



Annual Report

2016



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Chairman's Report

It is pleasing to be able to report some healthier numbers for the Group for this financial year.

In February I reported on the first half, noting that results for that period were encouraging. The trend continued and we can advise the following numbers for the full year ended 30 June 2016:

Total Revenue: fell from \$256M to \$222M, down some 13%

Net Profit after Tax: rose from \$2.771m to \$4.874m, up by 76%

Total Equity: Increased 24% to \$36.374m

EBITDA: Improved significantly to \$18.6m

Obviously better than last year, and achieved in trading conditions which remain trying - overall freight movements have declined. Many customers have enjoyed the benefit of increased competition as operators strive to gain revenue base, and this shows in our reduced sales figures.

Lost work was particularly evident, and felt, at TIL Freightage Ltd, where management have now implemented new strategies to extend their offerings to clients, while also continuing to drive cost out of the business. Recent successes have seen them add back about \$7M of new work.

These efforts during 2016 saw improvements. Last year I estimated that TIL Freightage had suffered negative impacts totaling around \$5-7M for the year. Working on the issues has reduced that impact to around \$3M this financial year, and work continues to identify and eliminate the contributing factors.

This work includes reviews of all structures, systems and strategies, throughout all branches of the company. We are confident that the actions being taken are effective and that TIL Freightage Ltd is well situated to deliver positive results this year.

The International arm of our Group includes several Customs Brokerage operations in New Zealand and Australia, as well as Shipping Agency businesses and TankTainer management. These organisations performed well, and we intend to continue expanding them as opportunities arise.

McAuleys Transport Ltd in Masterton again expanded its influence, particularly in specialised areas with new equipment being deployed.

The Team posted excellent results, ahead of last year. We are investing further in this business to take advantage of increased work which they have now secured.

Our specialist road tanker company – Pacific Fuel Haul Ltd – continued to improve in all respects, financially and operationally. We are very happy with how they performed. Results have been helped by the introduction of significant numbers of new fleet. New units improved fuel usage, reduced maintenance costs and cut downtime. More new fleet is planned for the coming year. Several new work prospects are in view and we are confident this company will again meet targets.

“Several new work prospects
are in view and we are
confident this company will
again meet targets “

Chairman's Report

TIL Asset Management division traded well, this part of the Group manages TIL Properties Ltd, which owns various premises which are leased to the Group operating companies. It also manages Pacific Asset Leasing Ltd, which mainly leases vehicles to the operating businesses.

Joint ventures also contributed positively to our result, particularly ATL Transport in Central Otago.

All companies have embraced the new Health & Safety rules and philosophies – this has not been difficult to achieve as Health, Safety and Environmental awareness has always been paramount in our work. Our Group employs over 1200 people with a wider responsibility to thousands more and keeping them all safe is always on our minds.

The dedication which staff display in maintaining these standards is evident and much appreciated. It has again been recognized by a number of awards to Group companies by various bodies including ACC, Workplace Safety, NZRTF, Fleetsafe and others.

Most vehicles now have ERoad systems installed, these help us to monitor performance, especially events such as overspeeds, fuel consumption and other operational indicators. Many of the trucks also have InCab Cameras installed to record events as they happen.

Real-time information is available to all managers, who are then able to take prompt action to improve the way we operate.

The dedication which staff display in maintaining these standards is evident and much appreciated, ...”

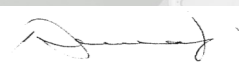
We have been commended by the system managers for our management and risk reduction actions, the results of which they say have placed us in the top 5% of operators. This commitment to safe operations has been verified by 5 Star awards in the NZTA Operator Safety Ratings.

Capital has been earmarked for ongoing fleet replacements, however the Directors also feel able to recommend payment of a Dividend of 5c per Ordinary Share held as at 30 June 2016, fully imputed and after deduction of Resident Withholding Tax.

In the coming year we expect to see similar trading and economic conditions prevail. We will achieve further gains through serving our customers better, strong cost control and increased operational utilization.

There will be further consolidation within the Industry, and supply of transport services will be better managed. Our industry is resilient, it pays its own way, it operates without subsidy or favour, and is consequently well placed to survive in the real world. Your company will be right at the front line and we look forward to this years game.

Our thanks to all those staff who helped achieve this years results. To all the great Clients whose valued work made it possible - we really do appreciate your custom! Thanks also to our supporters club, especially our Financiers, and our Suppliers – and to you, our Shareholders. Thank You all for your support and for your contributions.



Jim Ramsay
Chairman



Group Structure



Director's Report

The Directors of Transport Investments Ltd have pleasure in presenting the 2016 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 \$4,874,000

Earnings per Share

The profit for the year, represented a return of .99 cents per share

Dividend

We have resolved on the 16th September 2016 a gross dividend of \$367,438, which results in a net payment to shareholders of 0.05 cents per share to be paid on the 20th October 2016.

Corporate Governance

Board of Directors

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

Operation of the Board

Responsibilities

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

Code of Conduct

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

Independent Professional Advice

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

Risk Assessment and Management

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

The Environment, Occupational Health and Safety

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

The Group aims to:

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

Interests Register

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

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

- A. *Interested Transactions*
TIL Freight 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	2016	2015
			\$000	\$000
\$100 - \$110k	70	J Ramsay	174	177
\$110 - \$120k	29	G P Whitham	165	166
\$120 - \$130k	15	A P Terris	170	170
\$130 - \$140k	3	L W Stewart	3	2
\$140 - \$150k	1			
\$150+	5			
Total	123			

Donations

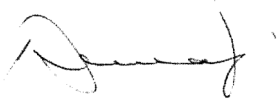
During the current financial year donations and sponsorship totalling \$97,063 were made by the companies in the Group to various organisations including: Taranaki Arts Festival Trust, Variety Childrens Charity, WOMAD, New Plymouth Rangers A.F.C., Taranaki Health Foundation, ITU Triathlon, Tukupa Rugby, Giants Softball Club, Naki500 Jetsprint.

Auditors

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

	2016	2015
	\$000	\$000
Amounts paid to auditors for:		
Auditing the financial accounts:		
PricewaterhouseCoopers	120	120
	<u>120</u>	<u>120</u>

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 Company and the Group as at 30 June 2016 and their financial performance and cash flows for the year ended on that date.

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


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

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

The Directors have pleasure in presenting the Financial Statements for the year ended 30 June 2016.

The Board of Directors of Transport Investments Limited authorised these Financial Statements for issue on the 23rd September 2016.

For, and on behalf of the Board



James Ramsay
Director



Greg P Whitham
Director



CEO Report

TIL International

This division has contributed a “satisfactory” result for the Group.

Despite the forecasted downturn in traditional markets such as oil and gas, we have gained new customers both in Australia and New Zealand and this has helped the division to dampen the effect.

During the year the international shipping landscape has changed with the introduction of further compliance (SOLAS) as well as new security measures which reflect the current global challenges.



There is no doubt that pressure on traditional market volumes will eventuate as world trade readjusts to geo-political trends.

To help combat this we have increased our customer interaction through the creation of several new sales positions in New Zealand and Australia. This strategy has served to protect our existing customer base whilst gaining new work.

“..... pressure on traditional market volumes will eventuate as world trade readjusts to geo-political trends.”

During the year we visited customers and partner agents in Singapore and throughout South East Asia and are pleased with the increase in traffic as a result.

We will continue to seek out opportunities through strategic acquisition as opportunities are presented.

Finally I would like to thank our partners and management staff for their contributions during what are challenged and changing times.

Alan Terris
Director - International



CEO Report



We enjoyed some notable highlights during the year, particularly the opening of our new \$20M purpose built Wiri, Auckland premises in March 2016.

These were built for our Group property arm, TIL Properties Ltd, and leased back to ourselves. We were delighted to have the depot officially opened by the Prime Minister of New Zealand, the Rt.Hon. John Key, and especially delighted that many of our staff and valued clients were able to be present at the occasion.

The new site replaced two other depots and since moving in we have noticed the lift in professionalism, in standards, and in our image. The facilities include fully automated truck washing and state of the art weigh-in-motion systems. We have also made this the Head Office for TIL Freight, we intend for all administration functions to be centralized there and we expect savings to flow from this.

Another very important highlight was the completion of

”The facilities include fully automated truck washing and state of the art weigh-in-motion systems”

the new IT project, which replaced three disparate systems with one common system for TIL Freight. Immediate gains in accuracy and quality of reporting were apparent, and we expect this to bring further gains in the coming year.

The concept of one TIL freighting team united behind the three brands of Roadstar, TNL and Hooker Pacific has continued to evolve throughout the year, with a strong uptake of the TIL Freight culture coming through the business. We have received positive feedback from customers, staff and the general public, many of whom comment on the presentation of the fleet and how good the new livery is looking.

Profit levels are still sub-optimum, albeit improving. There was a general decline in freight movements, many of our customers experienced reduced workloads during the year, and there was a well publicized further decline attributable to the Dairy and Oil & Gas sectors – both of these are important to our revenue stream, and both are weathering harder times. TIL Freight has looked to strengthen its presence in other areas, with some encouraging successes. We are heavily involved in Aquaculture and Viticulture, as well as the Construction and Building related fields – and we increased our market share in all these industries.

Across our 22 depots throughout both Islands we have seen varying results. Most branches have shown increasingly positive results, and we are working diligently to improve those that are not contributing to the full. In particular we have seen strong results in the South, and in most provincial areas. Prime city costs have impacted larger depots, and efforts are being concentrated there. We are confident that the plans in place are progressing well and that our constant efforts are bearing fruit.

TIL Freighting Ltd

Creating a leaner and more professional business does not come without some pain, and we have reduced our staff numbers by almost 70 people during the past year. We are committed to driving this business to where it should be and we will be doing what we have to do to achieve that.

My thanks to the staff for their willingness and their ability to adapt to the necessary changes we have made this year, and will be making in the coming year.

Health and Safety continues to be critically important to TIL Freighting – our dedication to working safely and getting home safe has seen us recognized by many organisations, including the Road Transport Forum, ACC and Workplace Safety. We are implementing Assura, a class leading system, to ensure that our reporting and action lines are improved even further. We hold Tertiary status in the ACC/WSMP programme and are ranked Gold Standard in the Fleetsafe programme. We are proud to be up there in this field, and very proud and grateful for the commitment which our staff make to going home safe every day.

The fleet received welcome replacements during the year, notably 17 new 540HP MAN tractors and 29 new MaxiTRANS Hi-Cube 50 Tonne rated 6 axle B-Train units – these state of the art units take pride of place as our frontline fleet, connecting the country nationwide and serving our valued customers throughout New Zealand.

“our dedication to working safely has seen us recognized by many organisations”

There are strong indications of growth over many sectors and our clients are reporting renewed and improved levels of activity. We certainly expect to benefit in the coming period from our actions during the year, from our new systems, from our new facilities, from our new fleet with its lower operating costs, and from increased activity levels.



Jon Kyle
Chief Executive Officer



CEO Report

The year was a good one for McAuleys. We maintained and enhanced our customer base and increased our revenue. Profit was up, even after allowing for some pressure on wages caused by the well documented shortage of drivers in the industry.

The business enjoyed steady growth in key areas, although general freight movements have slowed across the country.

Our part in the Beekeeping Industry has been an increasing component of the business mix – senior staff, including myself and Steve McMahon have been closely involved, including attendance at Industry conferences. Our services here are not limited to transport of live bees and hives, an area in which we are considered the leading operators, but we are also prominent in the transport of packaging, honey and honey based products for the foremost BeeKeepers in New Zealand.

Other important aspects of our work include transport of timber products, containers, seaweed, concrete products, and a strong presence in the wine industry. We are proud to have created and maintained long standing relationships with first class companies in a wide range of activities.

During the year we purchased a new Case 13 Excavator which has since gone on to full time work with local authorities in the Wairarapa. Other fleet enhancements included new MAN truck and trailer units, and new specialized

“The business enjoyed steady growth in key areas ...”

MaxiTRANS Freighters Refrigerated B-Train units expressly designed to facilitate safe and careful cartage of live bees in hives.



Health, Safety and the Environment have always been important to the team at McAuleys, and we continue to maintain the highest standards of operation and ongoing training.

All staff have completed rollover prevention courses, with Management and staff attending further courses related to safe operation and knowledge of regulations, along with many courses related to specific operational activities. The company has again achieved Tertiary status in the ACC Workplace Safety Management programme. We are implementing new reporting systems, using the acclaimed Assura software. All our systems are constantly reviewed and are compliant with all requirements of the new Health & Safety Act.

We have developed specific Training Assessment Standards to identify what training may be required, by who, and when. New systems have been put in place to assure competency and compliance with our own standards by my subcontractors.

Staff have been totally supportive of all these initiatives and we appreciate their commitment.

McAuley's Transport

Community activities have long been a part of our culture, and during the year we sponsored and assisted many local causes. Wings Over the Wairarapa is a good example - what a spectacular display - and McAuleys enjoy providing support. This year we intend to continue our involvement with these causes, and have also committed to a partnership with the Wellington Free Ambulance to highlight the amazing services they provide to those of us this side of the Rimutakas.



A highlight of the year was the decision to move to new premises in Masterton. These are now being constructed by the McAuley Trust, foundations are in place and we expect to be in residence by November. The new Depot, situated prominently on the main Wellington Highway, is closely sited to many of our valued local clients and will include extensive storage facilities as well as a fully equipped workshop.

The coming year looks good. Our customers are projecting increased volumes and these are already becoming evident. Our budgets for 2016/2017 reflect these movements, we have a late model well maintained fleet, investment has been approved for further new equipment, we will enjoy the benefits of our new depot from later this year and we are fully staffed with well trained people.

“A highlight of the year was the decision to move to new premises in Masterton. “

We appreciate the efforts of the team this year, and we especially appreciate the ongoing support and trust of our clients. We thank you all and we look forward to the year ahead.

Colin McAuley
Chief Executive Officer



CEO Report

Last year I said we were committed to bringing in a better result – and we are very pleased to report that we have delivered on that promise.

The year was a busy one. We safely delivered more than 3 Billion Litres of various grades and types of fuel to almost every corner of New Zealand.

Completing this task required a fleet of over 160 specialised tankers, and our 240 dedicated driving staff drove more than 18 Million Kilometres to service the needs of our valued clients and their customers.

Much has been written and said around the new Health & Safety legislation which took effect during this year, and our Team have been active in ensuring that we understand, meet and exceed what is required here.



I would like to record my thanks to all Pacific Fuel haul staff for their efforts and for the commitment they have displayed over the past year. We also thank the Directors and Shareholders who have supported us throughout the journey.

“We safely delivered more than 3 Billion Litres of various grades and types of fuel to almost every corner of New Zealand.”

We took the opportunity to revise and enhance our procedures and systems. We allocated more staff resource to Health & Safety, and engaged in further staff development and management training. We also introduced ASSURA, a new Health & Safety focused software package to help us measure and monitor events quickly and more easily. A programme to replace existing in-cab computers in the fleet is underway, and we welcomed 30 new tankers into our fleet.

A continuing fleet replacement programme has been approved for the coming year.

We are confident that we have the systems, the resources and the will to perform all our duties safely and efficiently.

We are looking forward to the year ahead with confidence – we know we can again increase our contribution to the overall group results.

A handwritten signature in black ink, appearing to read "Andy Stanley".

Andy Stanley
Chief Executive Officer



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Statement of Financial Position

As at 30th June 2016

	Notes	2016 \$000	2015 \$000
Assets			
Non-current Assets			
Property, plant and equipment	4	88,072	80,430
Intangible assets	5	3,069	3,157
Investments in associates	6	974	729
Advances to associates	24	-	784
Total Non Current Assets		92,115	85,100
Current Assets			
Cash and cash equivalents	11	1,579	1,864
Tax Receivable		-	835
Inventories		200	191
Trade and other receivables	10	27,772	36,075
Advances to associates	24	583	-
Total Current Assets		30,134	38,965
TOTAL ASSETS		122,249	124,065
Equity			
Ordinary shares	12	5,473	5,473
Asset revaluation reserve		7,840	5,713
Retained earnings		21,755	17,039
		35,068	28,225
Minority interest in equity		1,306	1,163
Total Equity		36,374	29,388
Liabilities			
Non-current Liabilities			
Borrowings	14	46,697	22,750
Deferred income tax liability	15	831	2
Provisions for other liabilities and charges		392	496
Total Non-current Liabilities		47,920	23,248
Current Liabilities			
Trade and other payables	13	18,540	31,470
Borrowings	14	8,726	28,816
Employee entitlements		8,376	8,630
Tax Payable		481	-
Shareholder advances	24	1,832	2,513
Total Current Liabilities		37,955	71,429
Total Liabilities		85,875	94,677
TOTAL EQUITY & LIABILITIES		122,249	124,065

Statement of Profit or Loss & Other Comprehensive Income

Year ended 30th June 2016

	Notes	2016	2015
		\$000	\$000
Revenue	16	222,453	256,259
Finance income on short term deposit		131	109
Gains on disposal of assets		488	1,666
Dividends received		14	10
Other income		1,479	1,405
Total Income		224,565	259,449
Operating expenses	17	(205,719)	(244,937)
Finance costs - interest on borrowing		(3,351)	(3,466)
Depreciation/amortisation expenses	4/5	(8,320)	(8,631)
Total Expenses		(217,390)	(257,034)
Operating surplus before income tax		7,175	2,415
Share of Profit of associates	6	245	228
Loss on revaluation of property		(383)	-
Profit Before Income Tax		7,037	2,643
Income tax credit / (expense)	19	(2,163)	128
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		4,874	2,771
Profit Attributable to:			
Owners of the parent		4,716	2,452
Non-Controlling Interests		158	319
		4,874	2,771
Items that will not be reclassified to profit or loss			
Gain on revaluation of land & buildings (net of tax)		2,127	986
Other Comprehensive Income For The Year , Net of Tax		2,127	986
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		7,001	3,757

Statement of Changes in Equity

As at 30th June 2016

	Attributable to owners of the Company					
	Share Capital	Revaluation Reserves	Retained Earnings/ (Accum. losses)	Total	Non-Controlling Interest	Total Equity
	\$000	\$000	\$000	\$000	\$000	\$000
Balance as at 1 July 2014	5,473	4,727	14,634	24,834	868	25,702
<u>Comprehensive income</u>						
Profit for the year	-	-	2,452	2,452	319	2,771
Other Comprehensive Income	-	986	-	986	-	986
TOTAL COMPREHENSIVE INCOME	-	986	2,452	3,438	319	3,757
<u>Transaction with owners:</u>						
Derecognise Minority Interest	-	-	-	-	(24)	(24)
Dividends	-	-	(47)	(47)	-	(47)
Balance as at 30 June 2015	5,473	5,713	17,039	28,225	1,163	29,388
Balance as at 1 July 2015	5,473	5,713	17,039	28,225	1,163	29,388
<u>Comprehensive income</u>						
Profit for the year	-	-	4,716	4,716	158	4,874
Other Comprehensive Income	-	2,127	-	2,127	-	2,127
TOTAL COMPREHENSIVE INCOME	-	2,127	4,716	6,843	158	7,001
<u>Transaction with owners:</u>						
Derecognise Minority Interest	-	-	-	-	15	15
Dividends	-	-	-	-	(30)	(30)
Balance as at 30 June 2016	5,473	7,840	21,755	35,068	1,306	36,374

Statement of Cash Flows

Year ended 30th June 2016

	2016	2015
	\$000	\$000
Cash flows from operating activities		
Receipts from customers	232,235	253,776
Interest received	131	109
Dividends received	14	10
Payments to suppliers and employees	(221,821)	(240,543)
Interest paid	(3,351)	(3,466)
Income tax paid	(382)	(311)
Net cash generated from operating activities	6,826	9,575
Cash flows from investing activities		
Purchase of subsidiary, net of cash acquired	-	(3,742)
Purchase of property, plant and equipment	(12,153)	(20,130)
Proceeds from sale of property, plant and equipment	1,801	6,604
Purchases of intangible assets	(121)	(402)
Advances to associates	201	(31)
Net cash used in investing activities	(10,272)	(17,701)
Cash flows from financing activities		
Net proceeds from / (repayments of) borrowings	5,713	7,714
Advances to/from shareholders/non controlling interests	(666)	1,918
Dividends paid to shareholders/non-controlling interests	(30)	(71)
Net cash flow from/(used in) financing activities	5,017	9,561
Net increase / (decrease) in cash and cash equivalents	1,571	1,436
Cash and cash equivalents beginning of year	8	(1,428)
Cash and cash equivalents at end of year	1,579	8

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 profit-oriented entity, domiciled in New Zealand, 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 23rd September 2016.

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 14.

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

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

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group’s accounting periods beginning on or after 1 July 2015. None of these new standards impacted the Group’s financial statements.

Notes to the Consolidated Financial Statements

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

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Groups accounting periods beginning on or after 1 July 2016 or later periods, but which the Group has not early adopted. These standards are not expected to significantly affect the Group. The Group is yet to assess the full impact of these standards and intends to adopt these as soon as they become effective.

NZ IFRS 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 and has yet to assess its full impact.

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 assessing its 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 yet to assess its full impact.

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.

Notes to the Consolidated Financial Statements

a. Subsidiaries (continued)

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

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

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

b. Associates

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

The Group's share of its associates post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves 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.

2.3. Foreign Currency Translation

a. Functional and presentation currency

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

b. Transactions and balances

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

Notes to the Consolidated Financial Statements

2.4. Property, Plant and Equipment

Land and buildings comprise mainly freight terminals and offices. Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

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

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

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

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

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

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

2.5. Intangible Assets

a. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Groups share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'Intangible Assets'. Goodwill on acquisitions of associates is included in 'Investments in Associates' and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those generating units or groups of cash-generating units that are expected to benefit from the business combination on which the goodwill arose.

b. Computer software

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

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

Notes to the Consolidated Financial Statements

2.6. Impairment of Non-financial Assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7. Financial Assets

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

a. Loans and receivables

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

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 assets 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 or options are shown in equity as a deduction, net of tax from the proceeds.

Notes to the Consolidated Financial Statements

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 comprehensive income except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity. In this case, the tax is also recognised in equity.

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

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

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

2.15. 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 employee benefits where they are due.

b. Other employee benefits

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

c. Profit-sharing and bonus plans

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

Notes to the Consolidated Financial Statements

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 Groups activities. Revenue is shown net of GST, returns, rebates and discounts and after eliminating sales within the Group.

a. Sales of services

Revenue for all domestic contracted deliveries is recognised when the goods have been collected from the customer. Revenue derived from international freight forwarding is recognised 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 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.

3. Critical Accounting Estimates and Judgements

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

a. Estimated impairment of goodwill

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

b. Useful lives of assets

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

c. Change in accounting estimates

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
At 1 July 2014						
Cost or Valuation	21,426	105,319	2,245	5,568	1,645	136,203
Accumulated depreciation	(675)	(61,899)	(1,623)	(3,128)	-	(67,325)
Net book amount	20,751	43,420	622	2,440	1,645	68,878
Year ended 30 June 2015						
Revaluation surplus	986	-	-	-	-	986
Additions	26	11,802	112	209	13,477	25,626
Disposals	(78)	(4,645)	(11)	(205)	(1,750)	(6,689)
Transfers	-	1,579	66	-	(1,645)	-
Depreciation charge	(458)	(7,089)	(282)	(542)	-	(8,371)
Closing net book amount	21,227	45,067	507	1,902	11,727	80,430
At 1 July 2015						
Cost or Valuation	21,487	106,617	2,366	5,348	11,727	147,545
Accumulated depreciation	(260)	(61,550)	(1,859)	(3,446)	-	(67,115)
Net book amount	21,227	45,067	507	1,902	11,727	80,430
Year ended 30 June 2016						
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)
Closing net book amount	38,537	46,418	384	1,973	760	88,072

Property Valuations

Location	Date	Value	Valuer
Blenheim	Oct-15	4,995,000	Alexander Hayward Limited
Christchurch	Oct-15	8,250,000	Knight Frank
Rai Valley	Jun-15	290,000	Telfer Young
Nelson	Oct-15	5,100,000	Telfer Young
Hawera	May-15	345,000	Hutchins Dick
Westport	May-15	200,000	Preston Rowe Paterson
Auckland	Aug-16	17,700,000	Colliers International

There are \$42,088,543 of motor vehicles secured against UDC borrowings, (2015 : \$36,574,378).

Notes to the Consolidated Financial Statements

5. Intangible Assets

	Goodwill	Capitalised Software / Customer Lists	Total
	\$000	\$000	\$000
<u>At 1 July 2014</u>			
Cost	4,121	949	5,070
Accumulated amortisation and impairment	(1,974)	(636)	(2,610)
Net book amount	2,147	313	2,460
<u>Year ended 30 June 2015</u>			
Additions	555	402	957
Amortisation / Impairment charge	-	(260)	(260)
Closing Net Book Amount	2,702	455	3,157
<u>At 1 July 2015</u>			
Cost	4,676	1,346	6,022
Accumulated amortisation and impairment	(1,974)	(891)	(2,865)
Net book amount	2,702	455	3,157
<u>Year ended 30 June 2016</u>			
Additions	-	121	121
Amortisation / Impairment charge	-	(209)	(209)
Closing Net Book Amount	2,702	367	3,069

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

	2016	2015
	\$000	\$000
TIL Freightling Ltd	1,027	1,027
Alpha Customs Ltd	934	934
TNL International Ltd	186	186
McAuley's Transport Ltd	555	555
Total	2,702	2,702

The recoverable amount of all CGUs has been determined based in value in use calculations. These calculations are pre-tax cash flow projections based on financial budgets for the following 12 months and a further four year forecast period held constant at these approved levels by the board.

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 1.0% (2015: 1.0%) and an inflation rate of .4% (2015: 1.0%). The Group has applied discounted pre-tax cash flows using a rate of 10.5%. (2015: 10.4%).

Notes to the Consolidated Financial Statements

5. Intangible Assets (continued)

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

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

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

6. Investments in Associates

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

	2016	2015
	\$000	\$000
Beginning of the year	729	501
Earnings from associates	245	228
Total	974	729

	Assets	Liabilities	Revenue	Profit	Interest	Balance	Goodwill
	\$000	\$000	\$000	\$000	%		\$000
2016							
ATL Limited	6,473	4,871	8,518	490	50	31 Aug	-
Total	6,473	4,871	8,518	490			-
2015							
ATL Limited	4,720	4,185	7,235	270	50	31 Aug	-
Total	4,720	4,185	7,235	270			-

Notes to the Consolidated Financial Statements

7. Investments in Subsidiaries

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

	Shareholding	Shareholding	Balance Date	Principal Activity
	2016	2015		
TIL Freightage 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	93%	93%	30 June	General transport operator
TIL Properties Ltd	100%	100%	30 June	Property investment
TNL International Ltd	50%	50%	30 June	Customs agents and logistics

All subsidiaries results up to 30 June 2016 have been incorporated in the consolidated financial statements.

8. Financial Instruments by Category

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

	2016	2015
	\$000	\$000
Financial Assets		
Loan and receivables		
Advances to associates	583	1,495
Trade and other receivables	27,144	34,923
Cash and cash equivalents	1,579	1,864
Total	29,306	38,282
Financial Liabilities		
Measured at amortised cost		
Trade payables	17,562	30,976
Borrowings / Capital notes	55,423	51,566
Employee entitlements	8,376	8,630
Shareholding advances	1,832	2,513
Provision for other liabilities	392	496
Total	83,585	94,181

Notes to the Consolidated Financial Statements

9. Financial risk management

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

a. Credit risk management

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

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

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

	2016	2015
	\$000	\$000
<u>Trade and other receivables</u>		
Current receivables	21,216	24,081
Outstanding 30 to 60 days	4,020	5,272
Outstanding 60 to 90 days	849	2,012
Outstanding more than 90 days	671	3,298
Total trade and other receivables	26,756	34,663
<u>Cash and short-term bank deposits</u>		
Bank with AA credit rating	1,579	1,864

b. Interest rate risk

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

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

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

Sensitivity analysis

The effect of a 1% increase or decrease in the floating interest rates for the Group would be a decrease/increase in profit and equity of \$504,000 (2015: \$366,000).

Liquidity risk

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

Notes to the Consolidated Financial Statements

9. Financial risk management (continued)

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

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

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	-	-
Total		90,069	39,589	28,630	21,850

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

Notes to the Consolidated Financial Statements

9. 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 Groups 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.

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

e. Fair Values of Land and Buildings

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

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

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

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

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

- Rent per m2
- Capitalisation Rate
- Price per m2



Notes to the Consolidated Financial Statements

10. Trade and Other Receivables

As of 30 June 2016, trade receivables of \$462,000 (2015: \$358,000) were impaired and provided for.

	2016	2015
	\$000	\$000
Trade receivables	27,218	35,021
Less: provision for impairment of trade receivables	(462)	(358)
Trade receivables	26,756	34,663
Prepayments	628	1,152
Sundry receivables	388	260
Total	27,772	36,075

As of 30 June 2016, trade receivables of \$1,982,000 (2015: \$5,668,000) were past due (over 60 days) but these were only impaired by \$462,000. The balance relates to a number of independent customers for whom there is no recent history of default.



Notes to the Consolidated Financial Statements

11. Cash and Cash Equivalents

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

	2016	2015
	\$000	\$000
Cash at bank and on hand	1,579	1,864
Short-term bank deposits	-	-
Total	1,579	1,864

	2016	2015
	\$000	\$000
Cash and cash equivalents	1,579	1,864
Bank overdrafts (Note 14)	-	(1,856)
Total	1,579	8

12. Share Capital

As at 30 June 2016 there were 4,923,676 ordinary shares issued and fully paid (2015: 4,923,676). All ordinary shares rank equally with one vote attached to each fully paid ordinary share. Ordinary shares have no par value.

13. Trade and Other Payables

	2016	2015
	\$000	\$000
Trade payables	14,860	27,886
GST Payable	978	494
Accrued expenses	2,702	3,090
Total	18,540	31,470

Notes to the Consolidated Financial Statements

14. Borrowings

	2016	2015
	\$000	\$000
Non-Current		
Secured Bank loans ANZ	21,646	-
Secured Bank loans UDC	25,051	22,750
	46,697	22,750
Current		
Bank overdrafts	-	1,856
Secured Bank loans ANZ	3,428	21,669
Secured Bank loans UDC	5,298	5,291
	8,726	28,816
Total	55,423	51,566

Undrawn Borrowings Facilities

Floating Rate	2016	2015
	\$000	\$000
Expiring within one year	-	8,291
Expiring beyond one year	3,651	4,959
Total	3,651	13,250

Principal repayment schedule non-current borrowings:

	2016	2015
	\$000	\$000
Between one and two years	26,945	5,291
Between two and five years	15,879	17,459
Over 5 years	3,873	-
Total	46,697	22,750

Notes to the Consolidated Financial Statements

14. Borrowings (continued)

Bank Borrowings

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

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

The Group is subject to various covenants in relation to borrowings from ANZ Bank. These covenants were met as at 30 June 2016 and include the following:

- Effective equity ratio where effective equity is greater or equal than 20% of total tangible assets;
- Leverage ratio where total finance obligations is no greater than 3.50 to 1 of EBITDA for the 12 month period;
- Fixed charge cover where the sum of EBIT and lease costs is not less than 1.10 to 1 to the sum of the interest and lease costs for the 12 month period;
- Net Capital expenditure for the 12 month period is not to exceed \$19.5 million.



Notes to the Consolidated Financial Statements

15. Deferred Income Tax

Temporary differences arise from the following:

Deferred tax assets/(liabilities)	Opening Balance	Recognised in income	Revaluation in equity	Closing Balance
2015				
Property, plant and equipment	(1,633)	(420)	-	(2,053)
Provisions and accruals	1,701	350	-	2,051
Total deferred income tax	68	(70)	-	(2)
2016				
Property, plant and equipment	(2,053)	(345)	(369)	(2,767)
Provisions and accruals	2,051	(115)	-	1,936
Total deferred income tax	(2)	(460)	(369)	(831)

16. Revenue

	2016	2015
	\$000	\$000
Freight	209,845	238,788
Warehousing	5,213	6,902
Trading	7,395	10,569
Total Revenue	222,453	256,259



Notes to the Consolidated Financial Statements

17. Operating Expenses

	2016	2015
	\$000	\$000
Transport costs	111,517	137,280
Employee expenses (note 18)	74,616	82,174
Property lease expenses	5,974	6,756
Operation lease expenses	4,093	5,371
Trading expenses	1,157	2,433
Communications	2,394	3,185
Bad debts	225	221
Audit fees paid to principal auditors	120	120
Donations	97	126
Directors fees	3	2
Other expenses	5,523	7,269
Total Operating Expenses	205,719	244,937

18. Employee Benefits Expense

	2016	2015
	\$000	\$000
Wages and salaries & other related costs	72,827	80,321
Superannuation fund contributions	1,551	1,584
Fringe benefit tax	238	269
Total Employee Benefit Expense	74,616	82,174

TIL Freightings 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 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

19. Income Tax Expense

Income tax recognised in the statement of comprehensive income.

	2016	2015
	\$000	\$000
Current tax on profits for the year	(1,602)	98
Adjustments in respect to prior years	(101)	100
Deferred tax	(460)	(70)
	(2,163)	128

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:

	2016	2015
	\$000	\$000
Profit before income tax	7,037	2,643
Share of profit of associates	(245)	(228)
Loss on revaluation	383	-
	7,175	2,415
Prima facie tax payable at 28%	(2,009)	(676)
Tax effects of:		
Income not subject to tax	68	223
Timing differences not in deferred tax	(85)	-
Expenses not deductible	(46)	(38)
Tax losses utilised	10	514
Prior year adjustment	(101)	105
Income tax (credit)/expenses	(2,163)	128

Imputation Credit Account

	2016	2015
	\$000	\$000
Imputation credits available for use in subsequent periods	11,131	10,272

Notes to the Consolidated Financial Statements

20. Dividends Per Share

Dividends paid to minority interest	2016	2015
	\$000	\$000
Dividends paid	30	47

21. Cash Generated from Operations

	2016	2015
	\$000	\$000
<u>Reported surplus after tax</u>	4,874	2,771
Non cash items		
Depreciation expense	8,111	8,371
Amortisation expense	209	260
Bad Debts	225	211
Loss on revaluation	383	-
Foreign Exchange losses/(gains) on operating activities	25	17
	13,827	11,630
<u>Impact of changes in working capital</u>		
Tax receivable / deferred tax	1,781	(439)
Trade and other receivables	8,078	(3,888)
Creditors and accruals/employee entitlements	(13,313)	4,155
Creditors relating to purchase of PPE	(2,805)	-
Inventories	(9)	11
	7,559	11,469
<u>Items classified as investing or financing activities</u>		
Profit on disposal of property, plant and equipment	(488)	(1,666)
Profit for Associates/Discontinued operations	(245)	(228)
Net cash flow from operating activities	6,826	9,575



Notes to the Consolidated Financial Statements

22. Contingencies

The Group has no contingent liabilities in respect of legal claims arising in the ordinary course of business, (2015: none).

23. Commitments

a. Capital commitments

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

	2016	2015
	\$000	\$000
Land and Building	-	6,480
Trucks and Trailers	5,053	11,175
Total	5,053	17,655

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:

	2016	2015
	\$000	\$000
Within one year	8,233	8,158
Between one and two years	7,606	6,647
Between two and five years	15,846	15,018
More than five years	6,408	7,417
Total	38,093	37,240

c. Bank Guarantee

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

Notes to the Consolidated Financial Statements

24. Related-party Transactions

The following transactions were carried out with related parties:

a. Purchases of Goods and Services

	2016	2015
	\$000	\$000
Related parties - Associates	1,245	1,140
Total	1,245	1,140

b. Key Management Compensation

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

	2016	2015
	\$000	\$000
Salaries and other short term employee benefits	1,278	1,253

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

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

	2016	2015
	\$000	\$000
Receivables from related parties		
Advances to associates	583	784
Total receivables from related parties	583	784
Shareholders advances		
Hooker Bros Investments Limited	1,832	2,387
Alpha Customs Ltd	-	126
Total shareholder advances	1,832	2,513

25. Events after the Reporting Date

A dividend of \$367,438 was declared on the 16th of September to be paid on the 20th of October 2016.

Total advances from associates of \$200,000 were repaid on the 11th of August 2016.



Independent auditor's report

To the shareholders of Transport Investments Limited

Transport Investments Limited's consolidated financial statements comprise:

- the statement of financial position as at 30 June 2016;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion the consolidated financial statements of Transport Investments Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2016, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) Reduced Disclosure Regime.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the area of advisory services. The provision of these other services has not impaired our independence as auditors of the Group.

Information other than the financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.



In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the consolidated financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS Reduced Disclosure Regime, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page7.aspx

Who we report to

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

The engagement partner on the audit resulting in this independent auditor's report is Kevin Brown.

For and on behalf of:

A handwritten signature in dark ink, appearing to read 'PricewaterhouseCoopers', written over a light blue horizontal line.

Chartered Accountants
23rd September 2016

Wellington



Notes







Asset Management



Specialised Transport



Freighting



International

