



**VEHICLE INSPECTION NZ LIMITED  
HALF ANNUAL REPORT  
FOR SIX MONTHS ENDED 30 SEPTEMBER 2011**

On behalf of the board of Directors, I am pleased to present the interim report of VINZ for the six months ended 30 September 2011. The result for this period represents a satisfactory outcome although it was below our budget projections. Your directors consider the Company has made an encouraging start to this financial year and we expect the third quarter to continue to deliver positive results. However, the final quarter of the financial year comprising the three months ended 31 March 2012 will be substantially impacted by the introduction of the emission rule change applicable to used vehicle imports that will result in reduced import volumes.

For the six months ended 30 September 2011, the directors report an unaudited Net Profit after Tax of \$306,634 in comparison to the \$271,994 for the corresponding period a year ago on a slightly increased turnover. Although seasonal factors in the market are not overly significant, other factors like the used vehicle inventory restocking cycle, exhaust emission regulatory changes, the NZD/Yen exchange rate, consumer confidence and general economic conditions have a more significant impact that can make six month comparisons somewhat distorted. The table below sets out a comparison with the corresponding period last year of the unaudited financial results

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 2011 is attached.

A brief trading summary is tabulated below:

	6 months ended <b>30 September 2010</b>	6 months ended <b>30 September 2011</b>
Revenue	\$5,818,288	\$5,893,947
Net Profit before Tax	\$388,563	\$414,104
Net Profit after Tax	\$271,994	\$306,634

The quantity of used vehicles imported into New Zealand for the six months ended 30 September 2011 at 47,672 was similar to the quantity of vehicles imported for the six months ended 30 September 2010 (47,313). In addition the broadened 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 has lead to more consistent results. However, pressure on margins due to labour cost increases incurred from April 2011 has not been able to be passed on in higher prices due to competitive pressures in most of the inspection markets.

The capital expenditure programme for the six months ended 30 September 2011 of \$322,930 was mainly related to replacement equipment, modernisation of testing stations and equipping the new Botany South testing station. The testing station in Colombo Street, Sydenham was impacted by the earthquake which caused the closure of streets in this area and prevented customer access. Only minor damage was sustained to the VINZ property. Claims have been lodged with our insurer under the appropriate policies in respect of the September 2010 and February 2011 quakes and the first claim paid. The second claim is still under negotiation. The Sydenham Station has continued to improve but realisation of full financial returns will be partly dependent on the rebuild of the CBD and more importantly the reconstruction of Sydenham

which we expect to occur prior to the CBD redevelopment. We remain confident in the future of this station.

In August 2011 we closed our testing station in Whangarei due to ongoing unsatisfactory returns somewhat linked to the poor performance of the Northland economy. In a more positive move we opened in August 2011 a new WOF station in the fast growing Botany South area in Auckland City. 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 remain 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 predict due to the commencement of the next phase of the Emission Rule on 1<sup>st</sup> January 2012 impacting on the quantity of used vehicle imports and continued fragility in the New Zealand and international economy. We expect the first quarter of 2012 to be particularly challenging. The tight control of operating costs will be maintained but the investment in our key staff development and skills programme will continue to be fostered. Pressure on margins is likely to 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 2011. The Board will review the interim dividend policy when the economy and the relevant markets return to a more stable level.

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

Kenneth Worsley  
Chairman  
3 November 2011



**VEHICLE INSPECTION NEW ZEALAND LIMITED**

**INTERIM REPORT 2011 (Unaudited)**

**For six months ended 30 September 2011**

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# VEHICLE INSPECTION NEW ZEALAND LIMITED

## Company Directory

As at 30 September 2011

<b>Nature of business</b>	Agent for the New Zealand Transport Agency (NZTA); Certification of used vehicle imports; COF and WOF inspections; and Vehicle and driver licensing
<b>Registered Office</b>	79 Carbine Road Mt Wellington Auckland
<b>Directors</b>	Kenneth Worsley (Chairman) Michael Dossor (Deputy Chairman) David Weir Gavin Sendall Richard Gray
<b>Auditor</b>	Grant Thornton PO Box 2099 Christchurch 8140
<b>Bankers</b>	Bank of New Zealand PO Box 995 Auckland 1010
<b>Solicitors</b>	Keegan Alexander PO Box 999 Auckland 1140
<b>Share Registry</b>	Link Market Services Limited PO Box 91976 Auckland 1142
<b>Share Capital</b>	\$2,464,375
<b>Shares on issue</b>	2,500,000 ordinary shares

# VEHICLE INSPECTION NEW ZEALAND LIMITED

## Shareholdings

as at 30 September 2011

	<b>Quantity of shares</b>
<b>a) Top 10 shareholders :</b>	
DA & WJ Weir, Eltan (Weir) Trustees Ltd	283,000
Turakirae Investments Ltd	163,000
W Custodians Ltd	130,000
Rowan Kenley Johnston	40,000
Ellerslie Land Holdings Ltd	40,000
Metro Auto Court Ltd	40,000
Peter John Millar & Sandra Jean Millar	30,000
Graeme Bruce Lowe	25,000
Mosscar Services Ltd	21,000

*(Note: All other shareholders each hold 20,000 shares or less)*

	<b>Quantity of shares</b>
<b>b) Shareholdings by directors and entities in which they have relevant interest :</b>	
Kenneth Worsley (Chairman)	20,000
Michael Dossor (Deputy Chairman)	20,000
David Weir	303,000
Gavin Sendall	20,000
Richard Gray	40,000

VEHICLE INSPECTION NEW ZEALAND LIMITED

**Condensed Statement of Comprehensive Income**

For six months ended 30 September 2011

	Note	2011 \$	2010 \$
Revenues		5,893,947	5,818,288
Other income		124,242	121,773
Consumables used		(190,659)	(182,292)
Employee benefits expense		(3,620,715)	(3,453,158)
Depreciation and amortisation		(243,976)	(248,264)
Finance costs		-	-
Other operating expenses		<u>(1,548,735)</u>	<u>(1,667,784)</u>
<b>PROFIT BEFORE TAX</b>		<b>414,104</b>	<b>388,563</b>
Tax expense		<u>(107,470)</u>	<u>(116,569)</u>
<b>PROFIT AFTER TAX</b>		<b>306,634</b>	<b>271,994</b>
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<u><u>306,634</u></u>	<u><u>271,994</u></u>
<b>EARNINGS PER SHARE (based on six months trading results)</b>		<b>Cent</b>	<b>Cent</b>
Basic / Diluted earnings per share - Profit from continuing operations		12.27	10.88
		<b>\$</b>	<b>\$</b>
<b>NET TANGIBLE ASSET per share</b>		1.64	1.50

**Condensed Statement of Changes in Equity**

For six months ended 30 September 2011

	Share capital \$	Retained earnings \$	Total equity \$
<b>2010</b>			
Balance at beginning of period	2,464,375	1,290,727	3,755,102
Profit after tax	-	271,994	271,994
Other comprehensive income	-	-	-
Total comprehensive income for the year	<u>-</u>	<u>271,994</u>	<u>271,994</u>
Balance at end of period	<u><u>2,464,375</u></u>	<u><u>1,562,721</u></u>	<u><u>4,027,096</u></u>
<b>2011</b>			
Balance at beginning of period	2,464,375	1,588,116	4,052,491
Profit after tax	-	306,634	306,634
Other comprehensive income	-	-	-
Total comprehensive income for the year	<u>-</u>	<u>306,634</u>	<u>306,634</u>
Balance at end of period	<u><u>2,464,375</u></u>	<u><u>1,894,750</u></u>	<u><u>4,359,125</u></u>

*These financial statements are to be read in conjunction with the notes on page 9.*

VEHICLE INSPECTION NEW ZEALAND LIMITED

**Condensed Statement of Financial Position**

As at 30 September 2011

	Note	2011 \$	2010 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		2,192,581	1,788,272
Receivables and prepayments		1,200,010	1,073,039
Inventories		124,111	85,896
Income tax refundable		-	-
		<u>3,516,702</u>	<u>2,947,207</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		1,854,824	1,850,902
Deferred tax asset		211,227	184,761
Intangible assets		249,556	272,480
		<u>2,315,607</u>	<u>2,308,143</u>
<b>TOTAL ASSETS</b>		<u><u>5,832,309</u></u>	<u><u>5,255,350</u></u>
<b>CURRENT LIABILITIES</b>			
Accounts payable and accruals		397,883	321,325
GST payable		202,884	176,556
Income tax payable		72,825	27
Employee entitlements		799,592	730,346
		<u>1,473,184</u>	<u>1,228,254</u>
<b>EQUITY</b>			
Share capital	4	2,464,375	2,464,375
Retained earnings	5	1,894,750	1,562,721
		<u>4,359,125</u>	<u>4,027,096</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u><u>5,832,309</u></u>	<u><u>5,255,350</u></u>

*These financial statements are to be read in conjunction with the notes on page 9.*

VEHICLE INSPECTION NEW ZEALAND LIMITED

**Condensed Statement of Cash Flow**

For six months ended 30 September 2011

	Note	2011 \$	2010 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<i>Cash was provided from:</i>			
Receipts from customers		5,716,056	5,976,308
Interest received		52,023	35,953
Dividend received		640	1,394
Net GST received		12,104	18,952
		<u>5,780,823</u>	<u>6,032,607</u>
<i>Cash was applied to:</i>			
Payments to suppliers and employees		(5,308,588)	(5,315,848)
Net tax paid		(132,438)	(248,945)
		<u>(5,441,026)</u>	<u>(5,564,793)</u>
<b>Net cash flows from operating activities</b>		<u><b>339,797</b></u>	<u><b>467,814</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<i>Cash was provided from:</i>			
Sale of property, plant and equipment		19,686	32,518
		<u>19,686</u>	<u>32,518</u>
<i>Cash was applied to:</i>			
Purchase of property, plant and equipment		(322,930)	(252,943)
		<u>(322,930)</u>	<u>(252,943)</u>
<b>Net cash used in investing activities</b>		<u><b>(303,244)</b></u>	<u><b>(220,425)</b></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<i>Cash was applied to:</i>			
Dividends paid		(375,000)	(375,000)
		<u>(375,000)</u>	<u>(375,000)</u>
<b>Net cash flows from financing activities</b>		<u><b>(375,000)</b></u>	<u><b>(375,000)</b></u>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>		(338,447)	(127,611)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		<u>2,531,028</u>	<u>1,915,883</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<u><u><b>2,192,581</b></u></u>	<u><u><b>1,788,272</b></u></u>

*These financial statements are to be read in conjunction with the notes on page 9.*

## VEHICLE INSPECTION NEW ZEALAND LIMITED

### Notes to the Interim Financial Statements

For six months ended 30 September 2011

#### 1) Statement of accounting policies

The accounting policies used in the preparation of these half-yearly financial statements are consistent with those used in the March 2011 annual report.

#### 2) Reconciliation of cash flow from operating activities

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Net profit (loss) after taxation	306,634	271,994
<i>Add/(less) non-cash and non-operating items:</i>		
Loss (gain) on sale of property, plant and equipment	(293)	(14,719)
Depreciation and amortisation	243,977	248,263
Net bad debts written off	1,335	-
Increase/(decrease) in doubtful debts provision	(174)	-
<i>Add/(less) movements in working capital:</i>		
<i>Decrease/(increase) in current assets</i>		
Accounts receivable and prepayments	(114,640)	271,556
Inventories	(8,786)	10,205
Deferred tax asset	(8,935)	-
<i>Increase/(decrease) in current liabilities</i>		
Accounts payable and accruals	(96,104)	(191,852)
GST payable	32,816	4,743
Income taxes payable	(16,033)	(132,376)
<b>Net cash flows from operating activities</b>	<b><u>339,797</u></b>	<b><u>467,814</u></b>