

INTERIM FINANCIAL REPORT

FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2018



TIL LOGISTICS GROUP



On behalf of the Board and management of TIL Logistics Group Limited, we are pleased to present the Interim Report for the six months to 31 December 2018 (1H19).

Trevor D. Janes

Trevor D. Janes
Chairman
25 February 2019

Alan Pearson

Alan Pearson
Chief Executive Officer

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ABOUT TIL LOGISTICS GROUP LIMITED

TIL Logistics Group (TIL) is one of New Zealand's largest domestic freight and logistics companies, comprising multiple businesses and the ability to service all customer supply chain requirements.

With a nationwide network of branches, depots and warehouses and a dedicated team of employees and contractors, TIL transports and warehouses goods from the top of the North Island to the bottom of the South Island and everywhere in between.

TIL offers services in Freight, Bulk Liquids, Specialist Lifting and Transport, Warehousing and International Freight Forwarding.



HALF YEAR HIGHLIGHTS AND KEY EVENTS

Pleasing period of business growth and increasing sales as TIL benefits from its bundled transport and logistics offer.

- Renewal of two significant customer contracts, with Z Energy and Farmlands
- Asset acquisition of Specialised Lifting and Transport Group, strengthening existing offer and providing entry into a new sector
- Significant investment into expansion and development of five warehousing facilities to meet current and future demand. Tauranga opened Dec 18, four Auckland and Christchurch facilities to open in 2019
- Bundled transport and logistics offer is now starting to show dividends, and market share is growing, with a number of new customers and increasing demand from existing customers
- Establishment of Senior Leadership Team with Divisional CEOs, creation of new CEO, CIO and Group HR roles and appointment of Lee Banks as Chief Financial Officer
- Signatory to Climate Leaders Coalition and signing of Memorandum of Understanding with Hiringa Energy to investigate hydrogen fuel cell technology transport solutions

HALF YEAR RESULTS SNAPSHOT

TIL Logistics Group Limited delivered a period of positive business growth with increasing sales across all business divisions.

Sales revenue and total income continued to trend upwards, with particularly strong sales performances from Freightage and Warehousing & Logistics due to high pre-Christmas demand for both transport and warehousing across New Zealand. A two-month contribution was received from Specialised Lifting and Transport Group (SLTG) following its acquisition in November 2018, which included the usual seasonal slowdown in December.

This is the first time TIL has reported a full first-half result as a listed company, following the completion of the reverse listing in December 2017.

The increased operating costs noted in 2H18 have continued into this year and continue to rise at a faster rate than CPI.

As previously advised, changes in the operating environment have seen fluctuating fuel prices, higher road user charges and regional fuel taxes, increased wage costs and higher costs for parts and equipment due to the lower exchange rate. TIL has offset some of the higher fuel costs through a supply contract with Z Energy as part of the renewed strategic partnership.

In addition, TIL's own growth initiatives as well as operational changes have seen an increase in property rent costs, wages and fleet lease costs. In particular, the expansion of warehousing facilities has seen property costs increase, however, the company now has substantial additional capacity to meet future demand. TIL is also leasing more trucks rather than buying them, which has seen lease costs increase; and is benefitting from the establishment of an expanded Senior Leadership Team during the period including the creation of new CEO, CIO and Group HR roles. Repairs and maintenance costs were higher during the period due to a delay in new fleet decisions while new contracts were finalised.

Compared to 1H18, the 1H19 result reflects a full period of operation as a listed company, with a full six months of corporate costs (up \$1.1m on 1H18), including the expanded leadership team and increased governance costs.

Despite the additional costs (and excluding FY18 non-trading costs), HY19 EBITDA was in line with the previous year.

Debt levels increased following the borrowing incurred in December 2017 at the time of the reverse listing, and with ongoing investment in growth initiatives including new warehousing facilities and the acquisition of SLTG. The 1H18 result also included a \$0.5m prior year tax adjustment.

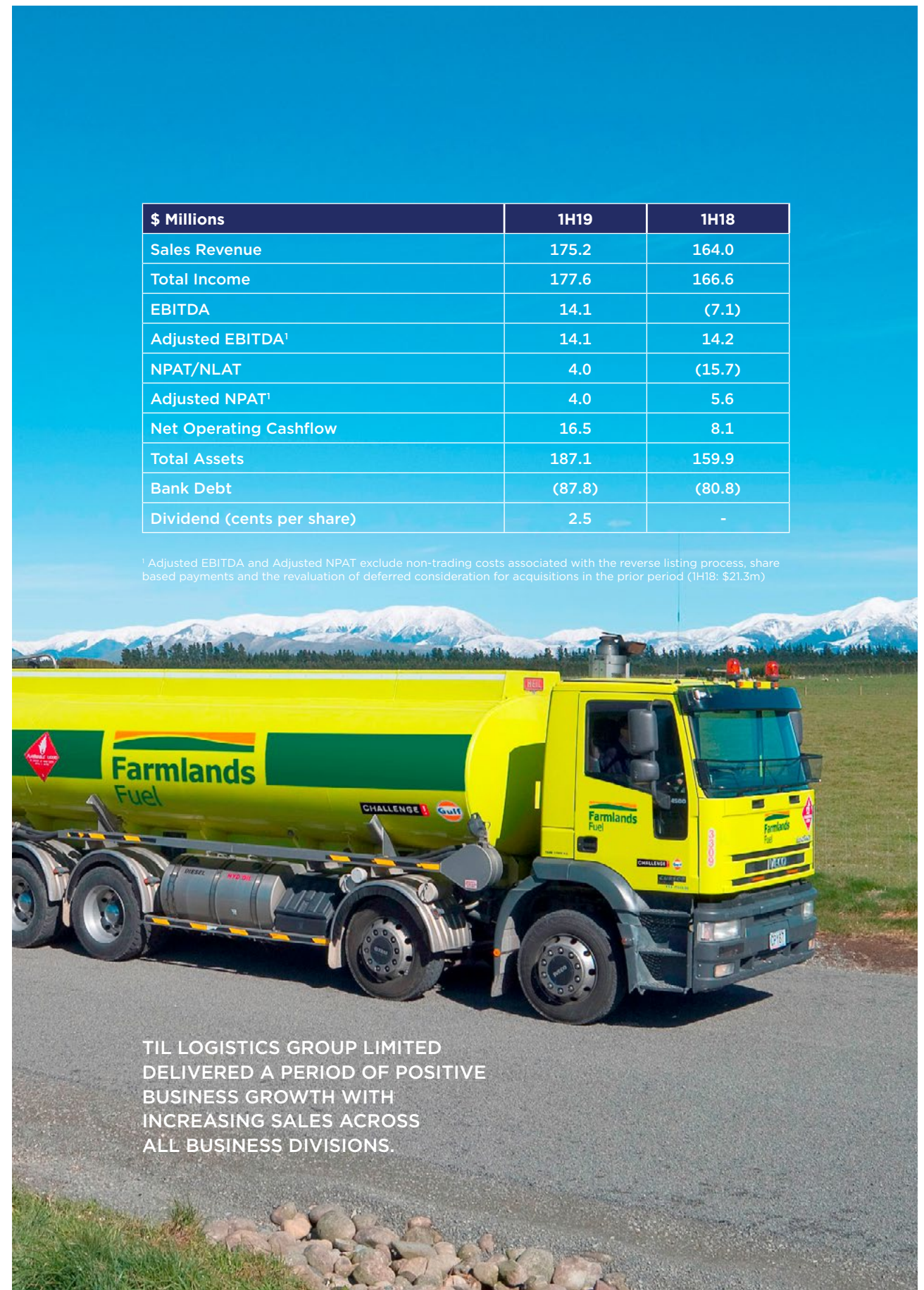
TIL has reported a 1H19 net profit after tax of \$4.0m as it continues to increase sales and invest in growth initiatives which will provide long term value.

The Board remain confident in the company's progress and strategy and has declared a half year dividend of 2.5 cents per share.

The company has confirmed it remains on track to achieve FY19 guidance of EBITDA of \$28m to \$32m and NPAT of \$7.8m to \$8.8m. ■

\$ Millions	1H19	1H18
Sales Revenue	175.2	164.0
Total Income	177.6	166.6
EBITDA	14.1	(7.1)
Adjusted EBITDA ¹	14.1	14.2
NPAT/NLAT	4.0	(15.7)
Adjusted NPAT ¹	4.0	5.6
Net Operating Cashflow	16.5	8.1
Total Assets	187.1	159.9
Bank Debt	(87.8)	(80.8)
Dividend (cents per share)	2.5	-

¹ Adjusted EBITDA and Adjusted NPAT exclude non-trading costs associated with the reverse listing process, share based payments and the revaluation of deferred consideration for acquisitions in the prior period (1H18: \$21.3m)



HALF YEAR REVIEW

Behind this half year report, our first since the reverse listing transaction, lies the long history of an established New Zealand business.

Our bundled transport and logistics offer is now starting to show dividends, and we are growing our market share with a number of new customers and increasing demand from existing customers.

Pre-Christmas demand for both transport and warehousing was high across New Zealand.

Freighting, which is the group's largest division, turned in a strong performance with a focused effort on margin improvements delivering improved results. Lease costs have increased as more trucks are now being leased rather than purchased outright.

Warehousing & Logistics, the second largest contributor, was slightly down on expectations, as bottle necks at the Ports of Auckland impacted on the flow of goods to Christchurch warehouses. A two-month delay in the opening of the new NZL warehouse in Tauranga also affected business performance in the first half year, but pleasingly this opened on 1 December 2018, in time for the busy season. NZL was also impacted by the loss of a major customer which closed down in 2017.

Significant investment is being made in new and expanded warehouse facilities and these will provide substantial capacity for future growth. The capital and set up expense associated with these will be incurred in FY19, with revenue upside in subsequent years.

The highlight for the Bulk Liquids division was the renewal of two key customer contracts, with Z Energy and Farmlands. This has led to a corresponding increase in the cost base to support the renewed contracts. Q1 was impacted by lower consumer demand due to higher fuel prices, which was offset by new contracts with Caltex South Island and Foodstuffs in Q2.

As with the Freighting businesses, more vehicles are now being leased rather than acquired. TIL also on-sells its used trucks, with fewer vehicles sold compared to the previous period. We have identified a significant opportunity associated with non-fuel Bulk Liquid transport and will be investigating this further.

The Specialist division expanded significantly during the period with the acquisition of Specialised Lifting and Transport Group in November 2018. This acquisition has provided the scale needed for TIL to operate successfully in this sector and we now have an expanded offer and entry into the new Machinery Lifting and Transport sector. A number of large projects are due to complete in 2H19 and we see an emerging opportunity associated with transport for windfarms. We are on track to realise synergies from 2H19 onwards and are looking forward to building our share of this niche market.

While only a small contributor to the business, the International division also had a positive six months with an uplift in oil and gas activity in Taranaki and higher demand for export tank containers. This market is seen as offering significant potential for TIL and we are moving forward with our investigations.

With growing demand for professional and expert transport and logistics solutions, TIL is well positioned to take advantage of market dynamics and growth opportunities. Customers don't just want their goods moved from A to B. They increasingly demand a safe and sustainable transport and logistics partner who can warehouse, move, and manage the links. While freight by road remains the primary mode of transport in New Zealand, multi-modal solutions are becoming more common. Our expertise in the freight and logistics sector means we are well set up to meet all our customers' needs.

With our scale, reach, and depth of experience, we can work our assets and networks more efficiently, and manage our costs. And we can expand by acquisition where it makes sense and adds long term value.

New Zealand has around 4,500 trucking businesses, of which 85% operate fewer than five trucks. With increasing regulation and compliance, rising operational costs, and customer demand for integrated and sophisticated solutions, industry consolidation is inevitable. We are well positioned to take advantage of this and acquire businesses which will add market share or expand the range of services on offer.

An example of this is the acquisition of Specialised Lifting and Transport Group in November 2018. This group of New Zealand businesses providing heavy haulage and specialised freight services enhances our position as a leading heavy haul transport provider in

New Zealand and gives us access into a new sector - moving heavy equipment from place to place within an existing business, or transporting it across New Zealand.

However, acquisition is not the only road to growth. We are also focused on expanding our existing businesses, by building our customer base and providing a wider range of services to existing customers. All our business managers are tasked with identifying growth opportunities and we have seen some great wins in the year to date.

In particular, Pacific Fuel Haul's signing of renewed contracts with Z Energy and with Farmlands, two of our largest customers, demonstrates the value that we can offer to New Zealand businesses. Both of these contracts were undergoing review over the Listing period and we are delighted to have renewed and expanded our relationships with these key customers who we have worked with for many years.

We are also investing in new warehousing facilities to provide the capacity to meet future demand. Tauranga opened in December 2018, we are on track to open two new warehouses in April (in Christchurch and Auckland), and a further two by the end of 2019. Combined, these will increase our total warehousing capacity by 25%. In line with this, property lease expenses will increase in FY19.

Of course, our continued success is dependent on having great people at all levels of our business. Having employees who are happy to come to work each day and do their best is the key to our longevity. Across the TIL group, we are committed to creating a rewarding work environment, one that keeps our people safe, provides appropriate remuneration and engenders a culture of care and respect, where every individual is valued.

Pre-Christmas we were pleased to conclude negotiations with First Union, on behalf of Pacific Fuel Haul (PFH) drivers. We pride ourselves on the employment terms we offer our drivers. The terms agreed will further enhance our offer to these valued and specialist drivers and reinforces our position as a leading employer in the sector.

We remain cognisant of the impact the trucking industry has on the environment and our focus on alternative fuels continues to gather pace. At the start of the financial period, in July 2018, we became a founding signatory to the Climate Leaders Coalition.

This formalised our commitment and creates the onus for us to report on our progress on a regular basis.

We are increasing our use of bio fuels, utilising technology to improve fuel efficiency and reduce emissions, and investing in power saving and low energy initiatives across our facilities. We're also supporting a local company, Hiringa, to further investigate hydrogen as a large scale fuel option. Along with the Hiringa hydrogen fuel MOU, we are investigating electric vehicles and expect to trial electric trucks on the road in next six months.

OUTLOOK

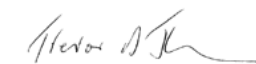
We are closely managing our increased cost base and have confirmed our guidance to be EBITDA of \$28m to \$32m and NPAT of \$7.8m to \$8.8m, taking into account the higher operating and corporate cost base, the investment in new warehouses and a partial year contribution from the new acquisition.

Activity levels remain high across the industry and the long term outlook is positive. We will continue to focus on growing our business, both by strengthening our existing services and entering into new sectors where we see value for our company. Several smaller bolt-on acquisitions are under consideration and we are investing in new warehousing facilities to meet future demand.

Organic growth is also important and we are focused on increasing freight volumes, improving utilisation, expanding our offer and driving efficiencies. In particular, we have identified growth opportunities in International freight forwarding, and non-fuel Bulk Liquid haulage.

We remain positive about the opportunities for our business and look forward to providing our full year results to shareholders in August, following the end of the 2019 financial year.

Thank you for your support. ■



Trevor Jones
Chairman



Alan Pearson
Chief Executive Officer

INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD
ENDED 31 DECEMBER 2018



CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

SIX MONTHS ENDED 31 DECEMBER 2018

	NOTES	UNAUDITED 6 MONTHS TO DECEMBER 2018 \$000	UNAUDITED 6 MONTHS TO DECEMBER 2017 \$000
Revenue	5	175,199	164,038
Gains on disposal of assets		278	385
Dividends received		2	2
Rents received		1,843	1,815
Other income		293	317
Total Income		177,615	166,557
Transport costs		(73,604)	(71,118)
Employee costs		(62,462)	(56,242)
Lease expenses		(17,172)	(15,333)
Other operating expenses		(10,323)	(9,649)
Share based payment expense		-	(11,419)
IPO / listing costs		-	(6,464)
Changes in contingent consideration		-	(3,402)
Depreciation/amortisation expenses		(6,345)	(6,015)
Total Operating Expenses		(169,906)	(179,642)
Finance costs - interest on borrowing		(2,008)	(1,374)
Finance income on short term deposit		47	53
Operating surplus / (deficit) before income tax		5,748	(14,406)
Share of (loss) of associates		(123)	(14)
Profit / (Loss) Before Income Tax		5,625	(14,420)
Income tax expense		(1,655)	(1,262)
PROFIT / (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		3,970	(15,682)
Profit / (Loss) attributable to:			
Owners of the parent		3,845	(15,701)
Non-controlling interests		125	19
		3,970	(15,682)
Other comprehensive income			
Comprehensive Income for the Period, Net of Tax		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		3,970	(15,682)
Earnings per share for profit / (loss) attributable to the ordinary equity holders for the company		CENTS	CENTS
Basic and diluted earnings / (loss) per share		.05	(.21)

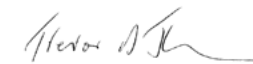
The above consolidated interim statement of profit or loss & other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED INTERIM BALANCE SHEET

AS AT 31 DECEMBER 2018

	NOTES	UNAUDITED 31 DECEMBER 2018 \$000	AUDITED 30 JUNE 2018 \$000
ASSETS			
Current Assets			
Cash and cash equivalents		8,902	2,881
Inventories		315	279
Trade and other receivables		54,675	46,578
Tax receivable		89	269
Advances to associates		632	603
Total Current Assets		64,613	50,610
Non-current Assets			
Property, plant and equipment	6	95,612	74,616
Intangible assets		24,909	24,613
Investments in associates		1,931	1,879
Total Non-Current Assets		122,452	101,108
TOTAL ASSETS		187,065	151,718
EQUITY			
Share capital	7	33,795	28,107
Accumulated losses		(394)	(1,295)
Equity attributable to owners of the parent		33,401	26,812
Non-controlling interest in equity		1,142	1,157
TOTAL EQUITY		34,543	27,969
LIABILITIES			
Current Liabilities			
Trade and other payables		44,225	31,670
Deferred revenue		571	-
Borrowings	8	5,144	3,432
Employee entitlements		13,375	11,751
Provision for other liabilities and charges	10	2,192	2,192
Total Current Liabilities		65,507	49,045
Non-current Liabilities			
Borrowings	8	82,637	70,447
Deferred income tax liability		3,550	3,471
Provisions for other liabilities and charges		828	786
Total Non-current Liabilities		87,015	74,704
TOTAL LIABILITIES		152,522	123,749
TOTAL EQUITY & LIABILITIES		187,065	151,718

The above consolidated interim balance sheet should be read in conjunction with the accompanying notes.



Trevor Janes - Chairman
25 February 2019



Lorraine Witten - Director
25 February 2019

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	ATTRIBUTABLE TO OWNERS OF THE COMPANY					NON-CONTROLLING INTEREST \$000	TOTAL EQUITY \$000
	NOTES	INVESTED CAPITAL	SHARE CAPITAL	RETAINED EARNINGS/ (ACCUM. LOSSES)	TOTAL		
		\$000	\$000	\$000	\$000		
Balance as at 1 July 2017		102,012	-	-	102,012	806	102,818
Comprehensive income 1 July to 6 December							
Profit for the period		4,668	-	-	4,668	-	4,668
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income 1 July to 6 December		4,668	-	-	4,668	-	4,668
Transactions with owners in their capacity as owners:							
Equity transactions with Bowker 99		127	-	-	127	77	204
Dividends provided or paid		-	-	-	-	-	-
Total transactions with owners prior to reverse listing		127	-	-	127	77	204
Reverse listing on 7 December 2017		(106,807)	5,473	101,334	-	-	-
Balance on reverse listing		-	5,473	101,334	106,807	883	107,690
Comprehensive income 7 to 31 December							
(Loss)/profit for the period		-	-	(20,370)	(20,370)	19	(20,351)
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income 7 to 31 December		-	-	(20,370)	(20,370)	19	(20,351)
Transactions with owners in their capacity as owners:							
Deemed consideration for the acquisition of TIL Logistics Group Limited (formerly Bethunes)		-	678	-	678	-	678
Equity-settled share-based payments		-	10,596	-	10,596	-	10,596
Issues of ordinary shares in a public offer		-	11,360	-	11,360	-	11,360
Distribution to owners as part of reverse listing		-	-	(86,087)	(86,087)	-	(86,087)
Dividends provided for or paid		-	-	-	-	(175)	(175)
Total transactions with owners on/after reverse listing		-	22,634	(86,087)	(63,453)	(175)	(63,628)
Balance at 31 December 2017		-	28,107	(5,123)	22,984	727	23,711
Balance as at 1 July 2018 as previously reported		-	28,107	(1,295)	26,812	1,157	27,969
Adoption of IFRS 15		-	-	(571)	(571)	-	(571)
Adoption of IFRS 9		-	-	(499)	(499)	-	(499)
Revised balance as at 1 July 2018	11	-	28,107	(2,365)*	25,742	1,157	26,899
Comprehensive income							
Profit for the period		-	-	3,845	3,845	125	3,970
Other comprehensive income		-	-	-	-	-	-
Total Comprehensive income		-	-	3,845	3,845	125	3,970
Transactions with owners:							
Dividends and dividend reinvestment plan		-	1,688	(1,874)	(186)	(140)	(326)
Equity settled acquisition		-	4,000	-	4,000	-	4,000
Balance as at 31 December 2018		-	33,795	(394)	33,401	1,142	34,543

*See note 11 for details regarding the adoption of new accounting policies.

The above consolidated interim statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	NOTES	UNAUDITED 6 MONTHS TO DECEMBER 2018 \$000	UNAUDITED 6 MONTHS TO DECEMBER 2017 \$000
Cash flows from operating activities			
Receipts from customers		168,684	158,154
Interest received		47	53
Dividends received		2	2
Payments to suppliers and employees		(149,000)	(147,496)
Interest paid		(1,883)	(1,374)
Income tax paid		(1,396)	(1,208)
Net cash generated from operating activities		16,454	8,131
Cash flows used in investing activities			
Purchase of business, net of cash acquired		(14,741)	(3,200)
Purchase of property, plant and equipment		(12,054)	(5,645)
Proceeds from sale of property, plant and equipment		3,706	6,111
Purchases of intangible assets		(592)	(48)
Advances to associates		(203)	11
Net cash used in investing activities		(23,884)	(2,771)
Cash flows from financing activities			
Repayment of borrowings		(2,100)	(8,666)
Proceeds from borrowings		15,877	90,000
Proceeds from share issue		-	11,510
Capital distributions to company shareholders		-	(92,156)
Dividends paid to shareholders/non-controlling interests		(326)	(175)
Net cash flow from financing activities		13,451	513
Net increase in cash and cash equivalents		6,021	5,873
Cash and cash equivalents 1 July		2,881	2,966
Cash and cash equivalents 31 December		8,902	8,839

The above consolidated interim statement of cash flow should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

1.1. Reporting Entity

The core operations of TIL Logistics Group Limited (“TIL Logistics” or 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 incorporated and domiciled in New Zealand, registered under the Companies Act 1993, and is an FMC Reporting Entity under the Financial Markets Conduct Act 2013. The Company is listed on the NZX main board. The registered office of the Company is at 330 Devon Street East, New Plymouth, New Zealand. These interim financial statements have been reviewed, not audited, and were approved for issue by the TIL Logistics Board of Directors on 25 February 2019.

1.2. Basis of Preparation

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2018 has been prepared in accordance with Accounting Standard IAS 34 Interim Financial Reporting and NZ IAS 34 Interim Financial Reporting. They have also been prepared on a going concern basis in accordance with New Zealand Generally Accepted Accounting Principles (GAAP).

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by TIL Logistics Group Ltd during the interim reporting period.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as disclosed below, the accounting policies adopted are consistent with those in the previous financial year and corresponding interim reporting period. Changes to accounting policies have been made following the adoption of new and amended standards which came into effect during the period:

- IFRS 9 Financial Instruments, and
- IFRS 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards and the new accounting policies are disclosed in note 11. There have been no changes in other accounting standards that would have a material impact on the financial statements.

3. RECONCILIATION TO GAAP MEASURE

Additional reporting measures have been referred to in the notes to the financial statements. The following non-GAAP measures are relevant to the understanding of the Group’s financial performance:

- EBITDA (a non-GAAP measure) represents profit before income taxes (a GAAP measure), excluding interest income, interest expense, depreciation and amortisation and share of (loss)/profit of associates as reported in the financial statements.
- Adjusted EBITDA (a non-GAAP measure) represents EBITDA adjusted for non trading costs.

In order to show a meaningful representation of the Group’s interim financial results the Group presents a reconciliation showing the financial results after adjustment for non-trading costs. The inclusion of this non-GAAP measure, in the Directors’ opinion, will assist users to understand the performance of the Group and promote comparison with the wider industry.

Reconciliation to GAAP measure	6 months to December 2018	6 months to December 2017
Net Profit / (Loss) before income tax (GAAP Measure)	5,625	(14,420)
Add back:		
Share of (Loss) of Associates	123	14
Finance Costs (net)	1,961	1,321
Depreciation & Amortisation	6,345	6,015
EBITDA (non-GAAP measure)	14,054	(7,070)
Non trading transaction costs:		
Share based payments	-	11,419
Listing Costs	-	6,464
Deferred consideration expensed*	-	3,402
Adjusted EBITDA (non-GAAP measure)	14,054	14,215

*The increase in deferred consideration relates to a prior period business acquisition. The Directors believe adjustment for this item assists the users to gain a better understanding of the underlying performance of the Group.

4. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting to the Chief Operating Decision Maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments.

Following a change in the Chief Operating Decision Maker (CODM), assessed as the Group CEO, there has been a change to the operating structure of the Group during the reporting period. The reportable operating segments have been revised to align with the new structure.

The Group has made the decision that the thirteen operating segments that form part of the reporting to the Group CEO can be aggregated into six reporting segments. Reportable segments have been determined by having regards to the nature of the services, the processes the various business units undertake to service customers, the type of customers serviced and the nature of the distribution channels.

In addition to GAAP measures, the Group CEO also uses non-GAAP measures (EBITDA and adjusted EBITDA) to assess the commercial performance of the segments. The revised reportable operating segments have been determined as:

INTERNATIONAL

This segment includes international freight forwarding and shipping agency services across a broad range of industries.

SPECIALIST

This segment provides transport and lifting solutions for oversized and large items. They also carry out specialist moving jobs.

FREIGHTING

This segment provides nationwide general freight transport services with regional strength. It is able to transport a wide range of freight types.

WAREHOUSING & LOGISTICS

This segment specialises in warehousing and supply chain capabilities which enable comprehensive supply chain solutions to customers.

BULK LIQUIDS

This segment includes the service for delivery of various bulk liquid goods.

CORPORATE

This segment includes our corporate services function.

Comparative information has been represented from that presented in the 31 December 2017 interim report. This is to provide comparative information aligned with the newly determined reporting segments.

4. SEGMENT INFORMATION (CONTINUED)

The segment information provided to the Group CEO for the half year ended 31 December 2018 is as follows:

	International	Specialist	Freighting	Warehousing & Logistics	Bulk Liquids	Corporate	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Half-year ended 31 December 2017 - Restated							
Total segment revenue	3,690	1,465	74,777	50,599	43,325	-	173,856
Inter-segment revenue	(5)	(104)	(2,056)	(2,113)	(5,540)	-	(9,818)
Revenue from external customers	3,685	1,361	72,721	48,486	37,785	-	164,038
EBITDA	524	(219)	2,952	5,372	5,548	(21,247)	(7,070)
Adjusted EBITDA (refer note 3)	524	(219)	2,952	5,372	5,548	38	14,215
Assets	6,110	659	51,585	68,805	24,697	8,404	160,260
Liabilities	4,565	204	19,363	15,582	12,212	84,305	136,231
Half-year ended 31 December 2018							
Total segment revenue	3,831	3,492	78,552	54,489	41,438	-	181,802
Inter-segment revenue	-	(124)	(2,178)	(1,698)	(2,603)	-	(6,603)
Revenue from external customers	3,831	3,368	76,374	52,791	38,835	-	175,199
EBITDA	677	456	4,927	4,965	4,001	(972)	14,054
Adjusted EBITDA (refer note 3)	677	456	4,927	4,965	4,001	(972)	14,054
Assets	7,678	24,857	54,367	64,674	21,815	13,674	187,065
Liabilities	7,330	2,456	22,614	15,952	14,341	89,829	152,522

Interest income and expense are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

Sales between segments are eliminated on consolidation. The amounts provided to the CODM with respect to segment revenue are measured in a manner consistent with that of the financial statements.

The Group has a diverse range of customers from various industries, with only one customer contributing more than 10% of the Group's revenue.

5. REVENUE & OTHER SOURCES OF INCOME

The Group adopted NZ IFRS 15 from 1 July 2018 which resulted in changes in accounting policies relating to the recognition of revenue (refer note 11).

	Dec 2018	Dec 2017
Timing of revenue recognition	\$000	\$000
Over time	175,199	164,038
At a point in time	-	-
Total Revenue	175,199	164,038

6. PROPERTY, PLANT & EQUIPMENT AND INTANGIBLE ASSETS

During the six months to 31 December 2018 the Group acquired property, plant and equipment with a cost of \$11,544,000 (31 December 2017: \$7,576,000) and intangible assets (excluding goodwill) of \$344,000 (31 December 2017: \$852,000). The additions to property, plant and equipment largely relate to the purchase of trucks and trailers. These purchases were in accordance with the Group's asset replacement requirements.

An additional \$19,179,000 of property, plant and equipment was acquired as part of business acquisitions during the six months 31 December 2018 (31 December 2017: \$2,342,000) refer note 9.
At 31 December 2018, the Group has commitments to purchase motor vehicles amounting to \$15,096,842.

7. SHARE CAPITAL

	31 December 2018		30 June 2018	
	Shares	\$000	Shares	\$000
Issued & paid-up capital - ordinary shares				
Balance at the beginning of the period	81,459,483	28,107	72,833,334	5,473
Share based payments:				
- Deemed consideration for acquisition of Bethunes			452,810	678
- Issued to Directors			500,000	750
- Issued to advisors			100,000	150
- Issued to Kern Group and associates				9,696
Total share based payments			1,052,810	11,274
Shares issued in the public offer			7,573,339	11,360
Shares issued - dividend reinvestment plan	1,048,065	1,688		
Shares issued - business acquisition	2,666,667	4,000		
Balance at the end of the period	85,174,215	33,795	81,459,483	28,107

DIVIDEND REINVESTMENT PLAN

Under the Dividend Reinvestment Plan (DRP), applied to the dividend paid on 28 September, the Company issued 1,048,065 shares at \$1.61 per share.

The issue price was determined, in accordance with the DRP, as the volume weighted average sale price (rounded to the nearest cent) for all TIL Logistics Group shares sold through the NZX Main Board (excluding special trades) over the five trading days immediately following 14 September 2018, less a 3% discount.

8. BORROWINGS

On 31 October 2018, the Group entered into a new floating interest rate Term Loan facility for \$15m to fund the purchase of a business (refer note 9). The loan is with the same lender as the current facility and is for a term of three years. The facilities are secured by way of a first ranking general security over the Groups assets and undertaking including the newly acquired business.

The bank covenants remain unchanged. However the Group's leverage ratio is to be normalised for the acquisition.

9. BUSINESS COMBINATIONS

The Group acquired on 31 October 2018 the assets of three businesses for a total cash consideration of \$15m and share allocation of \$4m. The acquisition was made by a 100% owned subsidiary of the Group, Specialist Lifting and Transport Limited (previously named TNL Freightling Limited). The acquisition allowed the Group to become the leader in the heavy haulage industry.

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

	\$000
Purchase consideration (shares)	4,000
Purchase consideration (cash)	15,000
Total consideration	19,000
Fair value of assets acquired and liabilities assumed	
Property, plant and equipment	19,179
Employee entitlements	(179)

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

The acquired business contributed revenues of \$2,351,457 and a profit before tax of \$275,881 (which is impacted by the regulatory shut down during December) to the Group for the period 1 November 2018 to 31 December 2018. If the acquisition had occurred on 1 July 2018, the revenue and profit contributed by the acquired businesses for the 6 months ended 31 December 2018 would have been \$7,054,371 and \$1,655,283 respectively.

The Group also acquired a 33% equity interest in the business activity and assets of Emerald Truck Services Limited for \$174,000. This acquisition was a joint venture with McAuley's Transport and two other parties.

10. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

CONTINGENT CONSIDERATION

In the event that the EBITDA level (earnings before interest, tax, depreciation and amortisation) of MOVE Logistics Ltd, Southern Fleet Leasing Ltd and UNITE Logistics Ltd (the entities) for the 12 months ended 30 June 2018 is above a level prescribed at the time of acquisition, then additional consideration of up to \$10,000,000 may be payable.

Upon acquisition of MOVE Logistics Ltd and Southern Fleet Leasing Ltd in June 2017, an estimate of the amount of contingent consideration payable of \$572,000 was recognised. This estimate was based on a probability weighted average of possible EBITDA scenarios. The performance of the entities has improved since this estimate was made. Management had therefore reassessed the estimated contingent consideration payable as at 30 June 2018 and recognised an additional liability and corresponding profit & loss expense of \$1,395,000. The provision remains unchanged after our assessment as at 31 December 2018.

The sale and purchase agreement allows for adjustments (sale and purchase adjustments) under specific clauses to the base level of EBITDA. The EBITDA for the entities for the year ended 30 June 2018 is known by the Group. However, there is still estimation required by management regarding the determination and quantification of the adjustments noted in the sale and purchase agreement. We are currently seeking to agree these adjustments with the vendor.

When forming management's view in estimating the potential amount payable, management engaged an independent and qualified accounting firm to provide a view on the appropriateness and quantification range of the sale and purchase adjustments. The assessment has also considered whether or not each adjustment is in line with commercial practice.

Management has determined a range of \$100,000 to \$2,000,000. The Group has recognised a provision at the upper level of this range. The estimate involves significant judgement. It is understood by management that the vendor estimates the level of adjustments would result in a payment significantly in excess of the above range.

11. ACCOUNTING STANDARDS

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the period ended 30 June 2018.

There were two new standards applied during the period. This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the Group's financial statements and discloses the new accounting policies that have been applied from 1 July 2018. It also describes the expected impact of the new standards that are not yet effective.

IMPACT ON THE FINANCIAL STATEMENTS

The Group has elected to adopt the new accounting standards with cumulative transition adjustments being recognised in the opening equity balance at transaction date. As a result comparative information has not been impacted and has not been restated, in line with the permitted transitional provisions.

The following tables show the adjustments recognised for adoption of the new standards.

Equity reconciliation	\$000
Closing accumulated losses at 30 June 2018	(1,295)
IFRS 9: Increase provision for trade receivables	(499)
IFRS 15: Deferral of revenue on unfulfilled performance obligations	(571)
Opening accumulated losses at 1 July 2018	(2,365)

IFRS 9 FINANCIAL INSTRUMENTS - IMPACT OF ADOPTION

This standard replaces NZ IAS 39 and addresses the classification, measurement and recognition of financial assets and liabilities, introduces new rules for hedge accounting (not currently relevant to the Group) and a new impairment model for financial assets.

The Group has adopted the new standard on 1 July 2018 and notes the following impacts of the new standard.

Adoption of IFRS 9 has resulted in the reclassification of cash and cash equivalents, trade receivables and advances to associates from loans and receivables under NZ IAS 39 to being classified as measured at amortised cost under IFRS 9. Management has assessed there is no change to the measurement basis of the financial assets as a result of the reclassification.

IFRS 9 replaces the 'incurred loss' model in NZ IAS 39 with an 'expected credit loss' (ECL) model. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. The new impairment model applies to the Group in relation to financial assets classified at amortised cost, being the Group's trade receivables and advances to associates.

For the current period, the Group has applied the standard's simplified approach and has calculated ECLs for trade receivables and advances to associates that are exposed to credit losses based on a lifetime of expected credit losses. The Group has established a provisions matrix that is based on the Group's historical credit loss experience adjusted for forward looking factors specific to these balances and the economic environment. To measure the expected credit losses, trade receivables and advances to associates that are exposed to credit losses have been grouped based on shared credit risk characteristics and the days past due.

Based on the Group's assessment it has assessed there to be an impairment on its trade receivables of \$499,000 which has been adjusted through retained earnings. The loss allowances for trade receivables as at 30 June 2018 reconcile to the opening loss allowances on 1 July 2018 as follows:

	Trade Receivables \$000
At 30 June 2018 - calculated under IAS 39	351
Amounts restated through opening retained earnings	499
Opening loss allowance as at 1 July 2018 - calculated under IFRS 9	850

There is no impact on the Group's accounting for financial liabilities in the current period.

ECL in respect to advances to associates has been assessed as immaterial.

11. ACCOUNTING STANDARDS (CONTINUED)

IFRS 9 FINANCIAL INSTRUMENTS - ACCOUNTING POLICIES

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

From 1 July 2018 the Group assesses on a forward looking basis the expected credit losses associated with trade receivables carried at amortised cost. The Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Impairment of trade receivables is recognised in profit or loss.

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

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS - IMPACT OF ADOPTION

The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 July 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in IFRS 15, the Group has adopted the new rules using the modified retrospective option and has not restated comparatives for the 2018 financial year. In summary, the following adjustments were made to the amounts recognised in the accumulated losses at the date of initial application (1 July 2018):

	IAS 18 carrying amount 30 June 2018 \$000	Re-measurements restated through accumulated losses \$000	IFRS 15 carrying amount 1 July 2018 \$000
Deferred revenue	-	571	571

Change in timing of revenue recognition

Revenue from the freighting services provided by the Group was previously recognised when the goods were collected. The new standard requires that revenue is only recognised over time as the delivery is being performed. This has resulted in an adjustment for revenue relating to the freighting jobs that were not delivered as at 30 June 2018.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS - ACCOUNTING POLICIES

a) Sale of services

Freight Services

The Group performs transportation services. Revenue is recognised over the time of delivery, being from the time of acceptance of the goods to delivery to the final destination.

A receivable is recognised when the customers products have been delivered by the Group as it is overtime that the consideration is unconditional because only the passage of time is required before the payment is due.

Logistics Services

The logistics function provides warehousing and storage services. Revenue from providing these services is recognised in the accounting period in which the services are rendered. Some contracts include multiple deliverables. However these are easily identifiable and are therefore accounted for as separate performance obligations.

For fixed priced contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously.

Customers are invoiced on a daily, weekly or monthly basis and consideration is payable when invoiced.

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.

d) Rental income

Lease income from operating leases where the group is a lessor is recognised as rental income on a straight-line basis over the lease term.

11. ACCOUNTING STANDARDS (CONTINUED)

e) Financing component

The Group does not expect to have any contracts where the period between the transfer of the promised service to the customer and payment by the customer exceeds one year. As a consequence the Group does not adjust any of the transaction prices for the time value of money.

IFRS 16 LEASES (EFFECTIVE FOR 30 JUNE 2020 REPORTING PERIOD)

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases and supersedes NZ IAS 17. IFRS 16 eliminates the current dual accounting model for lessees which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. The accounting for lessors will not significantly change.

This standard will primarily affect accounting for the Group's operating leases. As at 31 December 2018, the Group has non-cancellable operating lease commitments for buildings and fleet as tabled below. This does not take account of any potential obligations resulting from the future exercise of renewal rights.

	31 December 2018 \$000
Within one year	24,796
Between one and two years	22,989
Between two and five years	52,154
More than five years	60,281
Total	160,220

A technology solution to calculate the full quantitative impact of IFRS 16 on the existing operating leases as at 1 July 2019, being the date of adoption, is being implemented. This requires management to make some key judgements, including the incremental borrowing rate used to discount lease assets and liabilities; and the lease term including potential rights of renewals. Property leases are renegotiated with multiple rights of renewal and assigned upon acquisition of a business. It is anticipated that these rights of renewal will be exercised.

On adoption, IFRS 16 will have a significant impact on the Group's consolidated balance sheet and consolidated income statement. A lease liability will be recognised at net present value, based on existing leases, and depending on the adoption method selected, a right-of-use asset will be potentially recognised at an equivalent amount.

The impact on the consolidated income statement for the period ending 30 June 2020 is expected to be a decrease in lease expense, increase in depreciation and amortisation expense and an increase in finance costs (interest expense).

The Group expects to adopt IFRS 16 using the modified retrospective approach in the period ending 30 June 2020 and will not restate comparative amounts. The Group will recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.

Given the significant volume and value of the Group's leased assets, the Group's assessment of the impact of IFRS 16 has not yet been finalised.

12. RELATED PARTY TRANSACTIONS

TRANSACTION WITH KEY MANAGEMENT

Dividend reinvestment plan

The below table shows the shares that were issued to key management personnel under the dividend reinvestment plan for the dividend paid on 28 September 2018 (refer note 7).

	# Shares	Amount \$000
Dividend reinvestment plan - Directors	113,549	183
Dividend reinvestment plan - Key management employees	2,215	4

13. EVENTS AFTER THE REPORTING DATE

Subsequent to half year end the Board of Directors have approved payment of an interim dividend of 2.5 cents per fully paid ordinary share.



Independent review report

To the shareholders of TIL Logistics Group Limited

Report on the interim financial statements

We have reviewed the accompanying interim financial statements of TIL Logistics Group Limited and its subsidiaries (the Group) on pages 12 to 25, which comprise the consolidated interim balance sheet as at 31 December 2018, the consolidated interim statement of profit or loss & other comprehensive income, the consolidated interim statement of changes in equity and the consolidated interim statement of cash flows for the six month period ended on that date, and notes to the interim financial statements including a summary of significant accounting policies and selected explanatory notes.

Director's responsibility for the interim financial statements

The Directors are responsible on behalf of the Group for the preparation and fair presentation of these interim financial statements in accordance with International Accounting Standard 34 Interim Financial Reporting (IAS 34) and New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting (NZ IAS 34) and for such internal controls as the Directors determine are necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility is to express a conclusion on the accompanying interim financial statements based on our review. We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, are not prepared in all material respects, in accordance with IAS 34 and NZ IAS 34. As the auditors of the Company, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly, we do not express an audit opinion on these interim financial statements.

We are independent of the Group. Our firm carries out other services for the Group in the areas of executive remuneration advisory services and advisory and tax services in relation to due diligence on acquisitions. The provision of these other services has not impaired our independence.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 December 2018, and of its financial performance and cash flows for the six month period then ended, in accordance with IAS 34 and NZ IAS 34.

Who we report to

This report is made solely to the Group's shareholders, as a body. Our review work has been undertaken so that we might state to the Group's shareholder those matters which we are required to



state to them in our review 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 shareholders, as a body, for our review procedures, for this report, or for the conclusion we have formed.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
25 February 2019

Wellington

DIRECTORY

DIRECTORS

Danny Chan
Appointed 6 December 2017

Trevor Janes
Appointed 6 December 2017

Gregory Kern
Appointed 6 December 2017

James Ramsay
Appointed 6 December 2017

Lorraine Witten
Appointed 6 December 2017

RISK ASSURANCE & AUDIT COMMITTEE

Lorraine Witten (chair)
Trevor Janes
James Ramsay
Danny Chan

GOVERNANCE AND REMUNERATION COMMITTEE

Gregory Kern (chair)
Trevor Janes
James Ramsay

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SOLICITORS

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