671
<b>Total trade and other receivables</b>	<b>38,115</b>	<b>26,756</b>
<b><u>Cash and short-term bank deposits</u></b>		
Bank with AA credit rating	3,081	1,579

#### 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 and Mercedes Benz 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 \$892,000 (2016: \$504,000).

#### 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 15) and cash and cash equivalents (note 11) on the basis of expected cash flows.



## Notes to the Consolidated Financial Statements

### 10. 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:

2017	Effective Interest Rate	Total	Less than 1 Year	Between 1 and 2 Years	Between 3 and 5 Years
		\$000	\$000	\$000	\$000
Borrowings	5.04%	98,982	98,982	-	-
Trade and other payables	0.00%	29,753	29,753	-	-
Advances from shareholders	0.00%	2,000	2,000	-	-
Employee entitlements	0.00%	11,031	11,031	-	-
Provisions for other liabilities	0.00%	1,126	1,126	-	-
<b>Total</b>		<b>142,892</b>	<b>142,892</b>	<b>-</b>	<b>-</b>

  

2016	Effective Interest Rate	Total	Less than 1 Year	Between 1 and 2 Years	Between 3 and 5 Years
		\$000	\$000	\$000	\$000
Borrowings	5.26%	61,907	11,427	28,630	21,850
Trade and other payables	0.00%	17,562	17,562	-	-
Advances from shareholders	0.00%	1,832	1,832	-	-
Employee entitlements	0.00%	8,376	8,376	-	-
Provisions for other liabilities	0.00%	392	392	-	-
<b>Total</b>		<b>90,069</b>	<b>39,589</b>	<b>28,630</b>	<b>21,850</b>

## Notes to the Consolidated Financial Statements

### 10. Financial Risk Management (continued)

#### c. Market Risk

The carrying amount of financial instruments in the Group 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 Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital.

The Group's 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.

### 11. Cash and Cash Equivalents

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

	2017	2016
	\$000	\$000
Cash and cash equivalents	3,081	1,579
Bank overdrafts (Note 15)	-	-
<b>Total</b>	<b>3,081</b>	<b>1,579</b>

### 12. Trade and Other Receivables

As of 30 June 2017, trade receivables of \$750,000 (2016: \$462,000) were impaired and provided for.

	2017	2016
	\$000	\$000
Trade receivables	38,865	27,218
Less: provision for impairment of trade receivables	(750)	(462)
Net trade receivables	<b>38,115</b>	<b>26,756</b>
Prepayments	1,085	628
Sundry receivables	145	388
<b>Total</b>	<b>39,345</b>	<b>27,772</b>

As of 30 June 2017, trade receivables of \$2,958,000 (2016: \$1,982,000) were past due (over 60 days) but these were only impaired by \$750,000. The balance relates to a number of independent customers for whom there is no recent history of default.

## Notes to the Consolidated Financial Statements

### 13. Share Capital

As at 30 June 2017 there were 4,923,676 ordinary shares issued and fully paid (2016: 4,923,676). All ordinary shares rank equally with one vote attached to each fully paid ordinary share. Ordinary shares have no par value.

### 14. Revaluation Reserves

	Land and Buildings Revaluation	Total
	\$000	\$000
<b>At 1 July 2016</b>	7,840	7,840
Revaluation of lands and buildings—gross	-	-
Revaluation of lands and buildings—tax	-	-
<b>At 30 June 2017</b>	<b>7,840</b>	<b>7,840</b>
<b>At 1 July 2015</b>	5,713	5,713
Revaluation of lands and buildings—gross	2,491	2,491
Revaluation of lands and buildings—tax	(364)	(364)
<b>At 30 June 2016</b>	<b>7,840</b>	<b>7,840</b>

### 15. Borrowings

	2017	2016
	\$000	\$000
<b>Non-Current</b>		
Secured Bank loans ANZ	-	21,646
Secured Bank loans UDC	-	25,051
	-	<b>46,697</b>
<b>Current</b>		
Secured loan Mercedes Benz	9,500	-
Secured loan B & J Prendergast F/T	8,525	-
Secured loan Mainland Housing	165	-
Secured Bank loans ANZ	39,373	3,428
Secured Bank loans UDC	36,665	5,298
	94,228	8,726
<b>Total</b>	<b>94,228</b>	<b>55,423</b>

## Notes to the Consolidated Financial Statements

### 15. Borrowings (continued)

#### Undrawn Borrowings Facilities

Floating Rate	2017	2016
	\$000	\$000
Expiring within one year	-	-
Expiring beyond one year	8,435	3,651
<b>Total</b>	<b>8,435</b>	<b>3,651</b>

#### Principal repayment schedule non-current borrowings:

	2017	2016
	\$000	\$000
Between one and two years	-	26,945
Between two and five years	-	15,879
Over 5 years	-	3,873
<b>Total</b>	<b>-</b>	<b>46,697</b>

#### Bank Borrowings

ANZ Loans are secured by a first ranking debenture over the Transport Investments Limited Group and subsidiary companies but excluding NZL Group Limited and TNL International 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 and Mercedes Benz loans are secured by charges over specific items of the Group's motor vehicle fleet.

Under the Company's borrowing agreements the contractual terms of the borrowings are as follows:

Loan	Maturity	Inception date
ANZ Loan 1	31-Oct-19	31-May-17
ANZ Loan 2	31-Oct-19	31-May-17
UDC	31-May-22	31-May-17
Mercedes Benz	No specified term	31-May-17
B & J Prendergast	31-May-20	31-May-17

## Notes to the Consolidated Financial Statements

### 15. Borrowings (continued)

All loan agreements, except Mercedes Benz, contain a clause that upon specific events occurring a mandatory repayment will be triggered. Given the Directors expect to trigger this event within the next 12 months the debt associated with these borrowings has been disclosed as current. Should the event not occur, the borrowings for ANZ, UDC and B & J Prendergast would be classified as non-current except for the portion of which is due for repayment in the next 12 months under normal repayment terms.

The agreements for UDC and Mercedes Benz debt contain clauses that grant the lender the right to terminate the facility and request repayment at each annual review date, currently 31 January 2018 for UDC and 30 April 2018 for Mercedes Benz. As a result of these clauses the borrowings are disclosed as current. However on standard repayment terms, these loans would be classified as non-current except for the portion of which is due for repayment in the next 12 months under normal repayment terms. The Directors are in discussions with the lenders to remove these clauses.

The total amount due on all loans within the next 12 months under normal repayment terms for all loans is \$22,449,000.

Furthermore, should mandatory repayment not be triggered and the debt settled under normal repayment terms, the Directors have assessed that based on forecast financial performance they are able to meet the quarterly reporting covenants that are attached to the ANZ and UDC debt within the next 12 months.

### 16. Deferred Income Tax

Temporary differences arise from the following:

Deferred tax assets/(liabilities)	Opening Balance	Recognised in income	Recognised in equity	Acquisition of subsidiary	Closing Balance
<b>2016</b>					
Property, plant and equipment	(2,053)	(345)	(369)	-	(2,767)
Provisions and accruals	2,051	(115)	-	-	1,936
<b>Total deferred income tax</b>	<b>(2)</b>	<b>(460)</b>	<b>(369)</b>	<b>-</b>	<b>(831)</b>
<b>2017</b>					
Property, plant and equipment	(2,767)	(133)	-	(4,609)	(7,509)
Provisions and accruals	1,936	78	-	420	2,434
<b>Total deferred income tax</b>	<b>(831)</b>	<b>(55)</b>	<b>-</b>	<b>(4,189)</b>	<b>(5,075)</b>

## Notes to the Consolidated Financial Statements

### 17. Provisions for Other Liabilities and Charges

	Lease Restoration	Contingent liability arising on a business combination	Lease Incentive	Total
	\$000	\$000	\$000	\$000
<u>At 1 July 2016</u>	292	100	-	392
Additional Provisions	553	-	345	898
Used during year	(47)	(100)	(17)	(164)
<b>At 30 June 2017</b>	<b>798</b>	<b>-</b>	<b>328</b>	<b>1,126</b>
<u>At 1 July 2015</u>	296	200	-	496
Additional Provisions	371	-	-	371
Used during year	(375)	(100)	-	(475)
<b>At 30 June 2016</b>	<b>292</b>	<b>100</b>	<b>-</b>	<b>392</b>

### 18. Trade and Other Payables

	2017	2016
	\$000	\$000
Trade payables	21,522	14,860
GST payable	922	978
Accrued expenses	8,231	2,702
<b>Total</b>	<b>30,675</b>	<b>18,540</b>

### 19. Revenue

	2017	2016
	\$000	\$000
Freight	220,755	209,845
Warehousing	7,800	5,213
Trading	6,711	7,395
<b>Total Revenue</b>	<b>235,266</b>	<b>222,453</b>



## Notes to the Consolidated Financial Statements

### 20. Operating Expenses

	2017	2016
	\$000	\$000
Transport costs	113,880	111,517
Employee expenses (note 21)	80,627	74,616
Property lease expenses	8,006	7,421
Operation lease expenses	5,782	4,093
Trading expenses	858	1,157
Communications	2,450	2,394
Bad debts	132	225
Audit fees paid to principal auditors (PWC)	185	120
Non-audit services - due diligence services (PWC)	377	-
Donations	43	97
Directors fees	11	3
Other expenses	6,253	5,523
<b>Total Operating Expenses</b>	<b>218,604</b>	<b>207,166</b>

Fees for non-audit services relate to advisory services in relation to financial and tax due diligence over acquisition targets and advice in respect to best practice principles for certain aspects of the sale and purchase agreements. Appropriate safeguards have been put in place to ensure independence between the auditors and the advisory team is maintained including separate engagement teams. The advisory team has not been involved in making management decisions, with all decision-making carried out by management.

### 21. Employee Benefits Expense

	2017	2016
	\$000	\$000
Wages and salaries & other related costs	78,657	72,827
Superannuation fund contributions	1,741	1,551
Fringe benefit tax	229	238
<b>Total Employee Benefit Expense</b>	<b>80,627</b>	<b>74,616</b>

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:

- 4% of salary/wage for general staff
- 6% of salary for managers
- 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 are vested to the member at the rate of 20% per year of service with the Company. i.e. 100% after five years of service.

## Notes to the Consolidated Financial Statements

### 22. Income Tax Expense

Income tax recognised in the statement of profit or loss & other comprehensive income:

	2017	2016
	\$000	\$000
Current tax on profits for the year	(2,630)	(1,602)
Adjustments in respect to prior years	121	(101)
Deferred tax	55	(460)
	<u>(2,454)</u>	<u>(2,163)</u>

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:

	2017	2016
	\$000	\$000
Profit before income tax	8,546	7,037
Share of profit of associates	(50)	(245)
Loss on revaluation	241	383
	<u>8,737</u>	<u>7,175</u>
Prima facie tax payable at 28%	(2,446)	(2,009)
<b>Tax effects of:</b>		
Income not subject to tax	70	68
Timing differences not in deferred tax	21	(85)
Expenses not deductible	(220)	(46)
Tax losses utilised	-	10
Prior year adjustment	121	(101)
<b>Income tax (credit)/expenses</b>	<u>(2,454)</u>	<u>(2,163)</u>

## Notes to the Consolidated Financial Statements

### 23. Dividends

	2017	2016
	\$000	\$000
Dividends paid to shareholders	265	-
Dividends paid to minority interest	572	30
<b>Total dividends paid</b>	<b>837</b>	<b>30</b>

### 24. Cash Generated from Operations

	2017	2016
	\$000	\$000
<b>Reported surplus after tax</b>	6,092	4,874
<b>Non cash items</b>		
Depreciation expense	8,328	8,111
Amortisation expense	362	209
Bad Debts	132	225
Loss on revaluation	241	383
Foreign Exchange losses/(gains) on operating activities	18	25
	<b>15,173</b>	<b>13,827</b>
<b>Impact of changes in working capital</b>		
Tax receivable / deferred tax	534	1,781
Trade and other receivables	(376)	8,078
Creditors and accruals/employee entitlements	4,553	(13,313)
Creditors relating to purchase of PPE	(1,225)	(2,805)
Inventories	(12)	(9)
	<b>18,647</b>	<b>7,559</b>
<b>Items classified as investing or financing activities</b>		
Profit on disposal of property, plant and equipment	(1,287)	(488)
Profit for associates/discontinued operations	(50)	(245)
<b>Net cash flow from operating activities</b>	<b>17,310</b>	<b>6,826</b>

## Notes to the Consolidated Financial Statements

### 25. Contingencies

The Group has no contingent liabilities in respect of legal claims arising in the ordinary course of business, (2016: none).

### 26. Commitments

#### a. Capital commitments

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

	2017	2016
	\$000	\$000
Trucks and trailers	4,415	5,053
<b>Total</b>	<b>4,415</b>	<b>5,053</b>

#### 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:

	2017	2016
	\$000	\$000
Within one year	20,743	8,233
Between one and two years	17,650	7,606
Between two and five years	30,716	15,846
More than five years	23,300	6,408
<b>Total</b>	<b>92,409</b>	<b>38,093</b>

#### c. Bank Guarantee

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

MOVE Logistics Limited provides (via ANZ Bank) a guarantee of \$.43m in favour of Mainland Income Fund 3 Limited.

## Notes to the Consolidated Financial Statements

### 27. Related-party Transactions

The following transactions were carried out with related parties:

#### a. Purchases of Goods and Services

	2017	2016
	\$000	\$000
Related parties - shareholders	1,245	1,245
<b>Total</b>	<b>1,245</b>	<b>1,245</b>

#### b. Key Management Compensation

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

	2017	2016
	\$000	\$000
Salaries and other short term employee benefits	1,415	1,278

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

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

	2017	2016
	\$000	\$000
<b>Receivables from related parties</b>		
Advances to associates	478	583
<b>Total receivables from related parties</b>	<b>478</b>	<b>583</b>
<b>Shareholders advances</b>		
Hooker Bros Investments Limited	2,000	1,832
<b>Total shareholder advances</b>	<b>2,000</b>	<b>1,832</b>

**28. Business Combinations****a. NZL Group Limited**

On 1 May 2017 the Group acquired 100% of the share capital in NZL Group Limited, a company specialising in full truckload freight and warehousing.

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

	\$000
<b>Purchase consideration (cash)</b>	<b>14,670</b>
<b>Fair value of assets acquired and liabilities assumed</b>	
Cash and cash equivalents	171
Trade and other receivables	7,553
Inventory	14
Property, plant and equipment	13,272
Intangible assets	77
Trade and other payables	(5,125)
Deferred tax	(1,042)
Provision for other liabilities	(250)
<b>Goodwill</b>	<b>-</b>

There were no contingent assets or liabilities acquired as part of the transaction.

Any direct costs relating to the acquisition were charged to operating expenses in the statement of profit or loss & other comprehensive income for the year ended 30 June 2017.





## 28. Business Combinations (continued)

### b. MOVE Logistics Limited and Southern Fleet Leasing Limited

On 1 June 2017 the Group acquired 100% of the share capital in MOVE Logistics Limited and Southern Fleet Leasing Limited, a company specialising in distribution and warehousing.

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

	\$000
<b>Purchase consideration (cash)</b>	<b>33,449</b>
Contingent consideration	572
<b>Fair value of assets acquired and liabilities assumed</b>	
Cash and cash equivalents	408
Trade and other receivables	3,858
Advances & investments in associate	1,219
Property, plant and equipment	14,201
Intangible assets	119
Customer contracts	8,549
Trade and other payables	(3,047)
Deferred Tax	(3,148)
Provision for other liabilities	(345)
Borrowings	(167)
<b>Goodwill</b>	<b>12,374</b>

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 (Earnings before interest, tax, depreciation and amortization).

Any direct costs relating to the acquisition were charged to operating expenses in the statement of profit or loss & other comprehensive income for the year ended 30 June 2017.

(2016: There were no business combinations during the year ended 30 June 2016.)

## 29. Events after the Reporting Date

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





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# TRANSPORT INVESTMENTS LTD

## Asset Management

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Southern Fleet Leasing Ltd

## Specialised Transport

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## Freighting

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*Roadstar*

## International

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