



TARGET COMPANY STATEMENT

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(Prepared in accordance with Rule 46 and schedule 2 of the Takeovers Code)

1. Date

1.1 This statement is dated 22 January 2013.

2. Offer

2.1 This statement relates to a takeover offer by JEVIC NZ Limited (JEVIC) for all the shares issued by Vehicle Inspection New Zealand Limited (VINZ) dated 9 January 2013.

3. Target Company

3.1 The name of the target company is Vehicle Inspection New Zealand Limited.

4. Directors of Target Company

4.1 The directors of VINZ are:

- Michael Robert Dossor
Richard John Gray
Gavin Frank Sendall
David Alan Weir
Kenneth William Worsley

5. Ownership of Equity Securities of Target Company

5.1 The directors and senior officers of VINZ and their associates holding shares issued by VINZ are set out below:

Table with 4 columns: Shareholder, Description, Percentage Interest, Number of Shares. Rows include Turners Fleet Limited, Auto Inspection Services Limited, Dick Gray Holdings Limited, Gavin Sendall Limited, David Alan Weir\*, Wendy Weir & Eltan (Weir) Trustees Limited, and Kenneth William Worsley, Director.

\* David Alan Weir is not in any way associated with Stuart Jason Weir who is a shareholder associate of JEVIC.



The persons holding or controlling more than 5% of the ordinary shares issued by the VINZ to the knowledge of VINZ are set out below:

Shareholder	Percentage Interest	Number of Shares
David Alan Weir, Wendy Weir & Eltan (Weir) Trustees Limited	5.56%	139,000
Brent Peter Whale (an associate of JEVIC)	12.92%	323,000

5.2 No equity securities of VINZ have during the two year period that ends with the date of this target company statement been issued to the directors or senior officers of VINZ or their associates.

5.3 No directors and senior officers or their associates have obtained a beneficial interest in any equity securities of VINZ during the two year period that ends with the date of this target company statement under any employee share scheme or other remuneration arrangement.

**6. Trading in Target Company Equity Securities**

6.1 The equity securities of VINZ which have been acquired or disposed of by each director or senior officer of VINZ during the six month period before the latest practicable date before the date of this target company statement and the consideration per share for each security which was the subject of the transaction are set out in Appendix 1.

**7. Acceptance of Offer**

7.1 None of the directors of VINZ and their associates holding shares has accepted or intends to accept the Offer in respect of the shares referred to in clause 5.1.

**8. Ownership of Equity Securities of Offeror**

8.1 None of VINZ or any director or senior officer of VINZ or any of their associates holds any equity securities in JEVIC.

**9. Trading in Equity Securities of Offeror**

9.1 None of VINZ or any director or senior officer of VINZ or any of their associates acquired or disposed of any equity securities in JEVIC during the six month period before the latest practical date before this date of the target company statement.

**10. Arrangements between Offeror and Target Company**

10.1 There are no agreements or arrangement whether legally enforceable or not made or proposed to be made between JEVIC or any associates of JEVIC and VINZ or any related company of VINZ in connection with, in anticipation of, or in response to the offer.



**11. Relationship between Offeror and Directors and Officers of Target Company**

11.1 The offer is conditional upon Frank Willett the VINZ General Manager agreeing to remain with VINZ if the offer is successful. Mr Willett has no present intention of leaving the employ of VINZ if JEVIC's Offer does not achieve acceptance full takeover of VINZ. Mr Willett has also agreed with JEVIC to remain with VINZ should the Offer be completely successful and VINZ becomes a wholly owned subsidiary of JEVIC in which case Mr Willett will be paid a sign up fee of \$20,000.

11.2 There are no other agreements or arrangements whether legally enforceable or not made or proposed to be made between JEVIC or any associates of JEVIC and any of the directors or senior officers of VINZ or any related company of VINZ and there is no payment or other benefit proposed to be made or given by way of compensation for loss of office or as to the remaining in or retiring from office in connection with in anticipation of or in response to the offer.

11.3 No directors or senior officers of VINZ are also directors or senior officers of JEVIC.

**12. Agreement between Target Company and Directors and Officers**

12.1 There are no agreements or arrangements whether legally enforceable or not made or proposed to be made between VINZ or any related company of VINZ and any of the directors or senior officers or their associates of VINZ or its related companies under which a payment or other benefit may be made or given by way of compensation for loss of office or as to the remaining in or retiring from office in connection with and in anticipation of or response to the offer.

**13. Interests of Directors and Officers of Target Company in Material Contracts of Offeror**

13.1 No director or senior officer of VINZ or their associates has any interest in any material contract to which JEVIC or any related company of JEVIC is a party.

**13A. Interests of target company's substantial security holders in material contracts of offeror or related company**

13a.1 No director or senior officer of VINZ or their associates is aware of any person who holds or controls 5% or more of the shares in VINZ having any interest in any material contract to which JEVIC or any related company of JEVIC is a party.

**14. Additional Information**

14.1 In the opinion of the directors of VINZ there is no additional information within the knowledge of the directors of VINZ, which is required to ensure that the JEVIC Offer is not incorrect or misleading.

**15. Recommendation**

15.1 **The directors of VINZ unanimously recommend to shareholders that they do not accept the JEVIC Offer because they consider that the Offer price of \$1.65 per share is inadequate.** The directors' reasons for their recommendation are as follows:

- (a) The Offer price is below the lowest price in the valuation range specified in the Simmons Corporate Finance Report. The directors are of the opinion that the true value of the VINZ shares exceeds that lowest price.



- (b) The price does not reflect the significant cash reserves and cash equivalent assets of the Company which equates to some \$1.27 per share as at 31 December 2012. The offer price effectively places a nominal value on the VINZ business, which is not justified.
- (c) The price does not reflect the consistent dividend payments of 15 cents per share which have been paid in recent years. These dividends represent a good return on capital.
- (d) The forecast net profit before tax of the Company for the 2013 year (before extraordinary items including restructuring and takeover costs) is in the range of \$900,000 and \$1.1 million. Therefore, in the ordinary course and in line with previous years, the Company would have paid a fully imputed dividend of not less than 15 cents per share for 2013.
- (e) It is possible that there will be another offer for VINZ in competition with the JEVIC Offer.
- (f) JEVIC's associate Mr Whale paid \$2.50 per share for 12.92% of the Company to gain a strategic stake. That indicates to directors that a fair price for control of VINZ would be well in excess of the Offer price of \$1.65 per share.

**16. Actions of Target Company**

- 16.1 There are no material agreements or arrangements (whether legally enforceable or not) of VINZ and its related companies entered into as a consequence of in response to or in connection with the offer.
- 16.2 Following receipt of JEVIC's notice of its intention to make the Offer VINZ has received approaches from a number of industry participants expressing an interest in making an offer for VINZ. The directors of VINZ believe that at least one of those parties may make an offer to shareholders in competition with the JEVIC Offer. There are no other negotiations entered into as a consequence of or in response to or in connection to the offer that relate to or could result in:
  - (a) an extraordinary transaction such as a merger, amalgamation or reorganisation involving VINZ or any of its related companies; or
  - (b) the acquisition or disposition of material assets by VINZ or any of its related companies; or
  - (c) an acquisition of equity securities by or of VINZ or any related company of VINZ; or
  - (d) any material change in the equity securities on issue or policy related to distributions of VINZ.

**17. Equity Securities of Target Company**

- 17.1 VINZ has on issue 2,500,000 fully paid ordinary shares. All shares rank *pari passu* in all respects including in respect of capital, distributions and voting.
- 17.2 VINZ has not issued any equity securities that are options or rights to acquire equity securities.



18. **Financial Information**

- 18.1 Any shareholder is entitled to obtain from VINZ a copy of the VINZ 2012 Annual Report being the most recent annual report of VINZ.
- 18.2 On 2 November 2012 VINZ issued a half yearly report for the 6 months ended 30 September 2012 (Half Yearly Report). A copy of the Half Yearly Report and an accompanying Interim Report as at 2 November 2012 is attached to this statement as appendix 3.
- 18.3 Since the issue of the 2012 Annual Report there have been the following material changes in the financial or trading position or prospects of VINZ:
- (a) Trading losses have been reduced by the closure of the Botany branch in September 2012; and
  - (b) Profitability has been assisted by a faster recovery than expected of used vehicles entering New Zealand following the implementation of the 1st January 2012 Emission Rule.
  - (c) The company employed a National Operations Manager with effect from August 2012.

Except as stated above, there have been no known material changes in the financial or trading position or prospects of VINZ since the issue of the 2012 Annual Report.

- 18.4 There is no information which is not disclosed in the 2012 Annual Report, Half Yearly Report and Interim Report or elsewhere in this statement about the assets, liabilities, profitability and financial affairs of VINZ that could reasonably be expected to be material to the making of a decision by the shareholders to accept or reject the offer.

19. **Independent Advice on Merits of Offer**

- 19.1 Simmons Corporate Finance Limited has been appointed by VINZ as the independent adviser who has provided a report under Rule 21 (**Simmons Corporate Finance Report**). A full copy of the Simmons Corporate Finance Report accompanies this statement as appendix 4.

20. **Asset Valuation**

- 20.1 No information provided in this target company statement (or the Simmons Corporate Finance Report) refers to a valuation of any asset.

21. **Prospective Financial Information**

- 21.1 The Simmons Corporate Finance Report makes reference to VINZ 2013 budgets and forecasts. The principal assumptions on which those budgets and forecasts are based are contained in the Simmons Corporate Finance Report in section 4.7 at pages 22 and 23.
- 21.2 The Simmons Corporate Finance Report makes reference to VINZ 2014 and 2015 projections. The principal assumptions on which those projections are based are contained in the Simmons Corporate Finance Report in section 5.5 at pages 31 and 32.
- 21.3 In paragraph 15.1(d) of this statement reference is made to the VINZ forecast profit for 2013. The principal assumptions on which that forecast is based are contained in the Simmons Corporate Finance Report in section 4.7 at pages 22 and 23.



22. **Sales of Unquoted Equity Securities Under Offer**

22.1 The shares in VINZ are traded on the trading platform Unlisted and by private treaty. Details of the share trading transactions in VINZ shares (including consideration) through Unlisted and by private treaty during the 12 month period ending on the latest practicable date prior to the date of this target company statement are specified in appendix 1 to this statement.

23. **Market Prices of Quoted Equity Securities Under Offer**

23.1 VINZ shares are not quoted on a stock exchange.

24. **Other Information**

24.1 Prior to the receipt of JEVIC's notice of its intention to make a takeover offer, VINZ was in the course of an internal reorganisation to enable the Company to be better positioned to respond to the business changes which may be made as a result of the implementation of recommendations arising from the government's vehicle licensing reform review. The reorganisation was put on hold in view of the conditions attaching to the JEVIC Offer. If the Offer is not successful, VINZ intends to implement the reorganisation.

24.2 There is no other information not required to be disclosed by this schedule that could reasonably be expected to be material to the making of a decision by shareholders whether to accept or reject the offer.

25. **Approval of Target Company Statement**

25.1 This target company statement has been approved by the board of directors of Vehicle Inspection New Zealand Limited.

26. **Certificate**

To the best of our knowledge and belief after making proper enquiry the information contained in or accompanying this statement is in all material respects true and correct and not misleading whether by omission of any information or otherwise and includes all the information required to be disclosed by Vehicle Inspection New Zealand Limited under the takeovers code.

Grenville Francis Willett, General Manager

Eric Chang, Financial Controller

Kenneth William Worsley, Chairman

David Alan Weir, Director



### Appendix 1

#### Equity securities of VINZ which have been acquired or disposed of by each director or senior officer of VINZ during the last 6 months

The following fully paid ordinary shares have been disposed of by David Weir, Wendy Weir & Eltan (Weir) Trustees Limited since 22 July 2012

Date	Quantity Disposed	Price (\$)	Value (\$)
26/11/2012	4,000	1.500	6,000.00
07/11/2012	10,000	1.450	14,500.00
05/11/2012	5,000	1.460	7,300.00
05/11/2012	10,000	1.470	14,700.00
05/11/2012	20,000	1.470	29,400.00



Appendix 2

Details of the share trading transactions in VINZ shares (including consideration) through Unlisted and by private treaty during the last 12 months

(a) Share trading history through Unlisted over the 12 month period to 18 January 2013

TRADE DATE	QUANTITY	PRICE	VALUE
31-May-12	19,000	\$1.45	\$27,550
12-Jun-12	5,000	\$1.45	\$7,250
12-Jun-12	1,000	\$1.45	\$1,450
12-Jun-12	20,000	\$1.45	\$29,000
13-Jun-12	30,000	\$1.40	\$42,000
13-Jun-12	20,000	\$1.45	\$29,000
19-Jun-12	20,000	\$1.45	\$29,000
20-Jun-12	20,000	\$1.50	\$30,000
20-Jun-12	20,000	\$1.50	\$30,000
26-Jun-12	4,000	\$1.40	\$5,600
6-Aug-12	20,000	\$1.50	\$30,000
30-Aug-12	20,000	\$1.50	\$30,000
31-Aug-12	20,000	\$1.50	\$30,000
3-Sep-12	20,000	\$1.55	\$31,000
13-Sep-12	10,000	\$1.55	\$15,500
5-Nov-12	5,000	\$1.46	\$7,300
5-Nov-12	10,000	\$1.47	\$14,700
5-Nov-12	20,000	\$1.47	\$29,400
5-Nov-12	20,000	\$1.47	\$29,400
7-Nov-12	10,000	\$1.45	\$14,500
21-Nov-12	10,000	\$1.40	\$14,000
21-Nov-12	20,000	\$1.40	\$28,000
26-Nov-12	4,000	\$1.50	\$6,000





(b) Share trading history outside Unlisted over the 12 month period to 18 January 2013

TRADE DATE	QUANTITY	PRICE	VALUE
14/09/2012	323,000	\$2.50	\$807,500



(b) Share trading history outside Unlisted over the 12 month period to 18 January 2013

TRADE DATE	QUANTITY	PRICE	VALUE
14/09/2012	323,000	\$2.50	\$807,500

**Appendix 3 - 2012 Half Yearly Report and Interim Report (attached)**

**Appendix 4 - Independent Adviser's Report (attached)**

**VEHICLE INSPECTION NEW ZEALAND LIMITED  
HALF ANNUAL REPORT  
FOR SIX MONTHS ENDED 30 SEPTEMBER 2012**

On behalf of the board of Directors, I am pleased to present the interim report of VINZ for the six months ended 30 September 2012. The result for this period represents a reasonably satisfactory outcome in that it was better than our budget projections for this period but below the previous corresponding period.

For the six months ended 30 September 2012, the directors report an unaudited Net Profit after Tax of \$225,961 in comparison to the \$306,634 for the previous corresponding period (PCP) a year ago on a similar turnover. 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 2012 is attached.

A brief trading summary is tabulated below:

	<b>6 months ended 30 September 2012</b>	<b>6 months ended 30 September 2011</b>
Revenue	\$5,656,730	\$5,697,894
Net profit before tax & discontinued operations	\$458,402	\$524,704
Net profit after tax & discontinued operations	\$329,746	\$386,266
Less discontinued operations	\$103,785	\$79,632
Net profit after tax	\$225,961	\$306,634

In late September 2012 the dedicated WoF testing station in Botany South which we had opened only twelve months earlier was closed as we were not meeting our projected volumes and only with severe discounting could we envisage reaching the volumes necessary. This together with the potential threat of reduced WoF frequency under the current government review of the WoF regime the Board considered it unwise to invest in further marketing campaigns for this site. In hindsight we were probably too soon in developing in this area as the growth of the planned Ormiston City is still some years away in the current economic climate. Other testing stations are trading in line with budget projections. In the previous year the Whangarei testing station was closed.

The quantity of used vehicles imported into New Zealand for the six months ended 30 September 2012 at 39,086 was 8,586 fewer than the vehicles imported for the six months ended 30 September 2011 (47,672). This reduction of 18% is mainly due to an extremely high import level in the PCP and the flow on affects of the final phase of the Emission Rule being implemented on the 1<sup>st</sup> January 2012. The period leading up to 1<sup>st</sup> January 2012 was characterised by strong importing of vehicles under the old emission rule leading to high inventory levels. This rule had the downstream affect on affordability of vehicles for the public within the range and type of vehicles traditionally purchased due to an increase in the price band for vehicles qualifying under the new emission rule. The Board considers the market is adjusting to the new price level but availability of vehicles from Japan has been tight. The likely entry certification import quantity level going forward is 80,000 vehicles pa and this is considered sustainable unless severe economic shocks occur or there are more unseen regulatory changes to the emission rule or other rules. It is ironic that the Company 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 to reduce dependence on fluctuations in the entry certification market but it is that in-service inspection

market that is now subject to a substantial regulatory review by way of the Vehicle Licensing Reform (VLR) project. I comment on the VLR below.

The capital expenditure programme for the six months ended 30 September 2012 of \$267,311 was mainly related to updating plant and equipment in testing stations to increase productivity or to improve work place safety and was put in place prior to the government announced VLR review. The Company has a good workplace safety record and is vigilant about maintaining safety standards. The testing station in Colombo Street, Sydenham which was impacted by the earthquake has recovered well but is probably not going to obtain the original pre earthquake goals because the CBD is unlikely to be the condensed business and hotel hub it once was. Claims lodged with our insurer under the appropriate policies in respect of the earthquakes have been partly paid and final settlement of the disputed sum is expected in November 2012.

The outcome from the Government Vehicle Licensing Reform (VLR) project is unknown at this point. Public submissions closed on the 31 October 2012 and a decision is expected in December 2012. If changes are made to the WoF and CoF regimes the implementation date will hopefully be deferred for at least eighteen months to enable market participant suppliers to adapt to any new regime. Many of the proposed options under the VLR could have a potential devastating effect on available inspection volumes. Nevertheless it is business as usual for the Company and staff morale is high although tinged with uncertainty. Productivity improvements are constantly strived for and operating costs tightly controlled. The investment in our key staff development and skills programme will continue to be fostered despite these uncertain times. The Company is renowned for its nimbleness and will adjust its business model to suit any changed regulatory model but it is hoped that the VLR regulatory decisions will ensure that a balance in favour of safety prevails.

The cash position of the Company remains strong and the Company has no interest bearing borrowings. Owing to the VLR project the Board has cancelled plans for opening any new testing stations and other replacement capital expenditure is subject to rigorous review.

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 2012. The dividend policy will remain under review by the Board but until the new in-service inspection regulatory regime is known and assessed and the market stabilised the policy of not declaring an interim dividend will be maintained.

The second six months of the financial year is not expected to be affected by the Government VLR decisions. We expect an improvement over the first six months profitability due to the elimination of loss making operations and more stable trading conditions.

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 "unlisted" facility has been beneficial to the Company and shareholders and is trusted that the current Financial Markets Conduct Bill before Parliament does not result in the availability of such an excellent facility being effectively terminated because it is not cost effective and practical to continue by either the promoter or the issuers. The share registry is continued to be maintained by Link Market Services Limited.

**Kenneth Worsley**  
**Chairman**  
**2 November 2012**



**VEHICLE INSPECTION NEW ZEALAND LIMITED**

**HALF-YEAR REPORT 2012 (Unaudited)**

**For six months ended 30 September 2012**

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## VEHICLE INSPECTION NEW ZEALAND LIMITED

### Company Directory

As at 30 September 2012

<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 2012

a)	Top 11 shareholders :	Quantity of shares	Shareholding percentage
	Brent Peter Whale	323,000	12.92%
	DA & WJ Weir, Eltan (Weir) Trustees Ltd	188,000	7.52%
	W Custodians Ltd	90,928	3.64%
	Stuart Jason Weir	50,000	2.00%
	Rowan Kenley Johnston	40,000	1.60%
	Ellerslie Land Holdings Ltd	40,000	1.60%
	Metro Auto Court Ltd	40,000	1.60%
	Gadbrook Ltd	39,072	1.56%
	Peter John Millar & Sandra Jean Millar	30,000	1.20%
	Graeme Bruce Lowe	25,000	1.00%
	Mosscar Services Ltd	21,000	0.84%

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

b)	Shareholdings by directors and entities in which they have relevant interest :	Quantity of shares	Shareholding percentage
	Kenneth Worsley (Chairman)	20,000	0.80%
	Michael Dossor (Deputy Chairman)	20,000	0.80%
	David Weir	188,000	7.52%
	Gavin Sendall	20,000	0.80%
	Richard Gray	40,000	1.60%

VEHICLE INSPECTION NEW ZEALAND LIMITED

**Condensed Statement of Comprehensive Income**  
For six months ended 30 September 2012

	Six months ended	
	30.09.2012	30.09.2011
	\$	\$
Revenues	5,656,730	5,697,894
Other income	130,132	124,242
Consumables used	(167,214)	(184,250)
Employee benefits expense	(3,418,697)	(3,429,174)
Depreciation and amortisation	(235,088)	(222,450)
Other operating expenses	(1,507,461)	(1,461,558)
<b>PROFIT BEFORE TAX</b>	<b>458,402</b>	<b>524,704</b>
Tax expense	(128,656)	(138,438)
<b>PROFIT AFTER TAX</b>	<b>329,746</b>	<b>386,266</b>
Other comprehensive income - Discontinued operations	(103,785)	(79,632)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	<b>225,961</b>	<b>306,634</b>
<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	13.19	15.45
Loss from discontinued operations	(4.15)	(3.19)
<b>NET TANGIBLE ASSET per share</b>	<b>168.94</b>	<b>155.93</b>

**Condensed Statement of Changes in Equity**  
For six months ended 30 September 2012

	Share capital	Retained earnings	Total equity
	\$	\$	\$
<b>30.09.2011</b>			
Balance at beginning of period	2,464,375	1,588,116	4,052,491
Profit after tax	-	386,266	386,266
Other comprehensive income	-	(79,632)	(79,632)
Total comprehensive income for the year	-	306,634	306,634
Balance at end of period	<u>2,464,375</u>	<u>1,894,750</u>	<u>4,359,125</u>
<b>30.09.2012</b>			
Balance at beginning of period	2,464,375	1,917,656	4,382,031
Profit after tax	-	329,746	329,746
Other comprehensive income	-	(103,785)	(103,785)
Total comprehensive income for the year	-	225,961	225,961
Balance at end of period	<u>2,464,375</u>	<u>2,143,617</u>	<u>4,607,992</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 (Unaudited)**

As at 30 September 2012

	30.09.2012	30.09.2011	31.03.2012
	\$	\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	2,468,768	2,192,581	2,943,202
Receivables and prepayments	1,199,431	1,200,010	1,138,401
Inventories	83,864	124,111	90,662
Income tax refundable	350	-	-
	<u>3,752,413</u>	<u>3,516,702</u>	<u>4,172,265</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	1,765,815	1,854,824	1,758,919
Deferred tax asset	222,423	211,227	213,271
Intangible assets	162,025	249,556	173,707
	<u>2,150,263</u>	<u>2,315,607</u>	<u>2,145,897</u>
<b>TOTAL ASSETS</b>	<u><u>5,902,676</u></u>	<u><u>5,832,309</u></u>	<u><u>6,318,162</u></u>
<b>CURRENT LIABILITIES</b>			
Accounts payable and accruals	331,006	397,883	477,392
Dividend payable	-	-	375,000
GST payable	213,173	202,884	178,752
Income tax payable	-	72,825	82,800
Employee entitlements	750,505	799,592	822,100
	<u>1,294,684</u>	<u>1,473,184</u>	<u>1,936,044</u>
<b>EQUITY</b>			
Share capital	2,464,375	2,464,375	2,464,375
Retained earnings	2,143,617	1,894,750	1,917,743
	<u>4,607,992</u>	<u>4,359,125</u>	<u>4,382,118</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u><u>5,902,676</u></u>	<u><u>5,832,309</u></u>	<u><u>6,318,162</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 (Unaudited)**

For six months ended 30 September 2012

	Six months ended	
	30.09.2012	30.09.2011
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Cash was provided from:</i>		
Receipts from customers	5,539,901	5,716,056
Interest received	57,660	52,023
Dividend received	960	640
Net GST received	-	12,104
	<u>5,598,521</u>	<u>5,780,823</u>
<i>Cash was applied to:</i>		
Payments to suppliers and employees	(5,249,825)	(5,308,588)
Net GST paid	(5,634)	
Net tax paid	(180,598)	(132,438)
	<u>(5,436,057)</u>	<u>(5,441,026)</u>
<b>Net cash flows from operating activities</b>	<b><u>162,464</u></b>	<b><u>339,797</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<i>Cash was provided from:</i>		
Sale of property, plant and equipment	5,413	19,686
	<u>5,413</u>	<u>19,686</u>
<i>Cash was applied to:</i>		
Purchase of property, plant and equipment	(267,311)	(322,930)
	<u>(267,311)</u>	<u>(322,930)</u>
<b>Net cash used in investing activities</b>	<b><u>(261,898)</u></b>	<b><u>(303,244)</u></b>
<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>	<b><u>(375,000)</u></b>	<b><u>(375,000)</u></b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>(474,434)</b>	<b>(338,447)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b><u>2,943,202</u></b>	<b><u>2,531,028</u></b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b><u>2,468,768</u></b>	<b><u>2,192,581</u></b>

*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 2012

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 2012 annual report.

These financial statements have been prepared in accordance with NZ IAS 34.

2) Reconciliation of cash flow from operating activities

	Six months ended	
	30.09.2012	30.09.2011
	\$	\$
Net profit (loss) after taxation	225,961	306,634
<i>Add/(less) non-cash and non-operating items:</i>		
Loss (gain) on sale of property, plant and equipment	19,629	(293)
Depreciation and amortisation	247,056	243,977
Net bad debts written off	-	1,335
Increase/(decrease) in doubtful debts provision	-	(174)
Movement in deferred tax asset	(9,151)	(8,935)
<i>Add/(less) movements in working capital:</i>		
<i>Decrease/(increase) in current assets</i>		
Accounts receivable and prepayments	(61,112)	(114,640)
Inventories	6,797	(8,786)
<i>Increase/(decrease) in current liabilities</i>		
Accounts payable and accruals	(217,982)	(96,104)
GST payable	34,418	32,816
Income taxes payable	(83,152)	(16,033)
<b>Net cash flows from operating activities</b>	<b>162,464</b>	<b>339,797</b>

3) Vehicle Licensing Reform (VLR)

In September 2012, the Ministry of Transport issued a public discussion document on Vehicle Licensing Reform. The Reform focuses on annual vehicle licensing, warrant of fitness / certificate of fitness and transport services licensing.

Public consultation closed on 31 October 2012 with the final options to be announced in December 2012. The Reform may have significant impact on the Company's business into the future.