



**VEHICLE INSPECTION NZ LIMITED  
HALF ANNUAL REPORT  
FOR SIX MONTHS ENDED 30 SEPTEMBER 2010**

On behalf of the board of Directors, I am pleased to present the interim report of VINZ for the six months ended 30 September 2010. The result for this period represents a notable improvement compared to the corresponding period last year but not at the level of the six months ended 31 March 2010. Your directors consider the Company has made an encouraging start to this financial year which is slightly ahead of budget projections.

For the six months ended 30 September 2010, the directors report an unaudited Net Profit after Tax of \$271,994 in comparison to the \$185,841 for the corresponding period a year ago. Although revenue is subject to limited winter/summer seasonal factors in the rental vehicle market, other factors like the used vehicle inventory restocking cycle, exhaust emission regulatory changes, the NZD/Yen exchange rate, shipping schedules, consumer confidence and general economic conditions have a more significant impact that make six month comparisons somewhat distorted. The table below sets out a comparison of the periods unaudited results of recent three six monthly periods. The pre tax profit for the six months ended 31 March 2010 was a spectacular performance characterised by increased revenue due to a favourable shift in market size, increased productivity, cost containment, improved performance of the newer testing stations and seasonal factors. In addition, the after tax comparative result for the six months ended 31 March 2010 was assisted by the utilization of tax losses that had not been previously recognised as a tax benefit in the 2008/09 year.

The annual audit is conducted over the twelve month period ended March each year. An unaudited abbreviated set of Financial Statements as at 30 September 2010 is attached.

A brief trading summary is tabulated below:

	6 months ended <b>30 September 2009</b>	6 months ended <b>31 March 2010</b>	6 months ended <b>30 September 2010</b>
Revenue	\$4,895,937	\$6,132,073	\$5,818,288
Net Profit/(Loss before Tax	\$265,487	\$998,029	\$388,563
Net Profit/(Loss) after Tax	\$185,841	\$926,516	\$271,994

The quantity of used vehicles imported into New Zealand for the six months ended 30 September 2010 at 47,313 was 36% higher than the quantity of vehicles imported for the six months ended 30 September 2009. The Company maintained its market share of the increased volume of imports. The volume of used imports for the six months ended 31 March 2010 was at a similar level at 47,701 vehicles. This increased the pool of used vehicles available for certification and compliance and this general improvement in activity is reflected in the improved trading results of the company over the previous corresponding period. In addition the Company has broadened its revenue base over recent years via an established network of testing stations offering Warrant of Fitness and Certificate of Fitness inspections along with agency transactions. However, pressure on margins due to necessary labour cost increases incurred from April 2010 has not been able to be passed on in higher prices due to competitive pressures.



The capital expenditure programme for the six months ended 30 September 2010 of \$253,000 was mainly related to the completion costs associated with the new WoF Testing Station in Sydenham and replacement equipment at other testing stations. The new testing station in Colombo Street, Sydenham, Christchurch (replacing our former CBD station) commenced trading at close to budget level but unfortunately has been severely impacted by the earthquake which caused the closure of the street in this area and prevented customer access. At the date of this report, access is still limited to one way. A claim has been lodged with our insurers under the appropriate policies but the trading loss will take some time to quantify as revenue trend information is obviously not readily available from this new site. No damage was sustained to the VINZ property. The former Christchurch CBD station closed in June 2010 but final rent payments until the termination of the lease on 1<sup>st</sup> October 2010 incurred abnormal costs. The other VINZ full services testing station near Christchurch airport was not affected by the earthquake and continues to trade strongly. Other testing stations are trading in line with budget projections.

The cash position of the Company remains strong and the Company has no interest bearing borrowings. Although the Board has not committed to any new testing stations at this point your Board and management remains committed to growing the company and opportunities are constantly under review.

The outlook for the second six months of the financial year is difficult to accurately predict due to uncertainty over the quantity of used vehicle imports (ultimately driven by consumer demand) and continued fragility in the general economy. Nevertheless, it is unlikely that the net profit before tax for the second six months ended 31 March 2011 will be at the level achieved in the six months ended 31 March 2010. However, the Board and management are optimistic that modest economic growth will continue. The tight control of operating costs will be maintained but the investment in our key staff development and skills programme will be fostered at a higher level. Pressure on margins will continue.

The current policy of the Board is to not declare interim dividends and hence no interim dividend has been declared by the board in respect of the six months ended 30 September 2010.

Trading activity level in the company's shares on the "Unlisted" unregistered share trading platform has been satisfactory to assist in developing a market for the shares. It is pleasing to note the ongoing shareholder support by many of the former cooperative members. The share registry is continued to be maintained by Link Market Services Limited.

Kenneth Worsley  
Chairman  
8 November 2010



**VEHICLE INSPECTION NEW ZEALAND LIMITED**

**HALF-YEAR REPORT (Unaudited)**

**For six months ended 30 September 2010**

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# VEHICLE INSPECTION NEW ZEALAND LIMITED

## Company Directory As at 30 September 2010

**Nature of business** Agent for New Zealand Transport Agency

**Registered Office** 79 Carbine Road  
Mt Wellington  
Auckland

**Directors** K W Worsley (Chairman)  
M R Dossor (Deputy Chairman)  
R J Gray  
G F Sendall  
D A Weir (elected June 2010)

**Auditor** Grant Thornton  
Christchurch

**Bankers** BNZ  
Auckland

**Solicitors** Keegan Alexander  
Auckland

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

**Share Capital** \$2,464,375

**Shares on issue** 2,500,000 shares

# VEHICLE INSPECTION NEW ZEALAND LIMITED

## Shareholdings

as at 30 September 2010

	<b>Quantity of shares</b>
<b>a) Shareholding in excess of 20,000 shares :</b>	
DA & WJ Weir, BA Smith	303,000
W Custodians Ltd	110,000
R K Johnston	50,000
Turakirae Investments Ltd	49,000
Ellerslie Land Holdings Ltd	40,000
K W Sloss	40,000
Millar Family Trust	30,000
Mosscar Services Ltd	21,000

*(Note: Majority of other shareholders hold 20,000 shares each)*

	<b>Quantity of shares</b>
<b>b) Directors' shareholding :</b>	
D A Weir and other Trustees	303,000
D A Weir (c/- Vehicle Testing and Compliance 2007 Ltd)	20,000
G F Sendall (c/- Gavin Sendall Ltd)	20,000
K W Worsley	20,000
R J Gray (c/- Dick Gray Holdings Ltd)	20,000

	<b>Quantity of shares</b>
<b>c) Shareholdings by parties associated with directors :</b>	
Turners Fleet Ltd (M R Dossor)	20,000
Auto Inspection Services Ltd (R J Gray)	20,000

**VEHICLE INSPECTION NEW ZEALAND LIMITED**

**Condensed Statement of Comprehensive Income**

For six months ended 30 September 2010

	Note	2010 \$	2009 \$
Revenues		5,818,288	4,895,937
Other income	2	121,773	121,607
Consumables used		(182,292)	(166,496)
Employee benefits expense	3	(3,453,158)	(2,860,949)
Depreciation and amortisation	3	(248,264)	(248,932)
Finance costs		-	-
Other operating expenses	3	<u>(1,667,784)</u>	<u>(1,475,680)</u>
<b>PROFIT BEFORE TAX</b>		<b>388,563</b>	<b>265,487</b>
Tax expense	8	<u>(116,569)</u>	<u>(79,646)</u>
<b>PROFIT AFTER TAX</b>		<b><u>271,994</u></b>	<b><u>185,841</u></b>
<b>EARNINGS PER SHARE</b>		<b>\$</b>	<b>\$</b>
Basic / Diluted earnings per share - Profit from continuing operations		0.109	0.074

**Condensed Statement of Changes in Equity**

For six months ended 30 September 2010

	Note	2010 \$	2009 \$
Profit for the period		<u>271,994</u>	<u>185,841</u>
<b>TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD</b>		<b>271,994</b>	<b>185,841</b>
Changes in share capital:			
Bonus shares issued		-	2,339,375
Capitalisation of reserves		<u>-</u>	<u>(2,339,375)</u>
Total changes in equity		271,994	185,841
Equity at beginning of the period		<u>3,755,102</u>	<u>3,017,745</u>
<b>EQUITY AT END OF THE PERIOD</b>		<b><u>4,027,096</u></b>	<b><u>3,203,586</u></b>

*These financial statements are to be read in conjunction with the notes on pages 6 to 10.*

**Vehicle Inspection New Zealand Limited****Condensed Statement of Financial Position  
As at 30 September 2010**

	Note	2010 \$	2009 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		1,788,272	808,724
Receivables and prepayments		1,073,039	951,779
Inventories		85,896	70,897
Income tax refundable		-	81,475
		<u>2,947,207</u>	<u>1,912,875</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		1,850,902	1,879,454
Deferred tax asset		184,761	109,793
Intangible assets	7	272,480	295,044
		<u>2,308,143</u>	<u>2,284,291</u>
<b>TOTAL ASSETS</b>		<u><b>5,255,350</b></u>	<u><b>4,197,166</b></u>
<b>CURRENT LIABILITIES</b>			
Accounts payable and accruals		321,325	299,648
GST payable		176,556	146,443
Income tax payable		27	-
Employee entitlements		730,346	547,489
		<u>1,228,254</u>	<u>993,580</u>
<b>EQUITY</b>			
Share capital	4	2,464,375	2,464,375
Retained earnings	5	1,562,721	739,211
		<u>4,027,096</u>	<u>3,203,586</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u><b>5,255,350</b></u>	<u><b>4,197,166</b></u>

*These financial statements are to be read in conjunction with the notes on pages 6 to 10.*

**VEHICLE INSPECTION NEW ZEALAND LIMITED**

**Condensed Statement of Cash Flow**

For six months ended 30 September 2010

	Note	2010 \$	2009 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<i>Cash was provided from:</i>			
Receipts from customers		5,976,308	4,685,628
Interest received		35,953	13,207
Dividend received		1,394	-
Net GST received		18,952	4,753
		<u>6,032,607</u>	<u>4,703,588</u>
<i>Cash was applied to:</i>			
Payments to suppliers and employees		(5,315,848)	(4,643,603)
Net tax paid		(248,945)	(2,936)
		<u>(5,564,793)</u>	<u>(4,646,539)</u>
<b>Net cash flows from operating activities</b>	6	<b><u>467,814</u></b>	<b><u>57,049</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<i>Cash was provided from:</i>			
Sale of property, plant and equipment		32,518	47,591
		<u>32,518</u>	<u>47,591</u>
<i>Cash was applied to:</i>			
Purchase of property, plant and equipment		(252,943)	(112,984)
		<u>(252,943)</u>	<u>(112,984)</u>
<b>Net cash used in investing activities</b>		<b><u>(220,425)</u></b>	<b><u>(65,393)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<i>Cash was applied to:</i>			
Dividends paid		(375,000)	-
		<u>(375,000)</u>	<u>-</u>
<b>Net cash flows from financing activities</b>		<b><u>(375,000)</u></b>	<b><u>-</u></b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>		(127,611)	(8,344)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		<u>1,915,883</u>	<u>817,068</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b><u>1,788,272</u></b>	<b><u>808,724</u></b>

*These financial statements are to be read in conjunction with the notes on pages 6 to 10.*

## VEHICLE INSPECTION NEW ZEALAND LIMITED

### Selected Explanatory Notes to the Interim Financial Statements

For six months ended 30 September 2010

#### 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) **REPORTING ENTITY**

Vehicle Inspection New Zealand Limited is a company registered under the Companies Act 1993. The Company is a reporting entity for the purposes of the Financial Reporting Act 1993.

The financial statements have been prepared in accordance with the Financial Reporting Act 1993.

The Company is an issuer as defined by the Securities Act 1978 and the Securities Regulations 1983.

b) **MEASUREMENT BASE**

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

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand.

The information is presented in New Zealand dollars.

c) **JUDGEMENT AND ESTIMATION UNCERTAINTY**

The preparation of financial statements of necessity involves judgement and estimation. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable. Actual results may differ from these estimates. The key sources of estimation that have had the most significant effect on the amounts recognised in the financial statements are Provisions for Doubtful Debts, for Voucher Liability and for Taxation.

d) **SPECIFIC ACCOUNTING POLICIES**

In compiling these Interim Financial Statements, the Company has applied the same accounting policies and methods of computation as used in the compilation of the most recent annual financial statements, apart from taxation as detailed in note (1) (d) (xi) below.

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

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

Investments in the following companies have not been consolidated:

	<b>Date of Incorporation</b>	<b>2010</b>	<b>2009</b>
Testing Stations New Zealand Limited - non trading	1 May 1998	100%	100%
New Zealand Vehicle Certifiers Limited - non trading	1 May 1998	100%	100%
CheckKing Limited - a dormant company	7 April 2003	50%	50%
Drive Wise Limited - non trading	21 December 2008	100%	100%
WOF Express Limited - non trading	22 September 2009	100%	100%

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

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

**Selected Explanatory Notes to the Interim Financial Statements**  
For six months ended 30 September 2010

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

Depreciation rates applied are as follows:

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

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

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

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

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

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

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

e) **CHANGES IN ACCOUNTING POLICIES**

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

**VEHICLE INSPECTION NEW ZEALAND LIMITED**

**Notes to the Financial Statements**

For six months ended 30 September 2010

<b>2) OTHER INCOME</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Interest income	35,953	13,207
Rental income	69,707	66,687
Net gain on disposal of property, plant and equipment	14,719	41,713
Dividend income	1,394	-
	<u>121,773</u>	<u>121,607</u>

<b>3) EXPENSES BY NATURE</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>a) Employee benefits expense</b>		
Salaries and wages	3,204,575	2,725,404
Redundancy	6,240	3,985
Bonus provision	96,000	-
Other employee benefits	146,343	131,560
	<u>3,453,158</u>	<u>2,860,949</u>
<b>b) Depreciation and amortisation</b>		
Furniture and fittings	15,698	13,771
Computer equipment	29,934	47,398
Leasehold improvements	41,310	36,039
Motor vehicles	21,926	15,248
Plant and equipment	126,690	123,390
Total depreciation	235,558	235,846
Amortisation of computer software	12,706	13,086
	<u>248,264</u>	<u>248,932</u>
<b>c) Other operating expenses</b>		
Rental and operating lease costs	746,536	687,364
Directors remuneration	82,375	76,250
Other expenses	838,873	712,066
	<u>1,667,784</u>	<u>1,475,680</u>

<b>4) SHARE CAPITAL</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Share capital at the beginning of the period	2,464,375	125,000
Bonus shares issued	-	2,339,375
Share capital at the end of the period	<u>2,464,375</u>	<u>2,464,375</u>

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

	<b>2010</b>	<b>2009</b>
Number of shares issued at the beginning of the period	2,500,000	125,000
Number of bonus shares issued	-	2,375,000
Number of shares issued at the end of the period	<u>2,500,000</u>	<u>2,500,000</u>

<b>5) RETAINED EARNINGS</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Retained earnings at beginning of period	1,290,727	2,892,745
Net profit (loss) for the period	271,994	185,841
Capitalisation of reserves	-	(2,339,375)
Retained earnings at end of period	<u>1,562,721</u>	<u>739,211</u>

**VEHICLE INSPECTION NEW ZEALAND LIMITED**

**Notes to the Financial Statements**

For six months ended 30 September 2010

**6) RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES**

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Net profit (loss) after taxation	271,994	185,841
<i>Add/(less) non-cash and non-operating items:</i>		
Loss (gain) on sale of property, plant and equipment	(14,719)	(41,713)
Depreciation and amortisation	248,263	248,932
<i>Add/(less) movements in working capital:</i>		
<i>Decrease/(increase) in current assets</i>		
Accounts receivable and prepayments	271,556	(168,548)
Inventories	10,205	38,983
<i>Increase/(decrease) in current liabilities</i>		
Accounts payable and accruals	(191,852)	(342,383)
GST payable	4,743	59,227
Income taxes payable	(132,376)	76,710
<b>Net cash flows from operating activities</b>	<u>467,814</u>	<u>57,049</u>

**7) INTANGIBLE ASSETS**

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
The intangible assets consist of -		
Goodwill on acquisition	140,000	140,000
Computer software, net of amortisation	132,480	155,044
	<u>272,480</u>	<u>295,044</u>

**8) TAXATION**

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>Tax expense / (income)</b>		
Operating surplus/(loss) before taxation	388,563	265,487
Income tax at 30%	<u>(116,569)</u>	<u>(79,646)</u>