



VEHICLE INSPECTION NEW ZEALAND LIMITED

HALF-YEAR REPORT (Unaudited)

For six months ended 30 September 2009

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VEHICLE INSPECTION NEW ZEALAND LIMITED

Company Directory

As at 30 September 2009

Nature of business Agent for New Zealand Transport Agency

Registered Office 79 Carbine Road
Mt Wellington
Auckland

Directors K W Worsley (Chairman)
M R Dossor (Deputy Chairman)
G A Blenkiron
G F Sendall
R J Gray

Auditor Grant Thornton
Christchurch

Bankers BNZ
Auckland

Solicitors Keegan Alexander
Auckland

Business Locations Whangarei
Auckland - Mt Wellington
Auckland - Mangere
Hamilton
Palmerston North
Lower Hutt
Nelson
Christchurch City
Christchurch Airport
Timaru
Dunedin

VEHICLE INSPECTION NEW ZEALAND LIMITED**Income Statement**

For six months ended 30 September 2009

	Note	2009 \$	2008 \$
Revenues		4,895,937	5,585,467
Other income		121,607	117,195
Consumables used		(166,496)	(194,198)
Employee benefits expense		(2,860,949)	(3,547,279)
Depreciation and amortisation		(248,932)	(261,684)
Finance costs		-	(2,427)
Other expenses		(1,475,680)	(1,568,779)
NET PROFIT / (LOSS) BEFORE TAX		265,487	128,295
Tax expense	4	(79,646)	(38,489)
NET PROFIT / (LOSS) AFTER TAX		185,841	89,806

Statement of Changes in Equity

For six months ended 30 September 2009

	Note	2009 \$	2008 \$
Profit/(loss) for the period		185,841	89,806
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD		185,841	89,806
Changes in share capital:			
Bonus shares issued		2,339,375	-
Capitalisation of reserves		(2,339,375)	-
Shares surrendered		-	(5,000)
Total changes in equity		185,841	84,806
Equity at beginning of the period		3,017,745	3,691,761
EQUITY AT END OF THE PERIOD		3,203,586	3,776,567

These financial statements are to be read in conjunction with the notes on pages 6 to 9.

Vehicle Inspection New Zealand Limited**Balance Sheet
As at 30 September 2009**

	Note	2009	2008
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		808,724	1,181,732
Receivables and prepayments		951,779	1,082,920
Inventories		70,897	170,862
Income tax refundable		81,475	65,926
		<u>1,912,875</u>	<u>2,501,440</u>
NON-CURRENT ASSETS			
Property, plant and equipment		1,879,454	1,943,525
Deferred tax asset		109,793	224,128
Intangible assets	7	295,044	307,119
		<u>2,284,291</u>	<u>2,474,772</u>
TOTAL ASSETS		<u>4,197,166</u>	<u>4,976,212</u>
CURRENT LIABILITIES			
Accounts payable and accruals		299,648	431,463
GST payable		146,443	128,939
Employee entitlements		547,489	639,243
		<u>993,580</u>	<u>1,199,645</u>
EQUITY			
Share capital	4	2,464,375	179,000
Retained earnings	5	739,211	3,597,567
		<u>3,203,586</u>	<u>3,776,567</u>
TOTAL LIABILITIES AND EQUITY		<u>4,197,166</u>	<u>4,976,212</u>

These financial statements are to be read in conjunction with the notes on pages 6 to 9.

VEHICLE INSPECTION NEW ZEALAND LIMITED

Cash Flow Statement

For six months ended 30 September 2009

	Note	2009 \$	2008 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash was provided from:</i>			
Receipts from customers		4,685,628	5,900,662
Interest received		13,207	71,826
Dividend received		-	320
Net GST received		4,753	-
		<u>4,703,588</u>	<u>5,972,808</u>
<i>Cash was applied to:</i>			
Payments to suppliers and employees		(4,643,603)	(6,097,901)
Interest paid		-	(2,427)
Net GST paid		-	(41,334)
Net tax paid		(2,936)	(24,519)
		<u>(4,646,539)</u>	<u>(6,166,181)</u>
Net cash flows from operating activities	6	<u>57,049</u>	<u>(193,373)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Cash was provided from:</i>			
Sale of property, plant and equipment		47,591	13,817
		<u>47,591</u>	<u>13,817</u>
<i>Cash was applied to:</i>			
Purchase of property, plant and equipment		(112,984)	(458,165)
		<u>(112,984)</u>	<u>(458,165)</u>
Net cash used in investing activities		<u>(65,393)</u>	<u>(444,348)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Cash was applied to:</i>			
Dividends paid		-	(23,735)
Shares surrendered		-	(5,000)
		<u>-</u>	<u>(28,735)</u>
Net cash flows from financing activities		<u>-</u>	<u>(28,735)</u>
NET INCREASE/(DECREASE) IN CASH HELD		(8,344)	(666,456)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		<u>817,068</u>	<u>1,848,188</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u>808,724</u>	<u>1,181,732</u>

These financial statements are to be read in conjunction with the notes on pages 6 to 9.

VEHICLE INSPECTION NEW ZEALAND LIMITED

Notes to the Financial Statements

For six months ended 30 September 2009

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) **REPORTING ENTITY**

Vehicle Inspection New Zealand Limited is a company registered under the Companies Act 1993. Following the shareholder's approval at the annual meeting on 24 June 2009, it was de-registered as a co-operative company under the Co-operative Companies Act 1996.

Vehicle Inspection New Zealand Limited is a reporting entity for the purposes of the Financial Reporting Act 1993. The financial statements have been prepared in accordance with the Financial Reporting Act 1993.

b) **MEASUREMENT BASE**

The Company followed the accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on a historical cost basis.

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Reporting Standards and therefore also comply with International Financial Reporting Standards (IFRS). For this purpose, the Company has designated itself as profit-oriented.

The information is presented in New Zealand dollars.

c) **JUDGEMENT AND ESTIMATION UNCERTAINTY**

The preparation of financial statements of necessity involves judgement and estimation. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable.

d) **SPECIFIC ACCOUNTING POLICIES**

The following specific accounting policies which materially affect the measurement of profit and financial position have been applied :

- i) **Basis of consolidation.** There is no financial information in respect of the other dormant subsidiaries for consolidation. Investments are stated at cost less any impairment losses.

Investments in the following companies have not been consolidated:

	Date of Incorporation	2009	2008
Testing Stations New Zealand Limited - non trading	1 May 1998	100%	100%
New Zealand Vehicle Certifiers Limited - non trading	1 May 1998	100%	100%
CheckKing Limited - a dormant company	7 April 2003	50%	50%
Drive Wise Limited - non trading	21 December 2008	100%	-

Share capital in these subsidiaries remains uncalled. Neither subsidiary has traded since incorporation

- ii) **Revenue recognition.** Revenue from services rendered is recognised when services have been performed. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset. Dividend from investments is recognised when the shareholder's rights to receive payment have been established.
- iii) **Cash and cash equivalents.** Cash and cash equivalents includes cash on hand, cash in banks, net of overdrafts, and short term deposits with original maturities of three months or less that are readily convertible to known amount of cash and which is subject to insignificant change in value. It also includes funds held in trust for NZTA but less the amounts owing to them.
- iv) **Accounts receivable.** Accounts 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 accounts receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The provision is recognised in the income statement.
- v) **Inventories.** Inventories are recognised at the lower of cost and net realisable value. The costs have been determined on a first-in first-out basis.

VEHICLE INSPECTION NEW ZEALAND LIMITED

Notes to the Financial Statements For six months ended 30 September 2009

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- vi) **Property, plant and equipment.** All property, plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is calculated so as to write off the cost less residual value over the useful life of the asset on a straight line basis. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each financial reporting period.

Depreciation rates applied are as follows:

Furniture and fittings	8% - 40%
Computer equipment	10% - 33%
Leasehold improvements	3% - 50%
Motor vehicles	20% - 33%
Plant and equipment	10% - 33%

When an item of property, plant and equipment is disposed of, any gain or loss is recognised in the income statement and is calculated as the difference between the net disposal proceeds and the carrying value of the item.

- vii) **Intangible assets.** Goodwill represents the excess of the purchase consideration over the fair value of the net tangible assets acquired at the time of the acquisition of a business. Goodwill and trademark, brand names are tested annually for impairment. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

Computer software are finite life intangibles and are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their estimated useful lives of 3-10 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

- viii) **Employee entitlements.** Provision is made for benefits accruing to employees in respect of annual leave, alternate leave, sick leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Annual leave, alternate leave and long service leave are recorded at the undiscounted amount expected to be paid for the entitlement earned. For sick leave, this is based on the unused entitlement accumulated at balance date that is expected to be utilised in the future.

- ix) **Goods and Services Tax (GST).** GST has been treated in the Financial Statements on an exclusive basis, except for the accounts receivables and payables which have been shown inclusive of GST in the Balance Sheet.
- x) **Leases.** The Company leases certain plant, equipment, land and buildings. Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are included in the determination of the net surplus in equal instalments over the lease term.
- xi) **Income tax.** For mid-year reporting purposes, the income tax expense charged to the income statement includes the year to date provision only. The tax effects of permanent or temporary differences are ignored.

e) **CHANGES IN ACCOUNTING POLICIES**

The Company implemented the New Zealand equivalent to International Financial Reporting Standards (NZ IFRS) in 2008. Since then, there have not been changes in accounting policies.

VEHICLE INSPECTION NEW ZEALAND LIMITED

Notes to the Financial Statements
For six months ended 30 September 2009

2) OTHER INCOME	2009	2008
	\$	\$
Interest income	13,207	71,826
Rental income	66,687	32,511
Gain on disposal of property	41,713	12,538
Dividend income	-	320
	<u>121,607</u>	<u>117,195</u>

3) EXPENSES BY NATURE	2009	2008
	\$	\$
a) Employee benefits expense		
Salaries and wages	2,725,404	3,371,628
Redundancy	3,985	11,815
Other employee benefits	131,560	163,836
	<u>2,860,949</u>	<u>3,547,279</u>
b) Depreciation and amortisation		
Furniture and fittings	13,771	13,159
Computer equipment	47,398	70,020
Leasehold improvements	36,039	28,822
Motor vehicles	15,248	21,289
Plant and equipment	123,390	112,659
Total depreciation	<u>235,846</u>	<u>245,949</u>
Amortisation of computer software	13,086	15,735
	<u>248,932</u>	<u>261,684</u>
c) Other operating expenses		
Rental and operating lease costs	687,364	727,041
Directors remuneration	76,250	71,875
Other expenses	712,066	769,863
	<u>1,475,680</u>	<u>1,568,779</u>

4) SHARE CAPITAL	2009	2008
	\$	\$
Share capital at the beginning of the period	125,000	184,000
Bonus shares issued	2,339,375	-
Shares surrendered and cancelled	-	(5,000)
Share capital at the end of the period	<u>2,464,375</u>	<u>179,000</u>

A breakdown of the number of shares issued during the period follows:

	2009	2008
Number of shares issued at the beginning of the period	125,000	184,000
Number of bonus shares issued	2,375,000	-
Number of shares surrendered and cancelled	-	(5,000)
Number of shares issued at the end of the period	<u>2,500,000</u>	<u>179,000</u>

Following shareholders' approval at the annual meeting held on 24 June 2009, a bonus issue of 19 shares for every share held as at the meeting date was completed.

5) RETAINED EARNINGS	2009	2008
	\$	\$
Retained earnings at beginning of period	2,892,745	3,507,761
Net profit (loss) for the period	185,841	89,806
Capitalisation of reserves	(2,339,375)	-
Retained earnings at end of period	<u>739,211</u>	<u>3,597,567</u>

VEHICLE INSPECTION NEW ZEALAND LIMITED

Notes to the Financial Statements
For six months ended 30 September 2009

6) RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES

	2009	2008
	\$	\$
Net profit (loss) after taxation	185,841	89,806
<i>Add/(less) non-cash and non-operating items:</i>		
Loss (gain) on sale of property, plant and equipment	(41,713)	(12,538)
Depreciation and amortisation	248,932	261,684
<i>Add/(less) movements in working capital:</i>		
<i>Decrease/(increase) in current assets</i>		
Accounts receivable and prepayments	(168,548)	371,779
Inventories	38,983	(5,063)
<i>Increase/(decrease) in current liabilities</i>		
Accounts payable and accruals	(342,383)	(878,411)
GST payable	59,227	(34,600)
Income taxes payable	76,710	13,970
Net cash flows from operating activities	<u>57,049</u>	<u>(193,373)</u>

7) INTANGIBLE ASSETS

	2009	2008
	\$	\$
The intangible assets consist of -		
Goodwill on acquisition	140,000	140,000
Computer software, net of amortisation	155,044	167,119
	<u>295,044</u>	<u>307,119</u>

8) TAXATION

	2009	2008
	\$	\$
Tax expense / (income)		
Operating surplus/(loss) before taxation	265,487	128,295
Income tax at 30%	(79,646)	(38,489)
Add (Deduct) tax effect of permanent differences:	-	-
Add unrecognised tax effect of tax loss	-	-
Current tax expense	(79,646)	(38,489)
Deferred tax expense	-	-
Total tax expense	<u>(79,646)</u>	<u>(38,489)</u>

Unused tax losses as at year ended 31 March 2009 amounting to \$233,153 have not been recognised in the determination of the deferred tax asset in the balance sheet.