



VEHICLE INSPECTION NEW ZEALAND LIMITED

FINANCIAL REPORT

For the Year Ended 31 March 2009

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Audit Report

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The Readers of Vehicle Inspection New Zealand Limited

We have audited the financial report on pages 6 to 20. The financial report provides information about the past financial performance of the Company and its financial position as at 31 March 2009. This information is stated in accordance with the accounting policies set out on pages 9 to 12.

Board of Directors' responsibilities

The Board of Directors are responsible for the preparation of a financial report which gives a true and fair view of the financial position of the Company as at 31 March 2009 and the results of operations and cash flows for the year ended on that date.

Auditor's responsibilities

It is our responsibility to express to you an independent opinion on the financial report presented by the Board of Directors.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial report. It also includes assessing:

- the significant estimates and judgements made by the Board of Directors in the preparation of the financial report; and
- whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial report is free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial report.

Our firm carries out other assignments for the Company that include the provision of advice on taxation matters, acting as tax agent for the Company and the audit of the Company's ordinary share register. We have no other relationship with, or interests in, the Company.

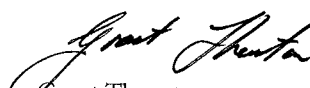
Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by Vehicle Inspection New Zealand Limited as far as appears from our examination of those records; and
- the financial report on pages 6 to 20:
 - complies with generally accepted accounting practice in New Zealand;
 - complies with International Financial Reporting Standards;
 - gives a true and fair view of the financial position of the Company as at 31 March 2009 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 22 May 2009 and our unqualified opinion is expressed as at that date.


Grant Thornton
Christchurch

VEHICLE INSPECTION NEW ZEALAND LIMITED

Company Directory

As at 31 March 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	Westpac Banking Corporation 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
Members' Shares	Ordinary Shares 125 Individuals / Partnerships / Companies

VEHICLE INSPECTION NEW ZEALAND LIMITED

Annual Report For the Year Ended 31 March 2009

The Board of Directors are pleased to present the Annual Report of Vehicle Inspection New Zealand Limited for the year ended 31 March 2009.

In accordance with Section 10 of the Co-operative Companies Act 1996, the Board resolved on 26 March 2009 that in their opinion, the Company has throughout the accounting period, been a co-operative company and that not less than 60% of the voting rights are held by transacting shareholders.

In accordance with Section 211 of the Companies Act 1993 we disclose the following information:

- During the year, 59 shareholders surrendered 1,000 shares each at a nominal value of \$1 a share.
- The majority of the Company's income is derived through the Agency arrangements negotiated with the New Zealand Transport Agency (NZTA) (formerly Land Transport New Zealand (LTNZ)). The following three agreements were signed with NZTA:
 - a Service Delivery Agreement for Driver Licensing, Motor Registrations and Road User Charges. The agreement has been extended to 31 May 2009, whilst a new agreement is under preparation. Under the new agreement, the Driver Licensing component is expected to expire on 30 April 2014 whilst the other components are expected to expire on 30 April 2017.
 - a Deed of Appointment for Certificate of Fitness and Warrant of Fitness, expiring on 3 October 2009. Substantially advanced discussions and correspondence with NZTA to date indicates that there is no major impediment preventing a new Agreement being issued for a term of 10 years.
 - a new Deed of Appointment for Entry Certification, expiring on 30 April 2013, but can be extended to 30 April 2014 at the sole discretion of the Director of Land Transport.
- The business of the Company is the provision of vehicle certification and inspection, vehicle and driver licensing services on behalf of the New Zealand Transport Agency. There have been no major changes in the business activities of the Company.
- Any transactions entered into with the directors of the Company have been recorded in the Company's register of interests and all transactions were in normal trading terms and conditions. No debts owing to or due from the directors have been forgiven or written off during the year.
- Indemnity and Insurance of Executive Employees and Directors - The Company is party to an agreement to indemnify all directors named in this report and current and former executive employees of the Company and its subsidiaries against all liabilities to persons (other than the Company or a related body corporate) which arises out of the performance of their normal duties as directors or executive employees unless the liability relates to conduct involving a lack of good faith. The Company has agreed to indemnify the directors and executives against all costs and expenses incurred in defending any actions that fall within the scope of the indemnity and any resulting payments.
- Directors' remuneration and fees paid and payable in the year were -

	2009	2008
Director	\$	\$
K W Worsley (Chairman)	40,625	35,000
M R Dossor (Deputy Chairman)	26,875	25,000
G A Blenkiron	26,875	25,000
G F Sendall	26,875	25,000
R J Gray	26,875	25,000
	<u>148,125</u>	<u>135,000</u>

VEHICLE INSPECTION NEW ZEALAND LIMITED

Annual Report

For the Year Ended 31 March 2009

- The number of employees, who are not directors, whose remuneration and benefits exceeded \$100,000 in the financial year were :

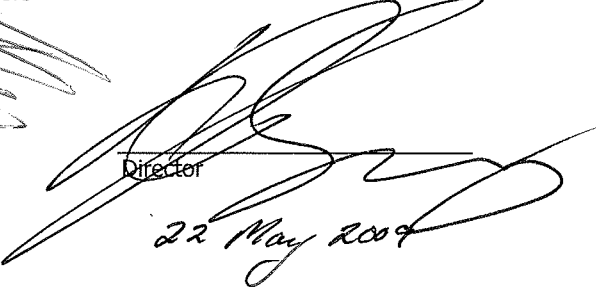
Range of Remuneration	2009	2008
\$100,000 - \$110,000	1	1
\$120,001 - \$130,000	1	
\$220,001 - \$230,000		1

- The auditor of the Company is Grant Thornton. The remunerations paid or payable to the auditor were \$45,900 (2008: \$48,525).
- Total donations for the year were \$44 (2008: \$89).

For and on behalf of the Board of Directors



Chairman



Director

Date :

22 May 2009

VEHICLE INSPECTION NEW ZEALAND LIMITED

Income Statement

For the Year Ended 31 March 2009

	Note	2009 \$	2008 \$
Revenues		9,830,207	12,837,440
Other income	2	222,146	183,533
Consumables used		(380,623)	(397,755)
Employee benefits expense	3	(6,560,828)	(7,224,077)
Depreciation and amortisation	3	(511,698)	(488,234)
Finance costs		(2,427)	-
Other expenses	3	<u>(3,138,614)</u>	<u>(3,805,850)</u>
NET PROFIT / (LOSS) BEFORE TAX		(541,837)	1,105,057
Tax expense	4	<u>(73,177)</u>	<u>(392,202)</u>
NET PROFIT / (LOSS)		<u>(615,014)</u>	<u>712,855</u>

Statement of Changes in Equity

For the Year Ended 31 March 2009

	Note	2009 \$	2008 \$
Profit/(loss) for the year		<u>(615,014)</u>	<u>712,855</u>
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE YEAR		(615,014)	712,855
Dividends declared	10	-	(23,000)
Changes in share capital:			
Members' shares issued	11	-	4,000
Members' shares surrendered	11	<u>(59,000)</u>	<u>(28,000)</u>
Total changes in equity		(674,014)	665,855
Equity at beginning of year		<u>3,691,762</u>	<u>3,025,907</u>
EQUITY AT END OF YEAR		<u>3,017,748</u>	<u>3,691,762</u>

These financial statements are to be read in conjunction with the notes on pages 9 to 20.



Vehicle Inspection New Zealand Limited

**Balance Sheet
As at 31 March 2009**

	Note	2009 \$	2008 \$
CURRENT ASSETS			
Cash and cash equivalents	5	817,069	1,848,189
Receivables and prepayments	6	783,231	1,454,700
Inventories		109,880	165,799
Income tax refundable	4	78,539	41,405
		<u>1,788,719</u>	<u>3,510,093</u>
NON-CURRENT ASSETS			
Property, plant and equipment	7	2,009,922	1,737,271
Deferred tax asset	4	189,440	262,617
Intangible assets	8	306,402	319,384
		<u>2,505,764</u>	<u>2,319,272</u>
TOTAL ASSETS		<u>4,294,483</u>	<u>5,829,365</u>
CURRENT LIABILITIES			
Accounts payable and accruals	9	590,295	819,950
Dividend payable	10	250	23,735
GST payable		87,215	163,540
Employee entitlements		598,975	1,130,378
		<u>1,276,735</u>	<u>2,137,603</u>
EQUITY			
Share capital	11	125,000	184,000
Retained earnings	12	2,892,748	3,507,762
		<u>3,017,748</u>	<u>3,691,762</u>
TOTAL LIABILITIES AND EQUITY		<u>4,294,483</u>	<u>5,829,365</u>

On behalf of the Board of Directors



Chairman
Date:



Director
Date: 22 May 2009

These financial statements are to be read in conjunction with the notes on pages 9 to 20.



VEHICLE INSPECTION NEW ZEALAND LIMITED

Cash Flow Statement

For the Year Ended 31 March 2009

	Note	2009 \$	2008 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash was provided from:</i>			
Receipts from customers		10,453,578	12,308,317
Interest received		112,166	90,362
Dividend received		469	615
Net GST received		-	22,982
		<u>10,566,213</u>	<u>12,422,276</u>
<i>Cash was applied to:</i>			
Payments to suppliers and employees		(10,688,884)	(10,608,214)
Interest paid		(2,427)	-
Net GST paid		(23,169)	-
Net tax paid		(37,132)	(397,936)
		<u>(10,751,612)</u>	<u>(11,006,150)</u>
Net cash flows from operating activities	13	<u>(185,399)</u>	<u>1,416,126</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Cash was provided from:</i>			
Sale of property, plant and equipment		56,118	2,476
		<u>56,118</u>	<u>2,476</u>
<i>Cash was applied to:</i>			
Purchase of property, plant and equipment		(798,938)	(234,244)
Purchase of software		(20,416)	(10,256)
		<u>(819,354)</u>	<u>(244,500)</u>
Net cash used in investing activities		<u>(763,236)</u>	<u>(242,024)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Cash was provided from :</i>			
Members' shares issued		-	4,000
		<u>-</u>	<u>4,000</u>
<i>Cash was applied to:</i>			
Dividends paid		(23,485)	(27,070)
Members' shares surrendered		(59,000)	(28,000)
		<u>(82,485)</u>	<u>(55,070)</u>
Net cash flows from financing activities		<u>(82,485)</u>	<u>(51,070)</u>
NET INCREASE/(DECREASE) IN CASH HELD		(1,031,120)	1,123,032
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>1,848,189</u>	<u>725,157</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>817,069</u>	<u>1,848,189</u>

These financial statements are to be read in conjunction with the notes on pages 9 to 20.



Notes to the Financial Statements
For the Year Ended 31 March 2009

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) **REPORTING ENTITY**

Vehicle Inspection New Zealand Limited is a company registered under the Companies Act 1993. It was re-registered as a co-operative company in September 1998 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. Actual results may differ from these estimates. The key sources of estimation that have had the most significant effect on the amounts recognised in the financial statements are presented in Note 20.

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 which also have 31 March balance date 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%
CheckIng 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) **Income tax.** The income tax expense charged to the income statement includes both the current year's provision and the income tax effects of
- taxable temporary differences, except those arising from initial recognition of goodwill and other assets that are not depreciated; and
 - deductible temporary differences to the extent that is probable that they will be utilised.

Temporary differences arising from transactions affecting neither accounting profit nor taxable profit are ignored.

Tax effect accounting is applied on a comprehensive basis to all timing differences using the liability method. A deferred tax asset is only recognised to the extent that it is probable that there will be future taxable profit to utilise the temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.



Notes to the Financial Statements
For the Year Ended 31 March 2009

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- iv) **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.
- v) **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.
- vi) **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.
- vii) **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.

- viii) **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.

- ix) **Impairment of non-financial assets.** Property, plant and equipment is tested for impairment if there is an indication of impairment. If the recoverable amount of an item of property, plant and equipment is less than its carrying amount, the item is written down to its recoverable amount. The write down of an item recorded at historical cost is recognised as an expense in the income statement.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Goodwill and other intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed. If an impairment is identified, it is first recognised by reducing the carrying amount of goodwill, then by reducing the carrying amount of the other assets pro-rata.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).



Notes to the Financial Statements
For the Year Ended 31 March 2009

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- x) **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.

- xi) **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.

- xii) **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.

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.

f) **STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE**

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which were not yet effective at balance sheet date, and which the Company has not early adopted. The Company has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be relevant to its operations, and has concluded as follows:

i) **NZ IAS 1 Presentation of Financial Statements (Amendments effective 1 January 2009 with further amendments effective 1 January 2010)**

Revised NZ IAS 1 introduces as a new primary financial statement, the "statement of comprehensive income", which represents changes in equity during a period other than those changes resulting from owners in their capacity as owners. This new statement can be presented as a single statement of comprehensive income (which will effectively combine the income statement and all non-owner changes in equity) or a separate income statement and statement of comprehensive income. This new standard does not change the recognition, measurement or disclosure of transactions and events that are required by other NZ IFRS. The amendments to NZ IAS 1 may result in changes to the additional disclosures to the Company's financial statements.

ii) **NZ IFRS 8 – Operating Segments (Effective 1 January 2009 with further amendments effective 1 January 2010)**

NZ IFRS 8 requires an entity to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Additional entity wide disclosures are required including information about products and services or group of products and services, analyses of revenues and information about transactions with major customers.

iii) **NZ IAS 27 Consolidated and Separate Financial Statements (Amendments effective 1 July 2009)**

NZ IAS 27 has introduced additional changes to the definition of cost and deemed costs, as well as a paragraph on restructuring dividends. NZ IAS 27 requires accounting for a change in ownership by a Group in a subsidiary, whilst still retaining control, to be recognised in equity.

Additional disclosure requirements have been added and the amendments to NZ IAS 27 may result in changes to the disclosures of the Company's financial statements. Other than possible additional disclosure, the amendments are not expected to have a significant impact on the financial statements.

iv) **IFRS 3 Business Combinations (Amendments effective 1 July 2009)**

The objective of NZ IFRS is to enhance the relevance, reliability and comparability of the information that an entity provides in its financial statements about a business combination and its effects, and it has the following changes:

- There has been a change from the purchase method to the acquisition method.
- Definition of business has been broadened, which will result in more acquisitions being classified as business combinations.
- Transaction costs, other than share and debt issue costs, will be expensed as incurred.
- Any minority interest will be measured at fair value, or as a proportion of the identifiable net assets, on a transaction by transaction basis.



Notes to the Financial Statements
For the Year Ended 31 March 2009

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

These amendments are to be applied prospectively and thus will not have a significant impact on the financial statements.

Standards and interpretations and amendments to published standards that are not yet effective and not relevant:

NZ IFRS 7	Non-current Assets Held for Sale and Discontinued Operations (Amendments effective 1 January 2010)
NZ IAS 23	Borrowing Costs (Amendments effective 1 January 2009)
NZ IAS 40	Investment Properties (Amendments effective 1 January 2009)
NZ IFRIC 13	Customer Loyalty Programmes (Effective 1 July 2008)
NZ IFRIC 15	Agreements for the Construction of Real Estate (Effective 1 January 2009)
NZ IFRIC 16	Hedges of a Net Investment in a Foreign Operation (Effective 1 October 2008)



VEHICLE INSPECTION NEW ZEALAND LIMITED

Notes to the Financial Statements

For the Year Ended 31 March 2009

2) OTHER INCOME

	2009	2008
	\$	\$
Interest income	112,166	90,363
Rental income	101,378	89,833
Change in provision for doubtful debts	-	2,300
Gain on disposal of property	8,133	421
Dividend income	469	616
	<u>222,146</u>	<u>183,533</u>

3) EXPENSES BY NATURE

	2009	2008
	\$	\$
a) Employee benefits expense		
Salaries and wages	6,202,244	6,672,882
Redundancy	132,200	12,296
Bonus	-	253,717
Other employee benefits	226,384	285,182
	<u>6,560,828</u>	<u>7,224,077</u>
b) Depreciation and amortisation		
Furniture and fittings	27,504	20,306
Computer equipment	127,317	140,719
Leasehold improvements	59,905	51,123
Motor vehicles	36,563	44,925
Plant and equipment	230,405	198,932
Total depreciation	481,694	456,005
Amortisation of computer software	30,004	32,229
	<u>511,698</u>	<u>488,234</u>
c) Other operating expenses		
Rental and operating lease costs	1,392,721	1,625,195
Directors remuneration	148,125	135,000
Impairment of PPE	-	34,067
Bad debts written off	4,632	20,852
Audit fees for audit services	34,850	35,850
Audit fees for other services	11,050	12,675
Donations	44	89
Other expenses	1,547,192	1,942,122
	<u>3,138,614</u>	<u>3,805,850</u>

4) TAXATION

	2009	2008
	\$	\$
a) Tax expense / (income)		
Operating surplus/(loss) before taxation	(541,837)	1,105,057
Prima facie income tax at 30% (2008: 33%)	(162,551)	364,669
Add (Deduct) tax effect of permanent differences:		
Non deductible entertainment expenses	2,563	3,972
Non deductible legal fees	-	-
Non taxable dividend received	(45)	(50)
Penalties & fine	11	(2,652)
Imputation credit on dividend received	46	-
Add (Deduct) tax effect of temporary differences	(73,177)	(38,013)
Add unrecognised tax effect of tax loss	233,153	-
Current tax expense	-	327,926
Deferred tax expense	73,177	38,013
Deferred tax arising from change in company tax rate	-	26,263
Total tax expense	<u>73,177</u>	<u>392,202</u>



Notes to the Financial Statements
For the Year Ended 31 March 2009

4) TAXATION (continued)

	2009 \$	2008 \$
b) Income tax payable / (refundable)		
Current tax expense / (income) for the year	-	327,926
Provisional tax paid	(50,000)	(370,000)
RWT credits	(25,395)	(27,654)
Imputation credit	-	(153)
Income tax refunded	38,261	-
Prior year adjustment	-	(128)
	<u>(37,134)</u>	<u>(70,009)</u>
Balance brought forward	<u>(41,405)</u>	<u>28,604</u>
Balance carried forward	<u>(78,539)</u>	<u>(41,405)</u>

c) Deferred tax asset

	Differing Tax Depreciation and Amortisation \$	ACC Provision \$	Holiday Pay Provision \$	Doubtful Debt Provision \$	Voucher Liability provision \$	Total \$
As at 1 April 2007	175,182	6,832	117,159	17,395	10,325	326,893
Credit/(charge) to income	(53,861)	2,560	15,272	(759)	(1,225)	(38,013)
Effect of change in tax rate	<u>(11,029)</u>	<u>(854)</u>	<u>(12,039)</u>	<u>(1,512)</u>	<u>(829)</u>	<u>(26,263)</u>
As at 31 March 2008	110,292	8,538	120,392	15,124	8,271	262,617
Credit/(charge) to income	<u>(68,593)</u>	<u>5,576</u>	<u>(10,072)</u>	<u>(260)</u>	<u>172</u>	<u>(73,177)</u>
As at 31 March 2009	<u>41,699</u>	<u>14,114</u>	<u>110,320</u>	<u>14,864</u>	<u>8,443</u>	<u>189,440</u>

Unused tax losses amounting to \$233,153 (2008: \$nil) have not been recognised in the determination of the deferred tax asset in the balance sheet. There were no other timing differences and unused tax credits carried forward (2008: \$nil). Corporate tax rate has been reduced from 33% to 30% effective 1 April 2008. The Company has since 2008 adjusted its deferred tax assets to reflect this change in tax rate.

	2009 \$	2008 \$
d) Imputation Credit Account		
Balance at beginning of year	1,344,169	959,169
<i>Add:</i>		
Payments to Inland Revenue	50,000	370,000
ICA attached to dividends received	153	153
RWT credits attached to interest received	25,395	27,654
	<u>1,419,717</u>	<u>1,356,976</u>
<i>Less:</i>		
Receipts from Inland Revenue	(38,261)	-
ICA attached to dividends paid	(11,329)	(12,807)
Prior year adjustment	<u>(142,492)</u>	<u>-</u>
Balance at end of year	<u>1,227,635</u>	<u>1,344,169</u>

Prior year imputation credit has been revised to reflect the credit balance confirmed by the Inland Revenue Department. Utilisation of the imputation credit balance is subject to the test of continuity of shareholding.

5) CASH AND CASH EQUIVALENTS

	2009 \$	2008 \$
Petty cash	7,303	7,503
Cash in bank	309,766	790,686
Money held in trust for NZTA	630,032	595,975
Term deposits	500,000	1,050,000
	<u>1,447,101</u>	<u>2,444,164</u>
Amount owing to NZTA	<u>(630,032)</u>	<u>(595,975)</u>
	<u>817,069</u>	<u>1,848,189</u>

The interest rates on term deposits ranged between 3.5%-4.5% (2008: 8.4%-8.9%) maturing in April and May 2009 (2008: May and June 2008). The bank balances include funds collected and held in trust but less the amounts owing to the New Zealand Transport Agency in respect of motor registrations, road user charges and driver licensing transactions.



Notes to the Financial Statements
For the Year Ended 31 March 2009

6) RECEIVABLES AND PREPAYMENTS

	2009	2008
	\$	\$
Trade receivables	633,363	1,142,807
Amounts receivable from other related parties	<u>11,775</u>	<u>44,229</u>
Total accounts receivables	645,138	1,187,036
Provision for doubtful debts	<u>(49,544)</u>	<u>(50,412)</u>
	595,594	1,136,624
Prepayments	<u>187,637</u>	<u>318,076</u>
	<u><u>783,231</u></u>	<u><u>1,454,700</u></u>

Health of accounts receivables

	2009		2008	
	Gross	Impairment	Gross	Impairment
	\$	\$	\$	\$
Current	522,609	13,679	939,561	20,800
31-60 days overdue	80,859	12,557	203,788	16,336
61-90 days overdue	16,870	11,269	20,715	13,276
91-120 days overdue	13,193	2,223	5,322	-
more than 120 days overdue	<u>11,607</u>	<u>9,816</u>	<u>17,650</u>	<u>-</u>
Accounts receivables	<u><u>645,138</u></u>	<u><u>49,544</u></u>	<u><u>1,187,036</u></u>	<u><u>50,412</u></u>

	2009	2008
	\$	\$
Individually impaired debts	49,544	50,412
Allowance for collectively impaired debts	-	-
Total impairment allowance	<u><u>49,544</u></u>	<u><u>50,412</u></u>

Individually impaired trade debts relate to customers for whom there is objective evidence of inability to pay. Generally, no collateral is held for trade debtors.

Changes in the impairment allowance (doubtful debts) account over the year were as follows:

	2009	2008
	\$	\$
Impairment allowance		
Beginning balance	50,412	52,712
Additional allowance	-	32,994
Allowance released	<u>(868)</u>	<u>(35,294)</u>
Ending allowance	<u><u>49,544</u></u>	<u><u>50,412</u></u>



Notes to the Financial Statements
For the Year Ended 31 March 2009

7) PROPERTY, PLANT AND EQUIPMENT

	Furniture and Fittings	Computer Equipment	Leasehold Improvements	Motor Vehicles	Plant and Equipment	Plant-in- Progress	Total
	\$	\$	\$	\$	\$	\$	\$
1 April 2007							
Cost or valuation	319,044	1,685,465	941,511	357,454	3,232,015	34,811	6,570,300
Accumulated depreciation	(237,732)	(1,360,763)	(695,160)	(286,219)	(1,995,051)	-	(4,574,925)
Carrying amount	<u>81,312</u>	<u>324,702</u>	<u>246,351</u>	<u>71,235</u>	<u>1,236,964</u>	<u>34,811</u>	<u>1,995,375</u>
For the year ended							
31 March 2008							
Carrying amount at							
1 April 2007	81,312	324,702	246,351	71,235	1,236,964	34,811	1,995,375
Additions, at costs	20,688	59,455	87,526	58,528	13,174	-	239,371
Re-classification	-	(32,897)	-	-	32,897	-	-
Plant-in-progress	-	-	-	-	33,258	(33,258)	-
Disposals, at book value	(29)	(221)	-	-	(41,177)	-	(41,427)
Depreciation	(20,306)	(140,762)	(51,123)	(44,925)	(198,932)	-	(456,048)
Carrying amount at							
31 March 2008	<u>81,665</u>	<u>210,277</u>	<u>282,754</u>	<u>84,838</u>	<u>1,076,184</u>	<u>1,553</u>	<u>1,737,271</u>
as at 31 March 2008							
Cost or valuation	337,753	1,120,572	1,029,037	415,982	3,244,372	1,553	6,149,269
Accumulated depreciation	(256,088)	(910,295)	(746,283)	(331,144)	(2,168,188)	-	(4,411,998)
Carrying amount	<u>81,665</u>	<u>210,277</u>	<u>282,754</u>	<u>84,838</u>	<u>1,076,184</u>	<u>1,553</u>	<u>1,737,271</u>
For the year ended							
31 March 2009							
Carrying amount at							
1 April 2008	81,665	210,277	282,754	84,838	1,076,184	1,553	1,737,271
Additions, at costs	65,154	44,657	183,108	61,832	363,677	97,153	815,581
Disposals, at book value	(1,238)	-	(42,680)	(2,878)	(14,441)	-	(61,237)
Depreciation	(27,953)	(127,316)	(59,456)	(36,563)	(230,405)	-	(481,693)
Carrying amount at							
31 March 2009	<u>117,628</u>	<u>127,618</u>	<u>363,726</u>	<u>107,229</u>	<u>1,195,015</u>	<u>98,706</u>	<u>2,009,922</u>
as at 31 March 2009							
Cost or valuation	283,064	1,141,015	1,142,066	301,220	3,172,611	98,706	6,138,682
Accumulated depreciation	(165,436)	(1,013,397)	(778,340)	(193,991)	(1,977,596)	-	(4,128,760)
Carrying amount	<u>117,628</u>	<u>127,618</u>	<u>363,726</u>	<u>107,229</u>	<u>1,195,015</u>	<u>98,706</u>	<u>2,009,922</u>



VEHICLE INSPECTION NEW ZEALAND LIMITED

Notes to the Financial Statements
For the Year Ended 31 March 2009

8) INTANGIBLE ASSETS

	Goodwill \$	Trademark/ Brand name \$	Software \$	Total \$
1 April 2007				
Cost	206,000	5,000	569,246	780,246
Accumulated impairment losses	(66,000)	(5,000)	-	(71,000)
Accumulated amortisation	-	-	(367,889)	(367,889)
Carrying amount	<u>140,000</u>	<u>-</u>	<u>201,357</u>	<u>341,357</u>
For the year ended 31 March 2008				
Carrying amount at 1 April 2007	140,000	-	201,357	341,357
Additions	-	-	10,256	10,256
Amortisation	-	-	(32,229)	(32,229)
Carrying amount at 31 March 2008	<u>140,000</u>	<u>-</u>	<u>179,384</u>	<u>319,384</u>
as at 31 March 2008				
Cost	140,000	-	356,111	496,111
Accumulated amortisation	-	-	(176,727)	(176,727)
Carrying amount	<u>140,000</u>	<u>-</u>	<u>179,384</u>	<u>319,384</u>
For the year ended 31 March 2009				
Carrying amount at 1 April 2008	140,000	-	179,384	319,384
Additions	-	-	20,416	20,416
Disposals	-	-	(3,394)	(3,394)
Amortisation	-	-	(30,004)	(30,004)
Carrying amount at 31 March 2009	<u>140,000</u>	<u>-</u>	<u>166,402</u>	<u>306,402</u>
as at 31 March 2009				
Cost	140,000	-	373,057	513,057
Accumulated impairment losses	-	-	-	-
Accumulated amortisation	-	-	(206,655)	(206,655)
Carrying amount	<u>140,000</u>	<u>-</u>	<u>166,402</u>	<u>306,402</u>

There were no items of intangible assets whose title is restricted or pledged as security for liabilities. (2008: \$nil)

Goodwill is regarded as having indefinite useful lives because there is no foreseeable limit to the period over which they are expected to be useful. Goodwill is allocated to the following cash generating units (CGUs):

	2009 \$	2008 \$
Goodwill -		
Compliance business	70,000	70,000
WoF Testing Station	70,000	70,000
Total as at 31 March	<u>140,000</u>	<u>140,000</u>

The recoverable amount of goodwill is based on value-in-use calculations for the CGU.

Key assumptions used

The value in used as defined in NZ IAS 36 for the Compliance Business is based on the cash flow projections for the next 9 years discounted at 17.4% (2008:10%) per annum. Volume sales are expected to reduce for the year ending 31 March 2010 due to the introduction of emission standards on used imports and the prevailing economic conditions. Volume sales are expected to improve slowly by 10%-25% from 2011 onwards.

The value in use for the WoF Testing Station is based on the cash flow projections for the next 4 years, which is the remaining term of lease, discounted at 17.4% (2008:10%) per annum. Growth rate is assumed to be nil over the next 4 years.

9) ACCOUNTS PAYABLE AND ACCRUALS

	2009 \$	2008 \$
Trade and sundry creditors	408,224	598,050
Amounts payable to other related parties	6,280	39,319
Total accounts payable	<u>414,504</u>	<u>637,369</u>
Accruals	175,791	182,581
	<u>590,295</u>	<u>819,950</u>



Notes to the Financial Statements
For the Year Ended 31 March 2009

10) DIVIDEND PAYABLE

	2009	2008
	\$	\$
Dividend payable at beginning of year	23,735	27,805
Dividend declared	-	23,000
Dividend paid	<u>(23,485)</u>	<u>(27,070)</u>
Dividend payable at end of year	<u>250</u>	<u>23,735</u>

11) SHARE CAPITAL

	2009	2008
	\$	\$
Share capital at beginning of year	184,000	208,000
Members' shares issued	-	4,000
Members' shares surrendered and cancelled	<u>(59,000)</u>	<u>(28,000)</u>
Share capital at end of year	<u>125,000</u>	<u>184,000</u>

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

	2009	2008
Number of shares issued at beginning of year	184,000	208,000
number of shares issued	-	4,000
Number of shares surrendered and cancelled	<u>(59,000)</u>	<u>(28,000)</u>
Number of shares issued at end of year	<u>125,000</u>	<u>184,000</u>

Changes to the Companies Act 1993 abolished the authorised capital and par value concept in relation to share capital from 1 July 1994. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

In accordance with the Constitution and being a co-operative company, any profit distributions by way of rebates or discounts is in accordance with the monetary value of eligible transactions with the Company except for dividend distributions which are by equal value per share. The shares have equal voting rights and the right to an equal share in the distribution of surplus assets upon liquidation.

Shares can be redeemed at the option of the shareholders or the company upon either party giving proper notice. Likewise, shareholders who has ceased to transact with the Company, at their option may surrender shares or if required by the company, subject to satisfying solvency tests in accordance with the Co-operative Companies Act.

12) RETAINED EARNINGS

	2009	2008
	\$	\$
Retained earnings at beginning of year	3,507,762	2,817,907
Net profit (loss) for the year	(615,014)	712,855
Dividends	-	(23,000)
Retained earnings at end of year	<u>2,892,748</u>	<u>3,507,762</u>

13) RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES

	2009	2008
	\$	\$
Net profit (loss) after taxation	(615,014)	712,855
<i>Add/(less) non-cash and non-operating items:</i>		
Loss (gain) on sale of property, plant and equipment	(8,133)	(199)
Depreciation and amortisation	511,698	488,235
Impairment loss on property, plant and equipment	-	34,067
Net bad debts written off	4,632	20,852
Increase/(decrease) in doubtful debts provision	1,238	(2,300)
<i>Add/(less) movements in working capital:</i>		
<i>Decrease/(increase) in current assets</i>		
Accounts receivable and prepayments	665,599	(228,902)
Inventories	55,919	(55,105)
Deferred tax asset	73,177	64,276
<i>Increase/(decrease) in current liabilities</i>		
Accounts payable and accruals	(761,058)	405,201
GST payable	(76,325)	47,158
Income taxes payable	<u>(37,132)</u>	<u>(70,010)</u>
Net cash flows from operating activities	<u>(185,399)</u>	<u>1,416,126</u>



Notes to the Financial Statements
For the Year Ended 31 March 2009

14) SIGNIFICANT CONTRACTS

There are three separate contracts with NZTA, namely -

- a Service Delivery Agreement for Driver Licensing, Motor Registrations and Road User Charges, which has been extended to expire on 31 May 2009. A new agreement is under preparation.
- a Deed of Appointment for Certificate of Fitness and Warrant of Fitness that will expire on 3 October 2009. A new Deed for a term of 10 years is under preparation.
- a new Deed of Appointment for Entry Certification that will expire on 30 April 2013, but can be extended to 30 April 2014 at the sole discretion of the Director of Land Transport.

These contracts will have a material impact on the Company's financial performance in the ensuing years.

15) FINANCIAL RISK MANAGEMENT POLICIES

The main financial risks inherent in the Company's operations include credit risk, liquidity risk and interest rate risks. A description of the Company's risk management policies in relation to these risks follows.

a) **Credit risk**

Financial instruments, which are potentially subject to concentration of credit risk are principally cash, bank accounts, bank deposits and accounts receivable.

The Company places its cash and deposits with quality financial institutions with good credit ratings.

Contracts have been entered into with various other parties having such credit ratings and such dollar limit as set forth by the Directors.

The Company does not require collateral or other security for trade credits. However, for ease of operations, the Company operates an imprest system with some cash customers where deposits are left with the Company and topped up on a regular basis.

The maximum credit risk is the carrying value of these financial assets, however the Company considers the risk of non-recovery of these amounts to be low.

	2009	2008
	\$	\$
Cash and cash equivalents	817,069	1,848,188
Accounts Receivables	595,594	1,136,624

The above maximum exposures are net of any recognised impairment losses on these financial instruments.

Concentrations of credit risk

Concentration of credit risk in respect of accounts receivable is significant due to the small number of major customers included in the Company's customer base. As at balance date, 40% (2008: 57%) of the Company's total receivables were attributed to twelve (2008: sixteen) customers.

All of Company's cash and term deposits were with a large and reputable bank.

b) **Liquidity risk**

Liquidity risk represents the Company's ability to meet its financial obligations on time. The Company manages liquidity risk by maintaining adequate bank balances and continuously monitoring cash flows.

Maturity analysis for financial liabilities

	2009		2008	
	6 months or less	More than 6 months	6 months or less	More than 6 months
	\$	\$	\$	\$
Accounts payable	414,504	-	637,369	-

c) **Interest rate risk**

The Company has no financial instruments to manage interest rate risk. The Term Deposits are at fixed interest rates for the term of the investments.

The Company has no off balance sheet transactions.



Notes to the Financial Statements
For the Year Ended 31 March 2009

16) RELATED PARTY TRANSACTIONS

a) **Key management personnel**

All directors have disclosed their interests in transactions with the Company. In the normal course of conducting its business, the Company performs services for and earns revenue from entities related to some directors. These transactions are completed on normal commercial terms.

During the year, with standing authority from the Board, R J Gray, director, has arranged for purchases and disposals of the Company fleet through either Dick Gray Holdings Limited or other parties. No commission was paid to RJ Gray, Dick Gray Holdings Limited or other related party. Total amount of purchase transaction with Dick Gray Holdings during the financial year amounted to \$30,680 (2008: \$63,273). The balance outstanding as at balance date amounted to \$768 (2008: \$34,256).

During the year, K W Worsley, chairman of the Board of Directors, charged the Company \$53,375 (2008: \$39,400) for services rendered as a consultant to the Company. As at balance date, the balance outstanding was \$5,512 (2008: \$5,063).

During the year, Packham Investment Limited in which G S Sendall is a director sold its property to a third party. Rent and lessor disbursements paid to or on behalf of Packham Investment Limited up to the date of sale was \$28,831 (2008: \$96,092). As at balance date, there was no balance outstanding (2008: \$nil).

No related party debts have been written off or forgiven during the year. (2008:\$nil)

b) **Subsidiaries**

There were no inter-company transactions and balances as at year end. (2008:\$nil)

17) INVENTORY COMMITMENTS

No inventories are specifically and separately pledged as security for liabilities. Inventory is subject to retention of title clause.

18) FORWARD COMMITMENTS

a) **Capital commitment**

As at 31 March 2009, the Company has a total capital commitment of \$40,000 (2008: \$26,795).

b) **Lease commitment**

	2009	2008
	\$	\$
Non-cancellable operating leases payable after balance date are -		
Not more than one year	1,065,989	1,028,250
More than one year but less than two years	887,374	994,522
More than two years but less than five years	1,669,500	2,025,245
More than five years	<u>833,710</u>	<u>1,291,923</u>
	<u>4,456,573</u>	<u>5,339,940</u>

Operating leases relate to plant, equipment, land and buildings. Plant and equipment have lease terms of between one to four years, while land and buildings have lease terms of between two to ten years. Most of these operating leases have rights of renewal for further terms and have normal provisions for periodic rent reviews to market rates. The Company does not have an option to purchase the property at the expiry of the lease period.

The Company has sub-leased part of rented buildings till May 2010 at an annual rent of \$85,334. Lease income is presented under Other Income in Note 2.

No operating leases impose any restrictions on the Company's ability to raise debts, declare dividends or enter into further leasing arrangements.

19) CONTINGENT LIABILITIES

As at 31 March 2009, there were contingent liabilities of \$36,500 (2008: \$26,985), being insurance excess on claims against the Company for professional negligence and damages to third party properties. The amount disclosed as contingent liability represents additional amount to the insurance claim excesses that the Company has incurred during the year. The Directors believe, based on prior years experience, this contingent liability is less likely to occur and therefore no further losses will be incurred.

20) KEY SOURCES OF ESTIMATION UNCERTAINTY

The effect of estimation on these financial statements is greatest in assessing any impairment in non-financial assets, establishing provision for bad debts, and estimating provision for voucher liability. The Company estimated the amount of impairment based on the discounted future cash flows expected from the asset. With regard to bad debts and voucher liability provisions, the Company have used prior experience to estimate the level of provisioning as at balance date. The carrying amounts of the accumulated impairment and provisions are as follows:

	2009	2008
	\$	\$
Accumulated impairment of non financial assets	-	-
Provision for doubtful debts	49,544	50,412
Voucher liability provision	28,145	32,412

