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ANNUAL REPORT 2020

FOR THE YEAR ENDED
30 JUNE 2020

TIL LOGISTICS GROUP

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On behalf of the Board and Management, we are pleased to present the TIL Logistics Group Limited Annual Report for the year ended 30 June 2020. This Annual Report is dated 23 September 2020 and is signed on behalf of the Board by:

Trevor D Janes
Chairman

Lorraine Witten
Director

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OUR BUSINESS

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TIL Logistics Group is one of New Zealand's largest domestic freight and logistics platforms. We have a nationwide network of branches, depots and warehouses, a dedicated team of more than 1400 employees, owner drivers and contractors and deliver products to over 3,500 customers.

We have a comprehensive service offer, providing an end to end supply chain solution across Freighting, Bulk Liquids, Warehousing & Logistics, Specialist Lifting & Transport (SLTG) and International Freight Forwarding.

In FY20, our trucks travelled more than 45 million kilometres, delivering goods from Bluff to Kaitaia and everywhere in between. And we warehoused thousands of products and goods for our customers in more than 192,000 square metres of warehouse capacity.

Our goal is to be NewZealand's premier transport and logistics company by delivering operational excellence and superior customer service and value.

We remain committed to investing in our people, ensuring a safe working environment, reducing our environmental impact and always acting in a way that is consistent with our values. ■

OUR VALUES

CUSTOMER

We are focused on the needs of our customers We recognise without customers we have no business and do what it takes to be our customers' logistics partner of choice. We are easy to do business with, collaborate and learn from outcomes with our customers.

SAFETY

We focus on team safety ensuring every employee arrives home safe and sound whatever their role. This includes training our staff in the latest safety procedures and using quality equipment as part of our processes.

RESULTS DRIVEN

We are committed to providing the best services, exceeding expectations of our customers and creating sustainable value for our shareholders and stakeholders.

INNOVATION

We strive to be leaders in logistics innovation and welcome new technology with enthusiasm and interest. We always look for ways to improve our effectiveness and efficiency.

TEAM

We work together as a cohesive group, to empower our individual strengths. All employees are given the opportunity for growth and development. We show pride in the appearance of ourselves and our equipment. We all share a "can do" attitude.

PROFESSIONALISM

We do what we say we will do. We act openly and honestly both within the organisation and with our customers. We value ethics, integrity and we do what is right.

SUSTAINABILITY

We want to be a leader in sustainable logistics services. Creation of a sustainable strategy that focuses on our people, customers, investors and communities, is important. Our strategy extends to emission reduction targets and transparent reporting, with the aim being a better environment for us all.

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FY20 SNAPSHOT

- Detailed review and reset of underperforming Freight division
- Continuing refresh of the Senior Leadership Team; new Divisional CEO appointed to lead the Freight division.
- Acquisition of remaining 50% in ATL joint venture in February 2020, a Cromwell-based freight business.
- Opening of two new warehouses, in Christchurch and Auckland.
- Secured significant windfarm turbine transport contract.
- Positive resolution of commercial matters with key customer, with negotiations underway to extend the contract beyond 2021.
- Ongoing investment into technology which is expected to deliver financial and operational benefits.
- Contingency planning and actions undertaken in response to COVID-19.

POST-PERIOD END

- Acquired assets and entered into long term contract to supply heavy transport and logistics services to Fletcher Construction's Asset Hub.

FREIGHT IMPROVEMENT PLAN

- New management team – Divisional CEO, GM Sales, Quality Manager, Owner Driver Manager.
- Introduction of detailed sales planning practices.
- Focus on multi-modal and bundled solutions for customers.
- Empowering local/branch management, upgrading leadership practices.
- Better utilise the Group's scale and competitive advantage to deliver customer transport and warehouse solutions across the country.
- Increase fleet and capacity utilisation; improve the Owner Driver service function.
- Stronger connections between regional brands.
- Implement and leverage technology to deliver operational and customer service excellence.

FY20 RESULTS SNAPSHOT

SALES REVENUE
$333.8M

EBITDA
$57.4M*
PRE-NZ IFRS 16
$26.5M

NET OP CASHFLOW
$40.9M*
PRE-NZ IFRS 16
$17.9M

NET PROFIT AFTER TAX
$2.0M*
PRE-NZ IFRS 16
$6.0M

* Post NZ IFRS 16

NZ IFRS 16 Leases was adopted from 1 July 2019. To provide a like for like comparative to the prior year, all comparatives below are on a pre-NZ IFRS 16 basis (unless otherwise stated):

- Results within updated guidance range provided in June 2020, with EBITDA (pre-NZ IFRS 16) of $26.5m (guidance $25m to $27m).
- Adjusted EBITDA (excluding unusual costs in FY19) slightly below prior year and in line with guidance.
- Net Profit After Tax (NPAT) of $6.0m, up 50% on pcp.
- Margins in line with or above prior year for all divisions, excluding Freight which has undergone review and reset in FY20.
- Material impact from COVID-19 on sales and volumes in 2H20.
- Year on year earnings growth for three divisions - Warehousing & Logistics, International and Specialist. Full year contribution from Specialist following its acquisition in November 2018.
- Improving performance from Freight in 2H20, after a disappointing 1H20. Bulk Liquids materially impacted by reduced fuel demand during lockdown; pcp included a number of one-off revenue benefits.
- Focus on cost reductions and right sizing the business for pending economic slowdown.
- No dividends have been paid or declared for FY20. Resumption of dividends in FY21 will be considered subject to trading conditions and financial performance continuing to improve.

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CHAIRMAN AND CEO'S REPORT

TIL Logistics Group continues to transport freight and store goods for customers from one end of New Zealand to the other and everywhere in between. Not only that, we also have a growing international service that sees us moving items across the globe for our clients, covering air and sea freight, coastal shipping and customs brokerage.

FY20 was a year of unprecedented challenge as our Group contended with adverse market conditions and an underperformance of the Freight division in the first half of year and the material impact of COVID-19 in the second half. In spite of this, we delivered a 50% profit (NPAT) increase on a pre-NZ IFRS 16 basis.

In early 2020, the COVID-19 virus swept the world, closing down borders and businesses. Notwithstanding the impact this has had on our business, we feel very privileged to be living in New Zealand, where we have been able to reduce the spread of the virus more than many other countries. However, we are very conscious that COVID-19 has had, and continues to have, an impact, both socially and economically.

Although some of TIL's businesses had essential service status, COVID-related restrictions have affected many of our customers, with flow on effects for our operations and earnings. The health, safety and wellbeing of staff and customers was the priority during the lockdown period in March and April 2020, and we took actions to quickly respond to the pandemic environment.

We moved to working from home, implemented specific health & safety protocols for those members of our teams still providing essential services, immediately deferred all non-essential expenditure and put processes in place to support our people. As part of this, we received wage subsidies of $10.7m, which allowed us to retain and pay over 1,500 employees at least 80% of their wages, or 100% if working. This Government support helped to partially offset the approximately $17m revenue drop we experienced during the fourth quarter of the financial year due to COVID-19. The Directors and members of the Executive team all volunteered to accept reduced remuneration during the level four lockdown period. The company also focused on the efficiency of fleet operations, and received some support from landlords and its asset leasing partner.

Operating successfully through this difficult period would not have been possible without the dedication and hard work of our people, from those who continued to work as essential workers, to those working from home and those who were asked to take leave during the lockdown period. It has not been an easy time and we would like to acknowledge and thank all our people for their efforts as we continue to recover and rebuild.

Since the lifting of Alert Level 4 in May 2020, our businesses have made good progress on regaining the ground we lost, however, the recent restrictions in Auckland are testament to the continuing volatility of the COVID-19 environment.

Outside of the pandemic, we continued to focus on improving and growing our business during the year. After a disappointing performance from our Freight division in the first half of the financial year, we undertook a 100 day review and identified a number of areas for improvement. Plans have been put in place to address the issues that were identified and actions are being taken. These include new leadership of the division, combined with a stronger management and operational structure, an increased focus on sales and marketing functions and identifying opportunities to better utilise the Group's scale and competitive advantage. The Freight division is also focusing on delivering multi modal and

bundled solutions for its customers, increasing fleet capacity utilisation and improving the owner/driver model. These actions are part of a continuing programme which is designed to drive improving revenue and margins for the Freight division in FY21. Results are already being seen with the Freight business delivering an improved second half performance in FY20.

We also continued to identify opportunities for growth and acquired the remaining 50% of the ATL freight business in Cromwell; and we continued to expand our warehousing footprint with the opening of two new warehouses, in Auckland and Christchurch.

We have over 3,500 customers, many of whom we have served for decades. Delivering high quality customer service and solutions remains at the heart of our business. We secured a major windfarm turbine transport project in FY20, and also worked closely with a key customer to resolve commercial matters and pleasingly, we are now in the process of negotiating an extension to their contract from 2021.

DOING THINGS DIFFERENTLY

As we move forward in this new environment, we believe there is an opportunity for businesses to do things differently. In particular, for us, that means better utilising technology, continuing our sustainability journey and leveraging the talents and value provided by our people.

Technology

We have recently implemented Z Energy's Ortech technology in our Pacific Fuel Haul fleet and are continuing to develop and test the new Transport Management System for our Freight divisions after an initial pilot in our ATL business.

Both of these platforms are intended to create significant efficiencies, reduce cost and waste, and help to optimise haulage routes which is better for our business and for our planet.

Environment

We recognise that the transport industry will always have some impact on the environment but have started on a journey to address this where possible. We are now selling electricity back onto the grid, generated by the solar panels on our warehouse roof in Rolleston. We've invested in new electrical forklifts and new warehouses are built with sustainability in mind.

We're continuing our partnership with Hiringa Energy, which is moving at pace with Waitomo Group setting up hydrogen refuelling stations and New Zealand's largest truck leasing business providing funding to allow large corporates to move to hydrogen fuel.

We are committed to the reduction of carbon emissions through our membership of the Climate Leaders Coalition. Our carbon footprint is dominated by diesel fuel and we have established an improvement programme to reduce carbon emissions. In FY20, our greenhouse gas emissions were 63,405 tonnes of carbon emitted, which was down 7% on the prior year, largely as a result of reduced activity during the COVID-19 lockdown.

Health and Safety

Health and safety remains a priority for us and we take the safety and wellbeing of our employees, contractors, owner drivers and communities very seriously. It is an essential component to everything we do. As part of our actions in FY20, we undertook an independent external review of the company's safety management plan and established a centralised safety team.

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Our people work in challenging environments and there was a serious incident in late May, where one of our people was badly injured. While we are pleased that he is now back on the road to recovery, this incident reinforces the need to be constantly vigilant and continually looking at ways to improve our safety performance.

Technology continues to form a key part of our critical risk controls, including in cab solutions to monitor driver fatigue and provide alerts.

Our efforts in this area are being recognised and TIL was the winner of the Chartered Institute of Logistics & Transport Award for Implementation and Practice. We have also been shortlisted for the Australasian Fleet Champions Awards for our driver safety initiatives using Autosense and Guardian technology. A number of our drivers have recently been through training using the Autosense Heavy Machinery Simulator, with positive feedback from those who participated.

People

Our people are the backbone of our company, from the truck drivers who spend hundreds of hours every year travelling New Zealand's roads, to the warehouse staff, admin, support teams and the managers who lead our business.

While driver recruitment problems have eased, the industry still has challenges attracting young people. We are participating with industry and government led initiatives in order to address the long term problem.

New appointments and changes were made during the year to strengthen our executive team, and we also established a centralised HR team to provide better support for our people across the Group.

Our team of over 1,400 employees has extensive industry knowledge and expertise, some of which has been built up over decades of working in the sector and through economic cycles. We believe this experience will be of benefit as we face the challenges of the coming year and make the most of opportunities which will come our way.

FINANCIAL RESULTS

Sales for the 12-month period were $333.8m, with Q4 FY20 sales down approximately $17m compared to pcp, due to COVID-related restrictions. Despite this, our International and Specialist divisions continued their trends of half yearly sales growth, with Specialist (acquired in the 2018 calendar year) benefitting from the commencement of the major windfarm project in 2H20. Warehousing & Logistics was in line with the prior year, with growing utilisation of the new warehouse capacity which has come online in the last 12 months partially offsetting the additional costs associated with this growth.

All TIL's divisions delivered improvements in EBITDA in the second half (particularly in Freight and Bulk Liquids), after a disappointing first half performance, with results for all divisions also well ahead of the second half in the prior year. This lift in performance, in part, reflects the efforts of management to drive improvements in the business.

Three of the company's five divisions delivered earnings growth in the year, with our largest division, Freight, undergoing a significant reset after a disappointing first half performance. Likewise, margins for all divisions, except Freight, were in line with or ahead of the prior year.

Net profit after tax was up 50% on a like for like basis (pre-NZ IFRS 16) to $6.0m, with a reported net profit after tax of $2.0m.

TIL has sound working capital disciplines resulting in a solid cash position at year-end of $11.9m. Borrowings increased to $86.3m, reflecting the acquisition of the remaining 50% shareholding in ATL.

Given the recessionary outlook and the sense that the full impact of COVID-19 has still to be felt, the Board felt it was prudent to not declare a final dividend for FY20. Resumption of dividends in FY21 will be considered subject to trading conditions and financial performance continuing to improve.

OUTLOOK AND STRATEGIC PRIORITIES

The current environment has demonstrated the benefits of being a group of scale, with the ability to invest into health & safety, training, systems and infrastructure. In addition, having a range of customers across a variety of industry sectors and regions has meant that TIL has not been overly exposed to some of the deep shocks that have affected specific industries and parts of the economy.

We expect the challenges from COVID-19 to continue in FY21 with the flow on effects to be felt for some time. Given the expected economic downturn, the Board retains a cautious outlook.

However, we do see windows of opportunity, with COVID-19-related Government fiscal stimulus expected to support increasing freight volumes; a global trend of businesses using 3rd party warehousing & logistics providers (3PL) such as TIL ; and continuing high demand in some sectors such as food & beverage, aquaculture, viticulture and other primary industries. We already have a footprint in these sectors and will look to build on our reputation and expertise to grow our market share.

We have identified four areas of focus for FY21 being:

- The continuing turnaround of the Freight division, with a priority focus on lifting margins.
- Organic growth through the expansion of Bulk Liquids into non-fuel sectors; the expansion of Specialist services into a broader weight range; and optimising MOVE's new warehousing capacity.
- Expanding the International offer and services.
- Building stronger connections and synergies across the Group and promoting our end to end customer solution.

We will continue to focus on social and environmental initiatives to enrich our business. Cash and cashflow management remains a priority. Technology is a key enabler for our strategy, with new systems currently being refined to further enhance efficiencies and performance.

We are confident that, with the work we are doing, TIL will emerge stronger and better in the years ahead. Indeed, we should be better placed than many other businesses in the 'new normal', with strong brands and a diverse customer base across multiple sectors.

The Board has confirmed its view that EBITDA for FY21 is expected to be at least that of the FY20 post NZ IFRS 16 result of $57.4m.

We look forward to updating shareholders on our progress at our Annual Meeting later this year.

Trevor D Janes
Chairman

Alan Pearson
Chief Executive Officer

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TIL LOGISTICS GROUP OPERATES ACROSS FIVE DIVISIONS

FREIGHT

Revenue $161.2m ▼10%
EBITDA $6.6m ▼33%

FY20

- Environment of increasing competitive pricing pressure, lower sales across a range of customers and a softer Christmas trading period than anticipated, as well as the loss of a large customer for NZL. Further impacted by COVID-19.
- Disappointing 1H20 performance - detailed review and reset of the division underway, with improving performance in 2H20 as turnaround initiatives have taken effect.
- Completed pilot of new Transport Management System, with further refinement now underway.
- Continued to adopt other transport modes such as rail and coastal as part of customer solutions.

OUTLOOK

- Expected uplift as country restocks post-COVID, Government stimulus initiatives and increased focus on sales activity.
- Key export industries forecasting robust volume growth, with demand for NZ goods and historically low NZD.
- Longer term, technology initiatives expected to deliver cost and margin benefits.

BULK LIQUIDS

Revenue $73.9m ▼5%
EBITDA $8.0m ▼4%

FY20

- Bulk Liquids primarily services large fuel and gas customers.
- Material impact on fuel volumes due to COVID-19, with flow on effect on Pacific Fuel Haul.
- Additional costs incurred in FY20 to serve a key customer.
- Positive resolution of commercial matters with key customer, and negotiations underway to extend the contract beyond 2021.

OUTLOOK

- Expecting a decline in fuel volumes, due to reduced vehicle movements in a tougher economic environment.
- Focus on cost control.
- Will continue to build on long term strategic partnerships with key customers and grow non-fuel related Liquid transport.

WAREHOUSING & LOGISTICS

Revenue $71.3m ▼6%
EBITDA $7.9m ▲6%

FY20

- Continued investment into new warehouses, resulting in additional capacity which is expected to cater for future sales.
- Additional overheads and operating expenses in FY20, related to the new warehouses.
- Impacted by COVID-19, with customer volumes reducing.

OUTLOOK

- Flow on effects of impact of COVID on customer volumes expected to continue.

INTERNATIONAL

Revenue $9.0m ▲22%
EBITDA $2.4m ▲60%

FY20

- Positive year with increased activity in the sector.
- ISO Tank & Shipping services increased revenue with greater demand for ISO equipment & services.
- Exploring acquisitions opportunities, with further specialist logistics services being investigated to increase footprint.

OUTLOOK

- Opportunity to deliver cross Group bundled offer for customers to drive increased volumes and warehousing and transport demand.
- Impact expected as a result of economic conditions, limitations to cross-border trade and reduced oil & gas exploration activity.

SPECIALIST

Revenue $18.4m ▲40%
EBITDA $4.6m ▲77%

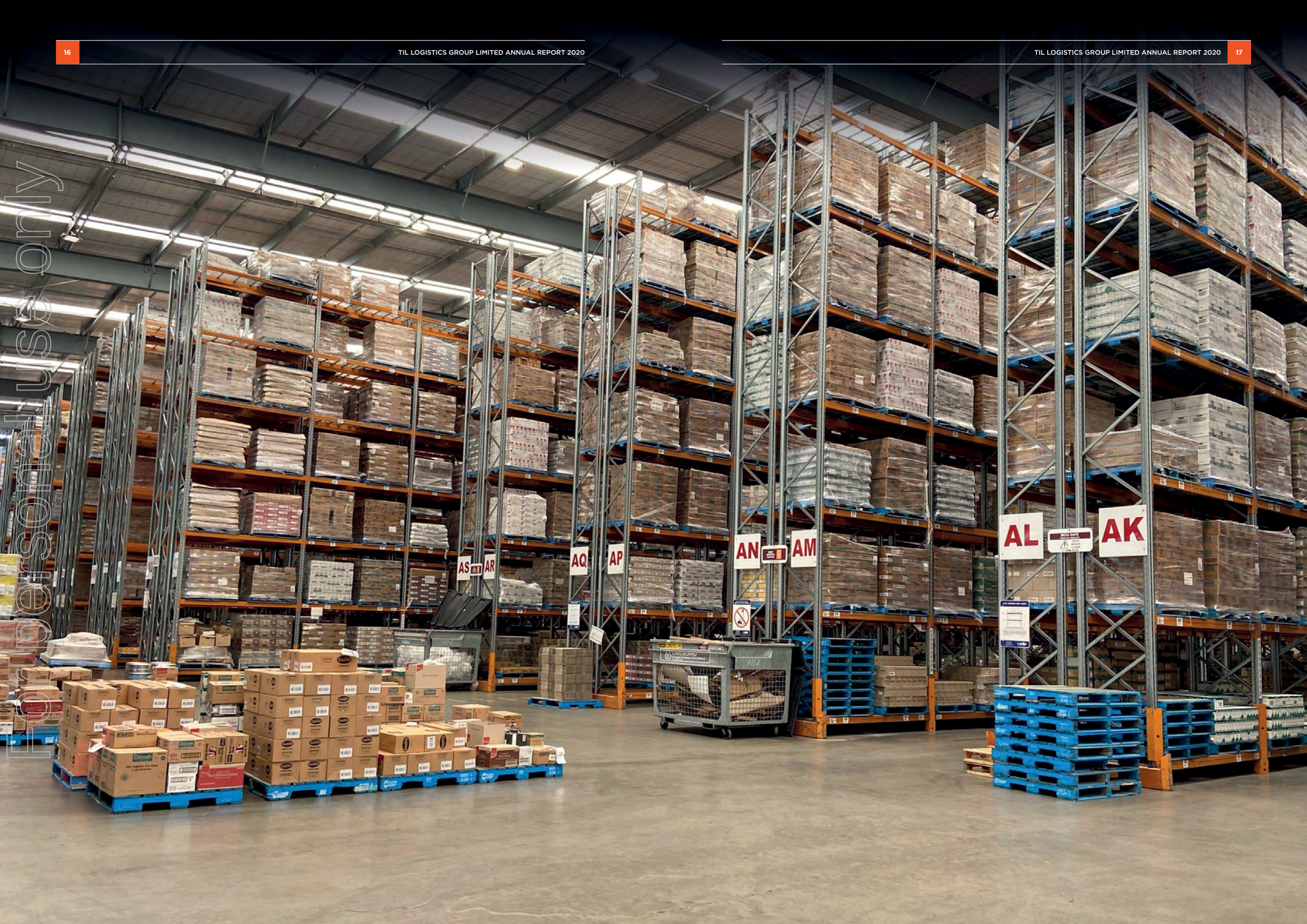
FY20

- Specialised Lifting and Transport continues to be a successful acquisition.
- Major windfarm transport contract secured in February, with some work undertaken in 2H20 but majority deferred to FY21.
- Acquired assets and entered long term contract to supply heavy transport and logistics services to Fletcher Construction's Asset Hub.

OUTLOOK

- Projects delayed by COVID expected to come on stream in 1H21.
- Strong pipeline of activity through increased infrastructure spending and Government stimulus.

EBITDA is reported on a pre-NZ IFRS 16



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OUR BOARD

At TIL Logistics Group, we believe that best practice corporate governance is essential to protect the interests of investors and create and enhance value over the short and long term. We are committed to conducting business in the right way, ethically and in line with our legal and regulatory obligations. The Board has adopted corporate policies and procedures that reflect best practice and we follow the principles and recommendations of the NZX Corporate Governance Code (the Code). You can read about our corporate governance practices in FY20 on pages 76 to 81.

As part of the Board's succession planning, we were pleased to welcome Peter Dryden as a director at our 2019 Annual Shareholders' Meeting. Peter has skills which complement the other Directors and bring value to the Board. ■

TREVOR JANES
INDEPENDENT CHAIR
BCA, FCA, FCFIP, CFinstD
APPOINTED 6 DECEMBER 2017

Trevor Janes has significant governance experience with a number of private and public companies. During the year he was appointed as Chair of the NZX Regulation Establishment Board, having previously been a member of the NZX Markets Disciplinary Tribunal. His career has been in investment banking and financial analysis and he is a Fellow of INFINZ and of CA ANZ, a Member of the Chartered Financial Analysts Institute (USA), and a Chartered Fellow of the Institute of Directors.

JAMES (JIM) RAMSAY
NON-INDEPENDENT DIRECTOR
FCILT
APPOINTED 6 DECEMBER 2017

Jim has extensive experience in the New Zealand transport industry and has spent some 45 years in lead management roles with Hookers, TNL/ Newmans Group and TIL. He has been responsible for building TIL from a local New Plymouth trucking operation into a New Zealand wide transport force. He has served as Chair of TIL and several associated companies, and has played a significant part in transport industry matters. He has been honoured with Life Membership in his local Road Transport Association and is a Fellow of the Chartered Institute of Logistics and Transport. In 2013 Jim was inducted into the NZ Road Transport Hall of Fame. Jim resigned as executive director on 31 December 2019 and since then has been a non-executive director of the Company. Jim is a substantial shareholder in the Company.

LORRAINE WITTEN
INDEPENDENT DIRECTOR,
CHAIR AUDIT & RISK COMMITTEE
BMS (HONS), CA
APPOINTED 6 DECEMBER 2017

Lorraine Witten is an experienced executive and entrepreneur with extensive commercial experience in high growth and high change environments. Her skills are in technology, ICT, construction, services and network economics, where she has 30 years' experience in senior management and finance roles. Lorraine has 20 years of governance experience and is a Fellow of the Institute of Directors. She currently sits on the board of a number of private and public companies including Horizon Energy Group and Rakon. She is Chair of the Audit & Risk committee for the Department of Corrections.

DANNY CHAN
INDEPENDENT DIRECTOR
BCA (HONS), ACA, FCSAP, MINSTD
APPOINTED 6 DECEMBER 2017

Danny is an experienced New Zealand director with extensive accounting, finance and investment management and education experience. He holds a number of directorships with companies including Marlborough Wines Estate as well as numerous companies associated with his private investments both in New Zealand and Asia. He is a member of the NZ China Executive Advisory Council and was a member of the Department of Prime Minister and Cabinet - China Project Advisory Group. During the year Danny completed his term as a member of the NZ Markets Disciplinary Tribunal.

PETER DRYDEN
INDEPENDENT DIRECTOR
BAGSC, MCINSTD
APPOINTED 23 OCTOBER 2019

Peter is a professional company director and advisor, based in Taranaki. He currently sits on the Boards of several private and public companies including as Chair of Port Taranaki and Aquafortus Limited. Peter has worked in leadership positions across Asia, Australia and New Zealand, and has a strong background in the development and implementation of growth strategies and change management. He has extensive executive experience and was Managing Director, Australia and New Zealand, for DowAgroSciences for nine years until May 2016.

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LEADERSHIP

We continued to strengthen the leadership team during FY20, with the appointment of several key positions. Charles Bolt was appointed to the new role of Group General Counsel and Company Secretary, while Dallas Vince was appointed as Divisional CEO for the Freight division. We have also appointed Peter Simone as the acting Group HR and Safety Manager, a role he has taken over while Group HR Manager, Dallas Guildford, is on parental leave. ■

For profiles of each executive, please visit https://www.til.kiwi/about-us/management/

GROUP EXECUTIVE TEAM

ALAN PEARSON
CEO

LEE BANKS
CFO

CHARLES BOLT
GENERAL COUNSEL & COMPANY SECRETARY

MAURICE CORKERY
CIO

PETER SIMONE
ACTING GROUP HR AND SAFETY MANAGER

DIVISIONAL CEOS

DALLAS VINCE
DCEO FREIGHT

STEPHEN OWLES
DCEO BULK LIQUIDS

RICHARD MATHER
DCEO WAREHOUSING & LOGISTICS

CLAYTON IMBS
DCEO INTERNATIONAL

WARWICK BELL
DCEO SPECIALIST LIFTING

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ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 JUNE 2020

ANNUAL FINANCIAL STATEMENTS JUNE 2020

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DIRECTORS' STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

The Directors of TIL Logistics Group Limited are pleased to present the financial statements for TIL Logistics Group Limited and its subsidiaries (together the Group) for the year ended 30 June 2020 contained on pages 25 - 62.

Financial statements for each financial year fairly present the financial position of the Group and its financial performance and cash flows for that period and have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgments and estimates and all relevant financial reporting standards have been followed.

Proper accounting records have been kept that enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the financial statements with the Financial Markets Conduct Act 2013.

Adequate steps have been taken to safeguard the assets of the Group to prevent and detect fraud and other irregularities.

The Directors hereby approve and authorise for issue the financial statements for the year ended 30 June 2020. They do not have the power to amend these financial statements after issue.

For and on behalf of the Board:

Trevor Janes - Chairman
26 August 2020

Lorraine Witten - Director
26 August 2020

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

	NOTES	30 JUNE 2020 $000	30 JUNE 2019 $000
Revenue	7	333,811	354,594
Gains on disposal of assets		648	873
Lease income		1,333	2,904
Other income	7	12,223	1,685
Total Income		**348,015**	**360,056**
Transport costs		(132,718)	(147,742)
Employee costs		(125,309)	(125,481)
Rental / lease expenses		(5,114)	(33,885)
Other operating expenses		(26,352)	(24,947)
Changes in contingent consideration	13.4	225	(2,600)
Depreciation of right of use assets	20	(28,460)	-
Other depreciation / amortisation expenses		(14,442)	(13,610)
Impairment of investment in associates	16.2	(440)	-
Total Operating Expenses	8	**(332,610)**	**(348,265)**
Finance costs relating to lease liabilities	20	(7,947)	-
Other finance costs - interest on borrowing		(3,940)	(4,156)
Interest income on short term deposit		63	116
Operating surplus before income tax		**3,581**	**7,751**
Share of (loss) of associates	16.2	(86)	(361)
Profit Before Income Tax		**3,495**	**7,390**
Income tax expense	9	(984)	(3,026)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**2,511**	**4,364**
Profit attributable to:			
Owners of the company		2,015	4,004
Non-controlling interests		496	360
		2,511	**4,364**
Other comprehensive income:			
Comprehensive Income for the Period, Net of Tax		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**2,511**	**4,364**
Earnings per share for profit attributable to the ordinary equity holders of the Company		**CENTS**	**CENTS**
Basic and diluted earnings per share	11	2.31	4.75

The above consolidated Statement of Profit or Loss & Other Comprehensive Income should be read in conjunction with the accompanying notes. Refer to note 20 specifically relating to the impact of adoption of NZ IFRS 16 Leases.

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CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2020

	NOTES	30 JUNE 2020 $000	30 JUNE 2019 $000
ASSETS			
Current Assets			
Cash and cash equivalents	12.1	11,882	6,389
Inventories		68	301
Trade and other receivables	12.2	43,711	51,037
Tax receivable		-	160
Advances to associates	12.3	305	581
Total Current Assets		**55,966**	**58,468**
Non-Current Assets			
Property, plant and equipment	13.1	94,229	92,313
Right of use assets	20	170,029	-
Intangible assets	13.2	23,821	23,909
Investments in associates	16.2	653	1,692
Total Non-Current Assets		**288,732**	**117,914**
TOTAL ASSETS		**344,698**	**176,382**
EQUITY			
Share capital	14	37,054	35,449
Accumulated losses		(1,742)	(2,364)
Equity attributable to owners of the parent		35,312	33,085
Non-controlling interest in equity		1,614	1,237
TOTAL EQUITY		**36,926**	**34,322**
LIABILITIES			
Current Liabilities			
Trade and other payables	12.4	27,050	39,348
Tax payable		461	-
Deferred revenue	7	361	344
Borrowings	12.5	6,100	5,185
Lease liability	20	25,882	-
Employee entitlements	12.6	14,208	12,957
Provision for other liabilities and charges	13.4	294	225
Total Current Liabilities		**74,356**	**58,059**
Non-Current Liabilities			
Borrowings	12.5	80,163	79,132
Lease liability	20	147,600	-
Deferred income tax liability	13.3	3,340	4,102
Provisions for other liabilities and charges	13.4	2,313	767
Total Non-Current Liabilities		**233,416**	**84,001**
TOTAL LIABILITIES		**307,772**	**142,060**
TOTAL EQUITY & LIABILITIES		**344,698**	**176,382**

The above consolidated Balance Sheet should be read in conjunction with the accompanying notes. Refer to note 20 specifically relating to the impact of adoption of NZ IFRS 16 Leases.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

		ATTRIBUTABLE TO OWNERS OF THE COMPANY				
	NOTES	SHARE CAPITAL $000	RETAINED EARNINGS/ (ACCUM. LOSSES) $000	TOTAL $000	NON-CONTROLLING INTEREST $000	TOTAL EQUITY $000
Balance as at 1 July 2018 as previously reported		**28,107**	**(1,295)**	**26,812**	**1,157**	**27,969**
Adoption of NZ IFRS 15		-	(571)	(571)	-	(571)
Adoption of NZ IFRS 9		-	(499)	(499)	-	(499)
Revised balance as at 1 July 2018		**28,107**	**(2,365)**	**25,742**	**1,157**	**26,899**
Comprehensive income						
Profit for the year		-	4,004	4,004	360	4,364
Other comprehensive income		-	-	-	-	-
Total comprehensive income		**-**	**4,004**	**4,004**	**360**	**4,364**
Transactions with owners:						
Equity settled acquisition		4,000	-	4,000	-	4,000
Dividends and dividend reinvestment plan	10/14	3,342	(4,003)	(661)	(280)	(941)
Balance as at 30 June 2019		**35,449**	**(2,364)**	**33,085**	**1,237**	**34,322**
Balance as at 1 July 2019		**35,449**	**(2,364)**	**33,085**	**1,237**	**34,322**
Adoption of NZ IFRS 16*		-	765	765	-	765
Revised balance as at 1 July 2019		**35,449**	**(1,599)**	**33,850**	**1,237**	**35,087**
Comprehensive income						
Profit for the year		-	2,015	2,015	496	2,511
Other comprehensive income		-	-	-	-	-
Total comprehensive income		**-**	**2,015**	**2,015**	**496**	**2,511**
Transactions with owners:						
Dividends and dividend reinvestment plan	10/14	1,605	(2,158)	(553)	(119)	(672)
Balance as at 30 June 2020		**37,054**	**(1,742)**	**35,312**	**1,614**	**36,926**

*See note 20 for details regarding the adoption of new accounting policies.
The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	NOTES	30 JUNE 2020 $000	30 JUNE 2019 $000
Cash flows from operating activities			
Receipts from customers		344,947	354,330
Interest received		63	116
Dividends received		218	152
Deferred consideration		(4,000)	-
Payments to suppliers and employees		(298,291)	(329,045)
Government subsidy received	7.g	10,723	-
Notional finance charge on NZ IFRS 16 leases	20	(7,947)	-
Interest paid		(3,652)	(3,885)
Income tax paid		(1,205)	(2,286)
Net cash generated from operating activities	15.1	**40,856**	**19,382**
Cash flows used in investing activities			
Purchase of business, net of cash acquired	17	(5)	(15,000)
Purchase of property, plant and equipment		(13,428)	(22,848)
Proceeds from sale of property, plant and equipment		6,584	13,676
Purchase of intangible assets		(2,190)	(775)
Advances to associates		275	(152)
Net cash used in investing activities		**(8,764)**	**(25,099)**
Cash flows from financing activities			
Repayment of borrowings	15.2	(5,721)	(5,834)
Proceeds from borrowings	15.2	2,750	16,000
Repayment of lease liability (NZ IFRS 16)	15.2	(22,956)	-
Dividends paid to shareholders / non-controlling interests		(672)	(941)
Net cash flow (used in) / from financing activities		**(26,599)**	**9,225**
Net increase in cash and cash equivalents		5,493	3,508
Cash and cash equivalents at beginning of year		6,389	2,881
Cash and cash equivalents 30 June		**11,882**	**6,389**

The above consolidated statement of cash flows 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 logistics sector. These include general transport, bulk liquids, heavy haulage, shipping, storage and distribution, freight forwarding, national and international household removals and storage.

The Company is incorporated and domiciled in New Zealand, registered under the Companies Act 1993 and is a FMC Reporting Entity under part 7 of 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.

The consolidated financial statements of the Company as at, and for the year ended, 30 June 2020, comprise the Company and its subsidiaries (refer note 16.1), together referred to as the "Group".

1.2. BASIS OF PREPARATION

These financial statements have been prepared on a historical cost basis.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the Group's accounting policies. The areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

The consolidated financial statements have been prepared in accordance with the Financial Reporting Act 2013 and the Companies Act 1993.

The principal accounting policies adopted in the preparation of the financial statements are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transaction and other events is reported. These policies have been consistently applied to all the periods presented, unless otherwise stated. To ensure consistency with the current period, comparable figures have been restated where appropiate (refer note 7 and 8 for details regarding reclassifications).

1.3. STATEMENT OF COMPLIANCE

The Group is a for-profit entity. Its financial statements have been prepared in accordance with, and comply with, New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand Equivalents to International Financial Reporting Standards and other applicable Financial Reporting Standards and Authoritive Notices, as appropriate for for-profit entities. The financial statements comply with International Financial Reporting Standards (IFRS).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. CONSOLIDATION

a. Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interest issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the elimination of any balances arising between the Group and the acquiree.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gain or loss arising from remeasurement is recognised in profit or loss.

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a. Subsidiaries (continued)
Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired, is recorded as goodwill.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value with changes in fair value recognised in profit or loss.

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated Statement of Profit or Loss & Other Comprehensive Income, Statement of Changes in Equity and Balance Sheet respectively.

b. Associates
Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of an accumulated impairment loss. The Group's share of its associates post-acquisition profits or losses is recognised under 'Share of (loss) / profit of associates' in the Statement of Profit or Loss & Other Comprehensive Income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.2. FOREIGN CURRENCY TRANSLATION

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

b. Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2.3 NEW ACCOUNTING STANDARDS

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:

- NZ IFRS 16 Leases

The impact of the adoption of this standard and the new accounting policies are disclosed in note 20. There have been no changes in other accounting standards that would have a material impact on the financial statements.

2.4. STANDARDS ISSUED BUT NOT YET ADOPTED

There are no new standards or amendments to standards and interpretations that are effective for periods beginning on or after 1 July 2020 that will have a material impact on the consolidated financial statements.

2.5. COVID-19 PANDEMIC

On 11 March 2020 the World Health Organisation declared a global pandemic as a result of the outbreak and spread of COVID-19. Following this, on Wednesday 25 March 2020, the New Zealand Government raised its Alert Level to 4 (full lockdown of non-essential services) moving down to Alert Level 3 on 27 April 2020, Alert Level 2 on 14 May 2020 and Alert Level 1 on 9 June 2020. During Alert Level 4, the Group's operations in New Zealand were deemed essential services and as a result, the Group continued to operate but at a reduced level, due to many of its customers being deemed non-essential. Post Alert Level 4 operating levels have recovered, however revenue for June 2020 is down on June 2019. Management are forecasting revenue levels to return to similar levels achieved in FY19 during the FY21 year.

An assessment of the impact of COVID-19 on the Group is set out below:

Balance sheet item	COVID-19 assessment
Trade receivables	The Group has assessed the provision for expected credit losses to reflect expected financial difficulties of customers. Management concluded that the relatively short term nature of the debtors, the financial security of the customer base and the fact that the receivables payments are being received on a regular basis has meant that the impact on the expected credit loss model was not significant (refer note 3.1).
Property, plant and equipment	Plant and equipment are stated at historical cost less depreciation and impairment. Following recovery of operations, COVID-19 and the resulting economic impacts as assessed at this reporting period, Management has determined there is no external indicator of impairment and has therefore conclued no impairment is required.
Goodwill	The Group has considered the impacts of COVID-19 in the assumptions and cash flows used in the assessment of goodwill impairment testing. As a result of the heightened uncertainty, probability weighted cash flows were used in determining the recoverable amount (refer note 13.2). No impairment is required.
Profit or Loss item	**COVID-19 assessment**
Government wage subsidy	Several entities under the Group applied for and received the government wage subsidy (refer note 7).
Lease concessions	The Group applied for and was granted rental concessions from its landlords. As a result the Group elected to adopt the practical expedient of NZ IFRS 16 and recognised an immaterial amount in the Statement of Profit or Loss & Other Comprehensive Income as a reduction to lease expense.

3. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise bank loans and overdrafts, cash, trade creditors and accruals and trade debtors. The main purpose of these financial instruments is to raise and provide working capital for the Group's operations.

This note explains the Group's exposure to financial risks and how these risks affect the Group's future financial performance.

Risk	Exposure arising from	Measurement
Credit risk	Cash and cash equivalents and trade receivables	Aging analysis & credit ratings
Market risk - interest rate	Long term borrowing at variable rates	Sensitivity analysis
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecast

The Group's risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and manages financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, funding risk, interest rate risk, credit risk and use of derivative financial instruments and non-derivative financial instruments.

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3.1. CREDIT RISK MANAGEMENT

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

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

At 30 June the Group's credit risk exposure is equal to the carrying value of its financial assets.

	2020 $000	2019 $000
Trade and other receivables		
Trade receivables	43,740	48,724
Credit loss provision	(2,952)	(865)
Total trade receivables	**40,788**	**47,859**
Accrued revenue	717	1,313
Sundry receivables	534	467
Advances to associates	305	581
Cash and short term bank deposits		
Bank with AA- credit rating	11,882	6,389

a. Impaired trade receivables

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet been identified. For these receivables the estimated impairment losses are recognised in a separate provision for impairment. The Group considers that there is evidence of impairment if any of the following indicators are present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or delinquency in payments.

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash.

Impairment losses are recognised in profit or loss within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses.

Movements in the provision for impairment of trade receivables that are assessed for impairment collectively are as follows:

	2020 $000	2019 $000
At 1 July	865	351
Provision for impairment recognised during the year	393	105
Provision for credit notes to revenue	1,770	216
NZ IFRS 9: Increase provision for trade receivables	-	499
Receivables written off during the year as uncollectible	(76)	(306)
At 30 June	**2,952**	**865**

3.1 CREDIT RISK MANAGEMENT (CONTINUED)

The table below sets out information about the credit quality of trade receivables net of the expected credit loss provision:

	Current $000	1 -29 days overdue $000	30 - 59 days overdue $000	60+ days overdue $000	Total $000
30 June 2019					
Gross carrying amount	**39,348**	**6,206**	**916**	**2,254**	**48,724**
Baseline	158	142	159	406	865
Specific	-	-	-	-	-
Total expected credit loss rate	0.4%	2.3%	17.3%	18.0%	
Credit loss provision	**158**	**142**	**159**	**406**	**865**
30 June 2020					
Gross carrying amount	**36,306**	**2,838**	**2,032**	**2,564**	**43,740**
Baseline	322	67	193	352	934
Specific	-	793	1,225	-	2,018
Total expected credit loss rate	0.9%	30.3%	70.0%	13.7%	
Credit loss provision	**322**	**860**	**1,418**	**352**	**2,952**

Critical estimates and judgements

a. Credit loss provision

To measure expected credit losses, trade receivables have been grouped and reviewed on the basis of the number of days past due. The credit loss provision has been calculated by considering the impact of the following characteristics:

- The baseline loss rate takes into account the write-off history of the Group over a two-year period as a predictor of future conditions and applies an increasing expected credit loss estimate by trade receivables aging profile.
- Specific credit loss provisions are made based on any specific customer collection issues that are identified. Collections and payments from our customers are continuously monitored and a credit loss provision is maintained to cover any specific customer credit losses anticipated (refer b below).

The Group has performed an assessment of credit risk on its customer base taking into consideration the factors below:

- profile of the customer, i.e. corporate or individual customers
- region the customer is based in
- industry the customer operates within
- size and nature of the customer
- and, the Group's understanding of and experience with the customer
- impact of COVID-19 on our customers

As a result of this assessment, the Group has assessed its baseline provision to $934,000 (2019: $865,000), to reflect the estimated financial impact of its assessment of the credit risk.

b. Trade Receivables

Within the trade and other receivables balance there is one material disputed amount. The amount recognised in the receivables balance is, in Management's view, a reasonably conservative best estimate that is based on the contractual terms and external legal advice. While there is some uncertainty about the outcome of this matter, the range of reasonably possible outcomes is not likely to be materially different to what has been recognised in the receivables balance.

Within the 60+ days gross carrying amount balance there is a material amount previously disputed with one customer which has been settled subsequent to year end (refer note 22).

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3.2. INTEREST RATE RISK

The Group's main interest rate risk arises from long term borrowing with variable rates which exposes the Group to cash flow interest rate risk. The Group adopts a policy of ensuring that some of its exposure to changes in interest rates on borrowings is on a fixed rate basis by entering into interest rate swaps.

The table below summarises the Group's current interest rate swaps:

Date effective	Face value	Maturity date	Interest rate paid
8 July 2019	20,000,000	8 July 2024	1.59% p.a.

The Group does not hedge account so all market adjustments are recognised in the Statement of Profit or Loss & Other Comprehensive Income.

Sensitivity analysis
The effect of a 1% increase or decrease in the floating interest rates for the Group would be a decrease/increase in profit and equity of $663,000 (2019: $847,000).

3.3. LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding through having flexible funding lines available to them. Management monitors rolling forecasts of the Group's liquidity reserve, which comprises its undrawn borrowing facility and cash and cash equivalents (note 12.1) on the basis of expected cash flows.

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	2020 $000	2019 $000
Expiring within one year (bank overdraft)	10,000	5,000
Expiring beyond one year (bank loans)	-	2,750
Total	**10,000**	**7,750**

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances or the impact of discounting is not significant.

	Less than 1 year $000	Between 1 and 2 years $000	Between 2 and 5 years $000	Beyond 5 years $000	Total contractual cash flows $000	Carrying amount (assets)/ liabilities $000
2019						
Borrowings	8,887	79,332	1,498	-	89,717	84,317
Lease liabilities	-	-	-	-	-	-
Trade and other payables	39,348	-	-	-	39,348	39,348
Employee entitlements	12,957	-	-	-	12,957	12,957
Contingent consideration	225	-	-	-	225	225
Total	**61,417**	**79,332**	**1,498**	**-**	**142,247**	**136,847**
2020						
Borrowings	9,150	78,652	3,025	-	90,827	86,263
Lease liabilities	33,179	30,287	66,554	86,556	216,576	173,482
Trade and other payables	27,050	-	-	-	27,050	27,050
Employee entitlements	14,208	-	-	-	14,208	14,208
Total	**83,587**	**108,939**	**69,579**	**86,556**	**348,661**	**301,003**

3.3. LIQUIDITY RISK (CONTINUED)

The Group provides guarantees, these are detailed in note 18.

3.4. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio and leverage ratio. The Group's respective ratios at 30 June 2020 were as follows:

	2020 $000	2019 $000
Bank borrowings	86,263	84,317
Less: cash and cash equivalents	(11,882)	(6,389)
Net debt (excluding lease liabilities)	**74,381**	**77,928**
Equity	**36,926**	**34,322**
Gearing ratio	**66.8%**	**69.4%**

	2020 $000	2019 $000
Bank borrowings	86,263	84,317
Less: cash and cash equivalents	(11,882)	(6,389)
Net debt (excluding lease liabilities)	**74,381**	**77,928**
Profit before interest, tax, depreciation and amortisation[1]	**26,512**	**28,001**
Leverage ratio	**2.81:1**	**2.78:1**

[1] Calculated on pre-NZ IFRS 16 basis, excluding significant items as per bank covenant definitions (refer note 5).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

a. Estimated impairment of goodwill
The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. Refer to note 13.2 for further details.

b. Working capital
The Group has a negative working capital balance. Management note the impact of the current lease liability on the current liability balance and consider that there are assets available to meet the Group's liabilities as they fall due. Given the liability profile, aspects of the balances presented as current liabilities will be funded by the ongoing future activities of the business.

c. Trade receivables
Due to a customer dispute Management have had to make some judgements regarding collectibility (refer note 3.1).

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5. RECONCILIATION TO GAAP MEASURE

The Group results are prepared in accordance with New Zealand Generally Accepted Accounting Practice ("GAAP") and comply with International Financial Reporting Standards ("IFRS").

These financial statements include non-GAAP financial measures that are not prepared in accordance with IFRS. The non-GAAP financial measures used in this presentation are as follows:

- EBITDA (a non-GAAP measure) represents profit before income taxes (a GAAP measure), excluding interest income, interest expense, depreciation and amortisation, share of loss of associates, bargain on acquisition, impairment of investment in associates, deferred consideration and advisor costs as reported in the financial statements.
- EBIT (a non-GAAP measure) represents profit before income taxes (a GAAP measure), excluding interest income, interest expense, share of loss of associates, bargain on acquisition, impairment of investment in associates, deferred consideration and advisor costs as reported in the financial statements.
- Pre-NZ IFRS 16 adjusted EBIT and EBITDA represents adjusted non-GAAP measures presented as if NZ IFRS 16 had not been adopted and the results were still prepared under NZ IAS 17. This allows comparability between the results for the two periods.

The Group believes that these non-GAAP measures provide useful information to readers to assist in the understanding of the financial performance and position of the Group as they are used internally to evaluate the performance of business units and to establish operational goals. They should not be viewed in isolation, nor considered as a subsitute for measures reported in accordance with IFRS. Non-GAAP measures as reported by the Group may not be comparable to similarly titled amounts reported by other companies.

The following is a reconciliation between these non-GAAP measures and net profit after tax:

Reconciliation to GAAP measure	12 months to June 2020 $000	12 months to June 2019 $000
Profit Before Income Tax (GAAP measure)	3,495	7,390
Add back:		
Share of loss of associates	86	361
Finance costs / (interest income)	11,824	4,040
Impairment of investment in associates	440	-
Bargain on acquisition	(1,106)	-
Depreciation & amortisation	42,902	13,610
Deferred consideration and advisor costs expensed	(225)	2,600
EBITDA (non-GAAP measure)	57,416	28,001
NZ IFRS 16 adjustments (refer note 20)	(30,904)	-
Pre-NZ IFRS 16 adjusted EBITDA (non-GAAP measure)	**26,512**	**28,001**

5. RECONCILIATION TO GAAP MEASURE (CONTINUED)

Reconciliation to GAAP measure	12 months to June 2020 $000	12 months to June 2019 $000
Profit Before Income Tax (GAAP Measure)	3,495	7,390
Add back:		
Share of loss of associates	86	361
Finance costs (net)	11,824	4,040
Impairment of investment in associates	440	-
Bargain on acquisition	(1,106)	-
Deferred consideration and advisor costs expensed	(225)	2,600
EBIT (non-GAAP measure)	14,514	14,391
NZ IFRS 16 adjustments (refer note 20)	(2,444)	-
Pre-NZ IFRS 16 adjusted EBIT (non-GAAP measure)	**12,070**	**14,391**

6. SEGMENT INFORMATION

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

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 regard 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, EBIT and Pre-NZ IFRS 16 EBITDA and EBIT) to assess the commercial performance of the segments (refer note 5). 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.

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6. SEGMENT INFORMATION (CONTINUED)

The segment information for the year ended 30 June is as follows:

	International	Specialist	Freighting	Warehousing & Logistics	Bulk Liquids	Corporate	Total
	$000	$000	$000	$000	$000	$000	$000
Year ended 30 June 2019 (re-stated)[1]							
Total segment revenue	7,416	13,487	185,118	78,838	83,221	-	368,080
Inter-segment revenue	-	(346)	(5,370)	(2,660)	(5,110)	-	(13,486)
Revenue from external customers	**7,416**	**13,141**	**179,748**	**76,178**	**78,111**	**-**	**354,594**
EBITDA	1,549	2,646	9,906	7,404	8,253	(1,757)	28,001
Depreciation - tangible assets	93	1,397	5,549	2,330	1,722	190	11,281
Amortisation - intangible assets	68	-	34	1,847	-	380	2,329
EBIT	1,388	1,249	4,323	3,227	6,531	(2,327)	14,391
Assets	**6,044**	**24,990**	**51,423**	**62,310**	**18,764**	**12,851**	**176,382**
Liabilities	**4,310**	**2,811**	**21,280**	**14,323**	**11,279**	**88,057**	**142,060**
Capital expenditure including intangibles	**233**	**471**	**9,658**	**6,802**	**6,211**	**777**	**24,152**
Year ended 30 June 2020							
Total segment revenue	8,976	18,722	168,176	73,556	78,798	-	348,228
Inter-segment revenue	(4)	(312)	(6,949)	(2,245)	(4,907)	-	(14,417)
Revenue from external customers	**8,972**	**18,410**	**161,227**	**71,311**	**73,891**	**-**	**333,811**
EBITDA	2,563	5,364	16,933	21,523	13,919	(2,886)	57,416
Pre-NZ IFRS 16 EBITDA	2,446	4,611	6,638	7,854	7,971	(3,008)	26,512
Depreciation - tangible assets	107	1,959	5,659	2,633	1,581	245	12,184
Depreciation - ROU assets	117	718	9,251	12,861	5,412	101	28,460
Depreciation - intangible assets	19	0	29	1,851	-	359	2,258
EBIT	2,319	2,687	1,994	4,179	6,926	(3,591)	14,514
Pre-NZ IFRS 16 EBIT	2,320	2,651	950	3,371	6,390	(3,612)	12,070
Assets	**7,947**	**25,932**	**143,200**	**110,957**	**42,180**	**14,482**	**344,698**
Liabilities	**4,173**	**3,902**	**104,783**	**77,256**	**33,078**	**84,580**	**307,772**
Capital expenditure including intangibles	**501**	**2,342**	**5,983**	**3,048**	**2,578**	**2,713**	**17,165**

1 Management note, consistent with interim disclosures, there has been changes to the operational companies that sit under each segment as a result of the restructure of NZL Group Limited which now has the Freighting component under the Freighting segment (previously Warehousing and Logistics).

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.

Revenues of approximately $43,800,000 (2019: $47,600,000) are derived from a single external customer which exceeds 10% or more of our entity's revenue. These revenues are attributed to the Bulk Liquid segment.

7. REVENUE & OTHER SOURCES OF INCOME

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. Revenue is shown net of GST, rebates and after eliminating sales within the Group.

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.

Warehousing 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 accounted for as separate performance obligations.

Trading Services
The Group performs freight forwarding and shipping agency services. Revenue is recognised over the time of delivery, being from the time of acceptance of the job to completion of the shipment. Revenue is recognised on a net basis after disbursements as the Group are acting as an agent for the customer. During the previous financial year the Group performed services for trading customers where by the Group was acting as an agent and revenue received and costs incurred should have been reported on a net basis but were shown on a gross basis. As a result comparables have been reclassified to align with current year treatment amounting to $0.5 million.

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. This is because the customer receives and uses the benefits of the service simultaneously.

Customers are invoiced on a daily, weekly or monthly basis and consideration is payable when invoiced. There are no significant financing arrangements for any of the Group's revenue streams. The Group does not offer any refunds or warranties.

The Group derives the following types of revenue:

	2020	2019
	$000	$000
Freight	277,881	302,139
Warehousing	45,809	44,046
Trading	10,121	8,409
Total Revenue	**333,811**	**354,594**

	June 2020	June 2019
Timing of revenue recognition	$000	$000
Over time	333,811	354,594
At a point in time	-	-
Total Revenue	**333,811**	**354,594**

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. Lease 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.

e. Bargain on acquisition
A bargain on acquisition was recognised relating to the acquisition of ATL Limited (refer note 17) due to the consideration being less than fair value of assets acquired.

f. 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.

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7. REVENUE & OTHER SOURCES OF INCOME (CONTINUED)

g. Contract liability
The Group recognises a contract liability (deferred revenue) when the Group has received consideration for performance obligations yet to be fulfilled. The opening balance has been recognised in revenue in the current year. In the current year, there was $344,000 of revenue recognised relating to contract liabilities at the prior year end. The average timing of satisfaction of performance obligation in relation to the payment of the contract liability is between 1 and 5 days. Management expects that 100% of the transaction price allocated to unsatisfied performance obligations as of 30 June 2020 will be recognised as revenue during the next reporting period ($361,000).

h. Government grants
Grants from the Government are recognised at their fair value where there is reasonable assurance that the grant will be received, and the Group will comply with the attached conditions.

COVID-19 wage subsidy grants of $10,723,000 (2019:$0) are included in the 'other income' line item. There are no unfulfilled conditions or other contingencies attached to these grants. The Group did not benefit directly from any other forms of government assistance. Government grants relating to income are deferred and recognised in profit or loss over the period necessary to match them with the conditions that they are intended to compensate and were recognised over a 12 week period from application for the subsidy.

8. OPERATING EXPENSES BY NATURE

	2020 $000	2019 $000
Transport costs [1]	132,718	147,742
Employee costs (note 8.1)	125,309	125,481
Property lease expenses	1,129	18,858
Operation lease expenses	3,985	15,027
Trading and warehousing expenses	6,002	5,658
Communications	4,892	4,081
Occupancy costs	6,118	5,054
Travel and accommodation[2]	2,791	3,873
Bad debts	393	105
Foreign exchange loss	37	9
Remuneration paid to principal auditors (PwC)		
Assurance services		
Audit and review of financial statements, including associated disbursements	353	300
Non-assurance services		
Other advisory services related to remuneration benchmarking and executive compensation	19	59
Donations	20	17
Directors fees	398	417
Depreciation and amortisation	42,902	13,610
Impairment of investment in associates	440	-
Net change in contingent consideration and advisor costs[3]	(225)	2,600
Other expenses	5,329	5,374
Total operating expenses	**332,610**	**348,265**

[1] Includes costs relating to transportation including road user charges (RUC), fuel, tyres, repairs and maintenance, owner driver and subcontractor costs.

[2] Previously the Group classified travel and accomodation costs within other expenses. In the current year these expenses have been disclosed separately as a material grouping of expenses. Comparables have been reclassified to align with this treatment amounting to $3.8 million.

[3] The net change in contingent consideration and advisor costs in 2019 is the result of the final determination of the amount payable relating to the MOVE Logistics business acquired in June 2017.

8.1. EMPLOYEE COSTS

a. Superannuation benefits
The Group operates a defined contribution superannuation scheme. The scheme is funded through employee and Group contributions to a trustee-administered fund. The Group has no further payment obligations once contributions have been paid. Contributions are recognised as an employee benefits expense when they are due.

TIL Freighting Limited has a historic defined contribution company superannuation scheme that has been operating for a number of years. The Company has contribution rates from 4% - 10%.

Members contribute a minimum of 4% of their salary/wage and can go as high as 15%. The Company contributions are vested to the member at the rate of 20% per year of service with the Company i.e. 100% after five years of service.

b. Other employee benefits
Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave are expected to be settled within 12 months. They are measured at the amounts expected to be paid when the liabilities are settled.

c. Long service leave
The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Re-measurement as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

d. Profit-sharing and bonus plans
The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

	2020 $000	2019 $000
Wages, salaries & leave costs	118,043	118,993
Superannuation fund contributions	2,806	2,755
Other employee related costs	4,460	3,733
Total	**125,309**	**125,481**

9. INCOME TAX EXPENSE

The tax expense for the year comprised current and deferred tax. Tax is recognised in the profit or loss component of the Statement of Profit or Loss & Other Comprehensive Income except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or equity respectively.
The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income.

	2020 $000	2019 $000
Current tax on profit for the year	(1,760)	(2,337)
Adjustments in respect to prior years	(46)	(58)
Deferred tax	822	(631)
	(984)	**(3,026)**

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9. INCOME TAX EXPENSE (CONTINUED)

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	2020 $000	2019 $000
Profit before income tax	3,495	7,390
Add back:		
Contingent consideration	(225)	-
Impairment of investment in associates	440	-
Share of loss of associates	86	361
Bargain on acquisition	(1,106)	-
	2,690	**7,751**
Prima facie tax (payable) at 28%	(753)	(2,170)
Tax effects of:		
Income not subject to tax	-	20
Timing differences not in deferred tax	-	(9)
Expenses not deductible	(185)	(809)
Prior year adjustment	(46)	(58)
Income tax expense	**(984)**	**(3,026)**

Imputation credits

	2020 $000	2019 $000
Imputation credits available for use in subsequent periods	5,028	4,977

10. DIVIDENDS PAID AND PROPOSED

Dividends to the company shareholders are recognised in the Group's financial statements in the period in which the dividends are declared.

	2020 $000	2019 $000
Recognised Amounts		
Final fully imputed dividend for 2019: 2.5 cents (2018: 2.3 cents)	2,159	1,874
Interim fully imputed dividend for 2020: 0.0 cents (2019: 2.5 cents)	-	2,129
Dividends not recognised at the end of the reporting period		
Since year end the Directors have recommended that no final dividend per fully paid ordinary share be paid (2019: 2.5 cents).	-	2,159

The company operates a Dividend Reinvestment Plan (refer note 14).

11. EARNINGS PER SHARE

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is computed based on the weighted average number of ordinary shares outstanding during the period. Diluted EPS is computed based on the weighted average number of ordinary shares plus the effect of dilutive potential ordinary shares outstanding during the period.

	12 months to 30 June 2020 $000	12 months to 30 June 2019 $000
Profit attributable to the owners for the year	2,015	4,004
Weighted average number of shares	87,363,352	84,328,648
	Cents	**Cents**
Basic & diluted earnings per share	2.31	4.75

12. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group classifies its financial assets at amortised cost. The classification depends on the purpose for which the financial assets are held. Management determines the classification of its financial assets at initial recognition.

Financial assets are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. The Group's financial assets comprise 'Trade and other receivables', 'Cash and cash equivalents' and 'Advances to associates' in the Balance Sheet. Financial assets that are stated at amortised cost are reviewed individually at balance date to determine whether there is objective evidence of impairment. Any impairment losses are recognised in profit or loss in the statement of comprehensive income.

This note provides information about the Group's financial instruments, including:

- An overview of all financial instruments held by the Group
- Specific information about each type of financial instrument
- Information about determining the fair value of the instruments, including judgements and estimations of uncertainty involved.

The Group holds the following financial instruments:

		AMORTISED COST	
Financial Assets	**Notes**	**2020 $000**	**2019 $000**
Cash and cash equivalents	12.1	11,882	6,389
Trade and other receivables[1]	12.2	42,039	49,639
Advances to associates	12.3	305	581
Total		**54,226**	**56,609**

[1] excluding prepayments

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12. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

Financial Liabilities	Notes	FINANCIAL LIABILITIES AT AMORTISED COST	
		2020 $000	2019 $000
Trade Payables[1]	12.4	26,031	37,687
Borrowings	12.5	86,263	84,317
Employee entitlements	12.6	14,208	12,957
Contingent consideration		-	225
Total		**126,502**	**135,186**

[1] excluding non-financial liabilities

The Group's exposure to various risks associated with the financial instruments is discussed in note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above, other than for trade and other receivables where the maximum credit risk is the balance before impairment, being $44,991,000 (2019: $50,504,000).

12.1. CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

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

	2020 $000	2019 $000
Cash	11,882	6,389
Bank overdrafts (undrawn, refer note 3.3)	-	-
Total	**11,882**	**6,389**

12.2. TRADE AND OTHER RECEIVABLES

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

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 NZ 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 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.

	2020 $000	2019 $000
Trade receivables	43,642	48,439
Trade receivables related parties	98	285
Less expected credit loss (refer note 3.1(a))	(2,952)	(865)
Net trade receivables	**40,788**	**47,859**
Accrued revenue	717	1,313
Sundry receivables	534	467
Financial assets at amortised cost	**42,039**	**49,639**
Prepayments	1,672	1,398
Total trade and other receivables	**43,711**	**51,037**

Trade receivables are generally due for settlement within 30 to 60 days.

12.3. ADVANCES TO ASSOCIATES

	2020 $000	2019 $000
ATL Limited	-	275
TNL International Australia Pty Limited	-	3
Eamonn Stephen Farrell[1]	88	86
UNITE Logistics Limited[2]	217	217
Total	**305**	**581**

1 The advance to Eamonn Stephen Farrell is interest bearing and was repaid on 10 July 2020 (refer note 22).

2 The advance with UNITE Logistics Limited is due on demand and is non-interest bearing.

12.4. TRADE AND OTHER PAYABLES

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

	2020 $000	2019 $000
Trade payables	16,851	23,571
Trade payables related parties	181	762
GST payable	1,019	1,661
Lease incentive	121	190
Accrued expenses	8,878	13,164
Total	**27,050**	**39,348**

Trade payables are unsecured and are usually paid within 30 to 60 days of recognition.

12.5. BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method. Any borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs are expensed as incurred, unless they relate to the acquisition, construction or production of a qualifying asset in which case the borrowing costs are capitalised.

The facility includes a revolving committed cash facility of $75 million, an overdraft facility of $10 million, a term loan of $6.9 million and a bank guarantee facility of $7.4 million (refer note 3.3).

	30 June 2020 $000	30 June 2019 $000
Non-Current		
Secured loan ASB	76,488	78,996
Secured loan Mainland Capital / De Lage Landen	64	136
Secured loan Toyota Finance	3,611	-
	80,163	**79,132**
Current		
Secured loan ASB	5,259	5,113
Secured loan Mainland Capital / De Lage Landen	72	72
Secured loan Toyota Finance	769	-
	6,100	**5,185**
Total	**86,263**	**84,317**

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12.5. BORROWINGS (CONTINUED)

The ASB Bank Limited facilities are secured by way of a first ranking general security over the Group's assets and undertakings.

Toyota Finance Limited holds a registered security over the motor vehicles that relate to the assets used as security for the ATL Limited acquisition (refer note 17).

As at 30 June 2020 the Group had total borrowings of $86.3m (2019: $84.3m). On 12 November 2019 the term of the ASB Bank Limited (ASB) secured loan was extended to 6 December 2021.

The Group is required to comply with a number of financial covenants and undertakings under the Senior Facility Agreement with ASB, including an Interest Cover Ratio of greater than 3.00x, a Debt Service Cover Ratio of greater than 1.20x and Leverage Ratio of less than 3.5x.

The Group expected it would breach some of these covenants at 31 December 2019 and as a result the Group obtained a waiver from ASB prior to the expected breaches.

On 28 February 2020 the Group agreed an amendment with ASB to reset its financial covenants. This amendment indicates the continued support of the Group's banking partner, ASB.

The reset covenants are as follows:

- Leverage Ratio of <4.0x for 31 March 2020 and then increasing back to <3.50x thereafter
- Interest Cover Ratio of >1.75x for 31 March 2020 and 30 June 2020; increasing to >2.25x for 30 September 2020 and >3.00x thereafter
- Debt Service Cover Ratio >0.75x for 31 March 2020, 30 June 2020 and 30 September 2020, increasing to >1.00x for 31 December 2020 and then back to >1.20x thereafter
- A new undertaking that Operating Lease Commitments in relation to fleet and equipment are capped at $70m

The Group has fully complied with the reset facility covenants and undertakings to 30 June 2020.

The recent trading performance and current outlook for the Group is supported by industry forecasts, albeit with some risk of short-term softening in demand. These factors are reflected in the Group's covenant compliance forecasts. Based on these forecasts the Group is expected to comply with the financial covenants for at least the next 12 months, with higher headroom than had been forecast at the time of the latest half year financial statements, and there is sufficient headroom to allow for reasonable variability in actual performance during this period. Accordingly the consolidated financial statements are prepared on a going concern basis.

The COVID-19 pandemic presents on-going uncertainties to the general economic environment and if those impacts are significantly more severe than currently expected by economic and industry forecasts then this may increase the risk of complying with the financial covenants.

12.6 EMPLOYEE ENTITLEMENTS

	2020 $000	2019 $000
Leave provision	8,343	8,320
Salary and wage accruals	5,865	4,637
Total	**14,208**	**12,957**

12.7 RECOGNISED FAIR VALUE MEASUREMENTS

This section explains the judgement and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements.

	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Recurring fair value measurements				
At 30 June 2019				
Contingent consideration	-	-	(225)	(225)
At 30 June 2020				
Contingent consideration	-	-	-	-

12.7 RECOGNISED FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents the changes in level 3 items for the year ended 30 June 2020:

	Contingent consideration $000
Opening balance 1 July 2018	(2,192)
Amounts reclassified to payables	3,500
(Losses) recognised in other expenses	(1,533)
Closing balance 30 June 2019	**(225)**
Opening balance 1 July 2019	(225)
Unused amounts reversed	225
Closing balance 30 June 2020	**-**

13. NON-FINANCIAL ASSETS AND LIABILITIES

This note provides information about the Group's non-financial assets and liabilities, including specific information about each type of non-financial asset and non-financial liability:

- Property, plant and equipment (note 13.1)
- Intangible assets (note 13.2)
- Deferred tax balances (note 13.3)
- Provisions for other liabilities and charges (note 13.4)

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

13.1. PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation on assets is calculated using the diminishing value (DV) or straight-line (SL) method. From 1 July 2019 depreciation on all assets aquired is calculated using the SL method.

	Years	Depreciation rate	Method
Plant and equipment - leasehold improvements	1 - 16	2.5% - 50%	SL/DV
Motor vehicles - trucks	0.5 - 14	-	SL
Motor vehicles - trailers	0.5 - 18	-	SL
Plant and equipment	1 - 30	7.5% - 67%	SL/DV
Motor vehicles - other	1 - 25	13% - 30%	SL/DV
Office equipment	1.5 - 14	8% - 67%	SL/DV
Furniture and fittings	0.5 - 14	4% - 67%	SL/DV
Leased assets	1 - 12	-	SL
Land and buildings		0% - 30%	DV

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13.1. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Gains on disposal of assets' in the Statement of Profit or Loss & Other Comprehensive Income.

	Land and buildings	Motor vehicles	Office equipment and F&F	Plant and equipment	Work in progress	Total
	$000	$000	$000	$000	$000	$000
At 1 July 2018						
Cost	404	139,610	3,476	14,081	2,768	160,339
Accumulated depreciation	(249)	(74,990)	(2,328)	(8,156)	-	(85,723)
Net book amount	**155**	**64,620**	**1,148**	**5,925**	**2,768**	**74,616**
Year ended 30 June 2019						
Additions	199	3,271	644	1,404	17,859	23,377
Acquisition of subsidiaries	-	15,410	23	3,746	-	19,179
Disposals	-	(4,797)	(9)	(161)	(7,761)	(12,728)
Transfers	-	9,099	197	1,919	(12,065)	(850)
Depreciation charge	(10)	(9,222)	(531)	(1,518)	-	(11,281)
Closing net book amount	**344**	**78,381**	**1,472**	**11,315**	**801**	**92,313**
At 1 July 2019						
Cost	604	156,138	4,278	20,727	801	182,548
Accumulated depreciation	(260)	(77,757)	(2,806)	(9,412)	-	(90,235)
Net book amount	**344**	**78,381**	**1,472**	**11,315**	**801**	**92,313**
Year ended 30 June 2020						
Additions	-	4,339	566	1,121	8,948	14,974
Acquisition of subsidiaries	-	5,008	73	61	-	5,142
Disposals	(23)	(1,497)	(1)	(101)	(4,394)	(6,016)
Transfers	-	1,972	6	1,004	(2,982)	-
Depreciation charge	(10)	(9,510)	(591)	(2,073)	-	(12,184)
Closing net book amount	**311**	**78,693**	**1,525**	**11,327**	**2,373**	**94,229**
At 30 June 2020						
Cost	580	163,383	4,918	22,879	2,373	194,133
Accumulated depreciation	(269)	(84,690)	(3,393)	(11,552)	-	(99,904)
Closing net book amount	**311**	**78,693**	**1,525**	**11,327**	**2,373**	**94,229**

13.2 INTANGIBLE ASSETS

a. Goodwill
Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired. Goodwill on acquisitions of subsidiaries is included in 'Intangible assets' in the Balance Sheet. Goodwill on acquisitions of associates is included in 'Investments in associates' in the balance sheet and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

b. Computer software
Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised, using the diminishing value method at a rate of 48% and recognised in the profit or loss. Costs associated with maintaining computer software programmes are recognised as an expense when incurred.

c. Customer contracts and lists
Acquired customer contracts and lists are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line basis over six years. Amortisation expense is recognised in the profit or loss.

	Goodwill	Computer software	Work in progress	Customer lists	Total
	$000	$000	$000	$000	$000
At 1 July 2018					
Cost	15,020	2,151	-	10,132	27,303
Accum. amortisation and impairment	-	(854)	-	(1,836)	(2,690)
Net book amount	**15,020**	**1,297**	**-**	**8,296**	**24,613**
Year ended 30 June 2019					
Additions	-	775	-	-	775
Transfers	-	850	-	-	850
Amortisation/impairment charge	-	(676)	-	(1,653)	(2,329)
Closing net book amount	**15,020**	**2,246**	**-**	**6,643**	**23,909**
At 1 July 2019					
Cost	15,020	3,776	-	10,132	28,928
Accum. amortisation and impairment	-	(1,530)	-	(3,489)	(5,019)
Net book amount	**15,020**	**2,246**	**-**	**6,643**	**23,909**
Year ended 30 June 2020					
Additions	-	31	2,160	-	2,191
Disposals	-	-	(21)	-	(21)
Transfers	-	(31)	31	-	-
Amortisation/impairment charge	-	(652)	-	(1,606)	(2,258)
Closing net book amount	**15,020**	**1,594**	**2,170**	**5,037**	**23,821**
At 30 June 2020					
Cost	15,020	3,777	2,170	10,132	31,099
Accum. amortisation and impairment	-	(2,183)	-	(5,095)	(7,278)
Closing net book amount	**15,020**	**1,594**	**2,170**	**5,037**	**23,821**

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13.2 INTANGIBLE ASSETS (CONTINUED)

The Group has classified its goodwill into the following cash-generating units (CGUs):

	2020 $000	2019 $000
TIL Freighting Limited	1,027	1,027
Alpha Customs Limited	776	776
MOVE Logistics Limited	12,492	12,492
TNL International Limited	170	170
McAuley's Transport Limited	555	555
Total	**15,020**	**15,020**

The Group tests goodwill for impairment using value in use calculations with cash flow projections based on a five-year period. In response to current challenges faced when forecasting future cash flows, Management has prepared an upside, downside and base scenario for each CGU. Each of these include the three years of Board approved cash flow projections with cashflows beyond this extrapolated using the assumptions as noted below. The final value in use calculations for each CGU apply an assessed probability weighting to the three scenarios. The current probability weighting approach is a change from previous impairment tests which used a single forecast.

Management exercises judgement in confirming the carrying value of goodwill, considering a wide range of inputs including the state of the industry and market movements. While Management has concluded that there are no impairments for any of the CGUs at 30 June 2020, a reasonably possible change in key assumptions in the value in use calculations could cause an impairment in the TIL Freighting Limited and McAuley's Transport Limited CGUs. In addition to these CGUs, the MOVE Logistics Limited CGU has a significant goodwill balance.

The key assumptions for the value in use calculations of these three CGUs are summarised below:

	Discount rate post-tax	Discount rate pre-tax	Terminal growth rate	Revenue growth rate year 1*	Revenue growth rate year 2*	Revenue growth rate year 3 - 5*
30 June 2019						
MOVE Logistics Limited	9.2%	11.3%	2.0%	0.4%	2.0%	2.0%
TIL Freighting Limited	9.2%	11.3%	2.0%	3.6%	3.5%	2.0%
McAuley's Transport Limited	11.3%	13.5%	2.0%	7.0%	2.0%	2.0%
30 June 2020						
MOVE Logistics Limited	9.1%	10.2%	1.7%	2.1%	3.0%	1.9% - 2.0%
TIL Freighting Limited	9.5%	11.0%	1.7%	0.6%	7.6%	0.0% - 5.2%
McAuley's Transport Limited	11.6%	15.0%	1.7%	(5.5%)	8.4%	2.0% - 7.0%

*Probability weighted

The discount rate represents the current market assessment of the risks specific to the CGU considering the time value of money and individual risk of the underlying assets. The discount rate is calculated based on the specific circumstances of the CGU and its operations and is derived from its weighted average cost of capital (WACC). The Group engaged an independent third party to assess the post-tax weighted average cost of capital for each of the CGUs. These post-tax discount rates were applied to post-tax cash flows.

The long-term growth rate is based on growth in GDP, market conditions and opportunities for growth within the industry and is in line with the mid-point between long term GDP predictions and inflation (as measured by the consumer price index).

The right of use assets have been included in the carrying amount of net operating assets that have been tested for impairment for each of the CGUs.

Future revenue projections are based on assumed growth in sales as a result of a renewed sales structure and focus to deliver on opportunities for growth of existing customers as well as expected pipeline new customers to come on board during the year in both the MOVE Logistics Limited and the TIL Freighting Limited CGUs. Management have confidence in the strategy to achieve this given the opportunities both internally and within the market and the appointment of a new role of Executive GM Sales and Marketing in TIL Freighting Limited to assist with this growth.

13.2 INTANGIBLE ASSETS (CONTINUED)

Based on the probability weighted value in use calculations, the recoverable amounts of the CGUs exceed their carrying value at 30 June 2020 by the following amounts:

- TIL Freighting Limited CGU: $12.7m
- McAuley's Transport Limited CGU: $0.4m
- MOVE Logistics Limited CGU: $43.8m

In respect of the MOVE Logistics Limited CGU any reasonable possible change in the key assumptions used in the calculation would not cause the carrying value to exceed its recoverable amount.

In respect of the TIL Freighting Limited CGU the relevant changes to key assumptions (with all other assumptions remaining constant) which would result in reducing the recoverable amount to equal its carrying value are as follows:

- Terminal growth rate 358 basis point reduction to (1.58%)
- Post tax discount rate 174 basis point increase to 11.24%
- Annual sales growth 31 basis point reduction to 2.98%

In respect to McAuley's Transport Limited CGU the relevant changes to key assumptions (with all other assumptions remaining constant) which would result in reducing the recovable amount to equal it's carrying value are as follows:

- Terminal growth rate 84 basis point reduction to 0.86%
- Post tax discount rate 54 basis point increase to 12.14%
- Annual sales growth 17 basis point reduction to 2.63%

Management has concluded that the goodwill balances at 30 June 2020 are not impaired (either using the probability weighted case or any of the individual scenarios), although they will continue to monitor the position closely for any evidence that the goodwill has become impaired.

13.3. DEFERRED INCOME TAX

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Temporary differences arise from the following:

Deferred tax assets/(liabilities)	Opening balance $000	Recognised in profit or loss $000	Acquisition of subsidiaries $000	Closing balance $000
2019				
Property, plant and equipment	(5,937)	(591)	-	(6,528)
Provisions and accruals	2,466	(40)	-	2,426
Total deferred income tax	**(3,471)**	**(631)**	**-**	**(4,102)**
2020				
Property, plant and equipment	(6,528)	(778)	(355)	(7,661)
Right of use assets / lease liability	-	967	-	967
Provisions and accruals	2,426	633	39	3,098
Carry forward losses	-	-	256	256
Total deferred income tax	**(4,102)**	**822**	**(60)**	**(3,340)**

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13.4. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

Provisions for make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are measured at the present value of Management's best estimate of the expenditure required to settle the present obligations at the end of the reporting period.

	Make good lease provision $000	Contingent consideration for business combination $000	Legal claim provision $000	Total $000
At 1 July 2018	786	2,192	-	2,978
Additional provisions	51	1,533	-	1,584
Released to profit or loss	(70)	(3,500)	-	(3,570)
At 30 June 2019	**767**	**225**	**-**	**992**
At 1 July 2019	**767**	**225**	**-**	**992**
Additional provisions	1,581	-	294	1,875
Released to profit or loss	(35)	(225)	-	(260)
At 30 June 2020	**2,313**	**-**	**294**	**2,607**

a. Information about individual provisions and significant estimates

Make good lease provision
The Group is required to restore the leased premises of its depot and warehouses to their original condition at the end of the respective lease terms. A provision has been recognised for the estimated expenditure required.

Legal claim provision
The Group currently has a dispute regarding its contract with one of its customers (refer note 3.1). This amount of the provision reflects the Directors' best estimate of the likely outcome. This amount disputed has been paid by the customer, but there is a risk of partial repayment.

Contingent consideration
Contingent consideration had previously been recognised relating to the acquisition in September 2017 of the assets of Glassworks Logistics Limited and Seamont Enterprises. The remaining amount of this has been reversed to profit or loss as the measure relating to the contingent consideration was not met.

14. SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax from the proceeds.

	30 June 2020		30 June 2019	
	Shares	$000	Shares	$000
Issued & paid-up capital - ordinary shares				
Balance at the beginning of the period	86,347,608	35,449	81,459,483	28,107
Shares issued - dividend reinvestment plan	1,337,274	1,605	2,221,458	3,342
Shares issued - business acquisition	-	-	2,666,667	4,000
Balance at the end of the period	**87,684,882**	**37,054**	**86,347,608**	**35,449**

DIVIDEND REINVESTMENT PLAN

Under the Dividend Reinvestment Plan (DRP), applied to the dividend paid on 27 September 2019, the Company issued 1,337,274 shares at $1.20 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 13 September 2019, less a 3% discount.

15. CASH FLOW INFORMATION

15.1 CASH GENERATED FROM OPERATIONS

	2020 $000	2019 $000
Reported profit after tax	2,490	4,364
Non-cash items		
Depreciation expense	40,644	11,281
Amortisation expense	2,258	2,329
Bad debts	393	105
Amortisation of bank fees	287	272
Contingent consideration	(225)	-
Bargain on acquisition	(1,106)	-
Impairment of investment in associates	440	-
Foreign exchange losses on operating activities	37	9
	45,218	**18,360**
Impact of changes in working capital		
Tax receivable / deferred tax	(200)	740
Trade and other receivables	9,681	(5,183)
Creditors and accruals/employee entitlements	(12,071)	6,602
Creditors relating to purchase of PPE	(1,545)	(528)
Inventories	234	(22)
	41,317	**19,969**
Items classified as investing or financing activities		
Profit on disposal of property, plant and equipment	(547)	(948)
Loss for associates	86	361
Net cash flow from operating activities	**40,856**	**19,382**

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15.2 NET DEBT RECONCILIATION

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	2020 $000	2019 $000
Cash and cash equivalents	11,882	6,389
Lease liability - repayable within one year	(25,882)	-
Borrowings - repayable within one year (including overdraft)	(6,100)	(5,185)
Lease liability - repayable after one year	(147,600)	-
Borrowings - repayable after one year	(80,163)	(79,132)
Net debt	**(247,863)**	**(77,928)**
Cash and liquid investments	11,882	6,389
Liability - incremental borrowing rate	(173,482)	-
Borrowings - fixed interest rates	(24,517)	(101)
Borrowings - variable interest rates	(61,746)	(84,216)
Net debt	**(247,863)**	**(77,928)**

	Liabilities from financing activities				
	Borrowings	Leases	Subtotal	Cash/bank overdraft	Total
	$000	$000	$000	$000	$000
Net debt as at 1 July 2018	(73,879)	-	(73,879)	2,881	(70,998)
Cash flows	(10,767)	-	(10,767)	3,508	(7,259)
Other non-cash movement	329	-	329	-	329
Net debt as at 30 June 2019	**(84,317)**	**-**	**(84,317)**	**6,389**	**(77,928)**
Recognised on adoption of NZ IFRS 16 (refer note 20)	-	(176,191)	(176,191)	-	(176,191)
Cash flows	2,971	22,956	25,927	5,493	31,420
Acquisitions	(4,629)	-	(4,629)	-	(4,629)
Lease additions	-	(17,841)	(17,841)	-	(17,841)
Other non-cash movements	(288)	(2,406)	(2,694)	-	(2,694)
Net debt as at 30 June 2020	**(86,263)**	**(173,482)**	**(259,745)**	**11,882**	**(247,863)**

16. INTEREST IN OTHER ENTITIES

16.1 SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilites and results of the following subsidiaries in accordance with the accounting policy described in note 2.1. All subsidiaries are incorporated in New Zealand.

All subsidiaries results up to 30 June 2020 have been incorporated in the consolidated financial statements.

	Shareholding 30 June 2020	Shareholding 30 June 2019	Balance date	Principal activity
TIL Freighting Limited	100%	100%	30 June	Transport operator
Pacific Fuel Haul Limited	100%	100%	30 June	Transport operator
Alpha Custom Services Limited	60%	60%	30 June	International freight forwarder
Pacific Asset Leasing Limited	100%	100%	30 June	Asset leasing
Hookers Shipping Limited	100%	100%	30 June	Shipping agent and logistics
McAuley's Transport Limited	100%	100%	30 June	Transport operator
MOVE Logistics Limited	100%	100%	30 June	Warehousing and distribution
Southern Fleet Leasing Limited	100%	100%	30 June	Asset leasing
NZL Group Limited	100%	100%	30 June	Warehousing and distribution
TNL International Limited	50%	50%	30 June	International freight forwarder
Appian Transport Limited	100%	100%	30 June	Non trading
Global Logistics Group Limited	100%	100%	30 June	Non trading
Specialist Lifting and Transport Group Limited	100%	100%	30 June	Heavy Haulage
TNL Logistics Limited	100%	100%	30 June	Non trading
Transport Nelson Limited	100%	100%	30 June	Non trading
Transport Investments Limited	100%	100%	30 June	Corporate services
Pacific Liquid Logistics Limited	100%	100%	30 June	Non trading
ATL Limited	100%	50%	30 June	Transport operator

16.2 INTERESTS IN ASSOCIATES

Set out below are the associates of the Group as at 30 June 2020 which, in the opinion of the Directors, are material to the Group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

	Place of business/ country of incorporation	% of ownership interest		Nature of relationship	Measurement method	Investment in associates	
		2020	2019			2020 $000	2019 $000
UNITE Logistics Limited[1]	New Zealand	50%	50%	Associate	Equity method	353	876
TNL International (Australia) Pty Limited[2]	Australia	23.75%	25%	Associate	Equity method	75	-
Emerald Truck Services Limited[3]	New Zealand	33.3%	33.3%	Associate	Equity method	225	193
ATL Limited[4]	New Zealand	100%	50%	Subsidiary	Consolidated	-	605
Immaterial associates						-	18
Total						**653**	**1,692**

1 UNITE Logistics Limited is a transport services provider for the Auckland and surrounding area's construction industry, specialising in crane transport. This service complements the Group's current transport services. The balance date for this entity is March.

2 TNL International (Australia) Pty Limited provides international freight forwarding services. This is a strategic investment which strengthens our access to Oceania customers in this market. The balance date for this entity is June.

3 Emerald Truck Services Limited is an automotive repair workshop based in Masterton specialising in trucks and trailers. This service is strategic to the Group given the material amount spent on repairs and maintenance (refer note 22). The balance date for this entity is June.

4 The Group acquired the remaining 50% of shares in ATL Limited and this entity is now consolidated in the Group financial statements (refer note 17).

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16.2 INTERESTS IN ASSOCIATES (CONTINUED)

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

	UNITE Logistics Limited		Emerald Truck Services Limited		ATL Limited[1]		TNL International (Australia) Pty Limited	
	2020	2019	2020	2019	2020	2019	2020	2019
	$000	$000	$000	$000	$000	$000	$000	$000
Summarised balance sheet								
Current assets	928	1,308	749	967	-	1,216	1,842	-
Non-current assets	2,064	1,977	491	431	-	4,473	28	-
Current liabilities	807	924	299	695	-	478	1,516	-
Non-current liabilities	1,785	1,877	154	13	-	3,998	-	-
Net assets	**400**	**484**	**787**	**690**	**-**	**1,213**	**354**	**-**
Summarised statement of comprehensive income								
Revenue	6,752	8,132	3,356	2,017	-	8,171	1,452	-
Profit from continuing operations	(136)	287	97	68	-	(714)	314	-
Investment carrying amount reconciliation								
Opening balance	876	899	193	-	605	962	-	-
Dividends received	-	-	-	-	-	-	-	-
Consolidation of associate	-	-	-	-	(495)	-	-	-
Acquisition	-	-	-	174	-	-	-	-
Impairment of investment	(309)	-	-	-	(131)	-	-	-
Earnings from associates	(214)	(23)	32	19	21	(357)	75	-
Closing balance	**353**	**876**	**225**	**193**	**-**	**605**	**75**	**-**

1 The Group acquired the remaining 50% of shares in ATL Limited and is now consolidated in the Group financial statements (refer note 17).

MOVE Logistics Limited as part of its investment in UNITE Logistics Limited has provided the Bank of New Zealand a guarantee for $500,000 plus one years interest in relation to the loan facility held by UNITE Logistics Limited.

Impairment of associates

UNITE Logistics Limited
During the year UNITE Logistics Limited lost a customer for which a customer list was held in the investment recognised. As a result management have assessed based on the forecasted cash flows and the uncertainty regarding financial performance that the recoverable amount was below the carrying amount of its investment by the value of the impairment loss.

ATL Limited
The impairment was a result of the fair value assessed as part of the acquisition for the remaining 50% of the shares (refer note 20).

17. BUSINESS COMBINATIONS

The Group acquired, on 2nd March 2020, the remaining 50% in ATL Limited, a company specialising in general freight in Central Otago. This acquisition complements the Group strategy for a nationwide general freight network.

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

	$000
Purchase consideration (cash)	400
Fair value of previously held interest	495
Net intercompany trade receivables and payables	(1,011)
Total purchase consideration	**(116)**
Fair value of assets acquired and liabilities assumed	
Cash and cash equivalents	395
Trade and other receivables	881
Trade and other payables	(491)
Borrowings	(4,629)
Deferred tax	(60)
Tax receivable	(20)
Property, plant and equipment	5,142
Employee entitlements	(228)
Bargain on acquisition	**(1,106)**

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

The Group previously accounted for its 50% shareholding as an associate.

a. Acquired receivables
The fair value of acquired trade receivables is $850,000. The gross contractual amount for trade receivables due is $976,000 with a loss allowance of $126,000 recognised on acquisition.

b. Bargain on acquisition
The recognition of $1,106,000 as a bargain on purchase is supported by the fact that difficult market conditions existed for ATL Limited in a highly competitive industry. In addition, ATL Limited was often loss making and underperforming. Transport Investments Limited were the only realistic purchaser of the shares given its current 50% investment.

c. Revenue and profit contributions
The acquired business contributed revenues of $2,173,000 and a loss before tax of $155,000 to the Group for the period 2 March 2020 to 30 June 2020. If the acquisition had occurred on 1 July 2019, the revenue and profit contributed by the acquired business for the 12 months ending 30 June 2020 would have been revenue of $6,753,000 and a net loss of $102,000 respectively.

d. Acquisition costs
Acquisition costs of $104,000 were expensed as incurred and are included under other expenses (refer note 8).

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18. CONTINGENCIES

Bank Guarantee
The Group provides (via ASB Bank) the below guarantees.

	2020 $000	2019 $000
Bank guarantees - property	2,787	3,337
Bank guarantees - fuel purchases	4,500	4,500
Bank guarantees - other	75	75
Total	**7,362**	**7,912**

19. CAPITAL COMMITMENTS

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

	2020 $000	2019 $000
Trucks and trailers	-	7,367
Other assets	417	143
Total	**417**	**7,510**

20. 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 2019.

There was one new standard applied during the period. This note explains the impact of the adoption of NZ IFRS 16 on the Group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019. This standard replaces the current guidance in NZ IAS 17.

ADOPTION OF NZ IFRS 16 LEASES

The Group has adopted NZ IFRS 16 retrospectively from 1 July 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening Balance Sheet on 1 July 2019.

The Group leases relate to property, fleet and equipment which were all classified as operating leases until 30 June 2019. Payments made under operating leases (net of any incentives received from the lessor) were previously charged to profit or loss on a straight-line basis over the period of the lease. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

POLICIES

From 1 July 2019, leases are recognised as a right of use asset and a corresponding lease liability. Each lease payment is allocated between the lease liability and the finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments, less any lease incentives receivable and
- variable lease payments that are based on an index or a rate.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

20. ACCOUNTING STANDARDS (CONTINUED)

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Right of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any lease incentives received or restoration costs estimated. There were no onerous lease contracts that would have required an adjustment to the right of use assets at the date of initial application. These assets are subsequently depreciated using the straight-line method from the adoption date to the shorter of asset's useful life and the end of the lease term.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 4.48%.

To determine the incremental borrowing rate. The Group uses a build up approach that starts with a risk free interest rate adjusted to reflect changes in credit risk for leases held by the Group and then makes specific adjustments for lease terms.

On transition and during the year, the Group applied the following practical expedients:

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
- the use of historical experience in determining the lease term where the contract contains options to extend or terminate the lease
- recognising rental concessions obtained as a direct result of the COVID-19 pandemic as a reduction to rental expenses in the Statement of Profit or Loss and Other Comprehensive Income

In the process of adopting NZ IFRS 16, a number of judgements and estimates have been made. These include:

- incremental borrowing rate at the time of adoption
- lease terms, including any rights of renewal expected to be exercised. The Group has assumed that the rights of renewal will be exercised in line with the Group's strategy and previous leases. This judgement has been applied unless a decision to discontinue or relocate is known at the time of adoption
- application of practical expedients and recognition exemptions allowed by the new standards, including in respect of low value assets, portfolio approach for discount rates based on lease term and short-term lease exemptions

The following tables show the movements and analysis in relation to the right of use assets and lease liabilities, created on the adoption of NZ IFRS 16.

Right of use assets	$000
Opening net book value 1 July 2019	
Recognised on transition	177,992
Additions	17,818
Disposals	(149)
Modifications to leases	2,828
Depreciation for the period	
- Property	(17,851)
- Motor Vehicles	(9,923)
- Other	(686)
Closing net book value 30 June 2020	**170,029**
Cost	198,411
Accumulated depreciation	(28,382)
Net book value 30 June 2020	**170,029**

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20. ACCOUNTING STANDARDS (CONTINUED)

The recognised right of use assets relate to the following types of assets:

Right of use assets	$000
At 30 June 2020	
Property	127,849
Motor vehicles	39,473
Other	2,707
Total right of use assets	**170,029**

Lease liabilities	$000
Operating lease commitments as at 30 June 19	**282,110**
Discounted at incremental borrowing rate at date of initial application	151,890
Short term allowances	(716)
Adjustment as a result of treatment/terminations	25,017
Opening lease liabilities at 1 July 19	**176,191**
Additions	17,841
Interest for the period	7,947
Lease payments made	(30,903)
Disposals	(498)
Modifications	2,904
Lease liabilities at 30 June 2020	**173,482**

Lease liabilities maturity analysis	Minimum lease payment $000	Interest $000	Present value $000
Within one year	33,179	7,297	25,882
One to five years	96,841	20,111	76,730
Beyond five years	86,556	15,686	70,870
Total	**216,576**	**43,094**	**173,482**
Current lease liabilities	33,179	7,297	25,882
Non-current lease liabilities	183,397	35,797	147,600
Total	**216,576**	**43,094**	**173,482**

Lease related expenses included in the Consolidated Statement of Profit & Loss & Other Comprehensive Income:

	$000
For the year ended 30 June 2020	
Depreciation	28,460
Short term lease	5,114
Interest on leases	7,947
Total	**41,521**

20. ACCOUNTING STANDARDS (CONTINUED)

The table below provides further detail in relation to the impacts of NZ IFRS 16 on the Consolidated Statement of Profit or Loss & Other Comprehensive Income for the year ended 30 June 2020.

	Pre-NZ IFRS 16 classification $000	NZ IFRS 16 adjustment $000	NZ IFRS 16 classification $000
Revenue	333,811	-	333,811
Gains on disposal of assets	646	2	648
Lease income	1,333	-	1,333
Other income	12,223	-	12,223
Total income	**348,013**	**2**	**348,015**
Transport costs	(132,718)	-	(132,718)
Employee costs	(125,309)	-	(125,309)
Rental / lease expenses	(36,018)	30,904	(5,114)
Other operating expenses	(26,352)	-	(26,352)
Changes in contingent consideration / advisor fees	225	-	225
Depreciation of right of use assets	-	(28,460)	(28,460)
Other depreciation / amortisation expenses	(14,442)	-	(14,442)
Impairment of investment in associates	(440)	-	(440)
Total Operating Expenses	**(335,054)**	**2,444**	**(332,610)**
Finance costs relating to lease liabilities	-	(7,947)	(7,947)
Other finance costs - interest on borrowings	(3,940)	-	(3,940)
Finance income on short term deposit	63	-	63
Operating (deficit) / surplus before income tax	**9,082**	**(5,501)**	**3,581**
Net cash generated from operating activities	**17,900**	**22,956**	**40,856**

21. RELATED-PARTY TRANSACTIONS

21.1 TRANSACTIONS WITH KEY MANAGEMENT

a. 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 27 September 2019 (refer note 14).

	# Shares	Amount $000
Dividend reinvestment plan - Directors	310,234	372
Dividend reinvestment plan - Key management employees	7,405	9

b. Key management compensation

Key management includes Directors, the CEO and his direct reports:

	2020 $000	2019 $000
Salaries, short term and post employee benefits	2,848	3,213
Directors fees	398	416

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21.2 TRANSACTIONS WITH OTHER RELATED PARTIES

The following transactions occurred with related parties:

	2020 $000	2019 $000
Sales and purchases of goods and services		
Sales of services to associates	988	511
Purchases of services from associates	2,821	3,260
Purchases from entities controlled by key management employees	123	99

	2020 $000	2019 $000
Outstanding balances arising from sales and purchases of services		
Trade receivables	98	285
Trade payables	181	762

The Group determines the above balances are fully collectible.

	2020 $000	2019 $000
Advances to related parties		
ATL Limited	-	275
UNITE Logistics Limited	217	217
TNL International Australia Pty Limited	-	3
Eamonn Stephen Farrell	88	86

22. EVENTS AFTER THE REPORTING DATE

On 10 July 2020, as a result of the shareholder default McAuley's Transport Limited signed a buyout agreement of one of the shareholders of Emerald Truck Services Limited. From 10 July 2020 McAuley's Transport Limited holds 50% of the shares in Emerald Truck Services Limited and the consideration for the additional 17% shareholding was transacted in exchange for the settlement of the outstanding shareholder loan (refer note 12.3).

On 20 July 2020 the Group signed a settlement agreement with one of its customers in regards to a disputed receivable. As a result the full receivable balance outstanding was received on 5 August 2020 (refer note 3.1).

Independent auditor's report

To the shareholders of TIL Logistics Group Limited

We have audited the consolidated financial statements which comprise:

- the consolidated balance sheet as at 30 June 2020;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the accompanying consolidated financial statements of TIL Logistics Group Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2020, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

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

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

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

Our firm carries out other services for the Group in relation to executive compensation advisory services. The provision of these other services has not impaired our independence as auditor of the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Description of the key audit matter	How our audit addressed the key audit matter
Goodwill impairment test	
As at 30 June 2020 the Group had a total goodwill balance of $15.0 million, as disclosed in Note 13.2. This is allocated across five cash generating units (CGUs). Management performed value-in-use (VIU) impairment tests as at 30 June 2020 and determined that there was no impairment of goodwill required for any CGU, though reasonably possible changes of some assumptions may cause an impairment for certain CGUs, as disclosed in Note 13.2. The goodwill impairment test is considered a key audit matter due to the significant level of management judgement applied in estimating future cash flows, particularly given the current economic uncertainty created by the COVID-19 pandemic, and other key assumptions in determining the recoverable amount of the CGU. Management's VIU impairment tests used a discounted cash flow model based on probability-weighted forecast cash flows to determine the recoverable amount. Key estimates and assumptions include: • The near and medium-term impact on revenue of the expected economic slowdown and then recovery. • The discount rates and the long-term growth rates used in the impairment models, as disclosed in Note 13.2.	We obtained the calculations performed by Management and understood the assumptions used. We gained an understanding of the current and forecast outlook for the industry, including the expected impact of the COVID-19 pandemic, and the strategic direction of the business. Our understanding was facilitated by meetings with management during the year. We assessed the reliability of management's forecasting process in previous years and considered the impact on the assessment of forecast earnings. We assessed the reasonableness of the assumptions applied by management and, where necessary, determined our own independent view on a point estimate for the recoverable amount of each CGU to test management's calculation of these amounts. Our calculations and procedures included the following: • We considered external market forecasts for domestic freighting and warehousing activity. • We considered the level of revenue and earnings growth the Group has achieved over the last year, despite recent reductions from the initial effects of the COVID-19 pandemic. • We used the results of our understanding and analysis to determine our independent view of reasonable and supportable revenue and earnings for the next five years and maintainable earnings for the terminal year calculation. • We used an auditor's expert to determine appropriate discount and long-term growth rates and to assist us in challenging management's assumptions and developing our independent point estimate. We audited the disclosures in Note 13.2 of the consolidated financial statements to ensure they are compliant with the requirements of the relevant accounting standards.

Description of the key audit matter	How our audit addressed the key audit matter
Forecast compliance with bank financial covenants	
As at 30 June 2020 the Group's total borrowings was $86.3 million. Note 12.5 to the consolidated financial statements explains that the Group's bank borrowings comprise a revolving committed cash facility and a term loan facility, with certain financial covenants. The facility expires on 6 December 2021. The Group received a waiver from the bank, prior to the expected financial covenant breaches at the 31 December 2019 compliance date. The parties subsequently agreed to reset the financial covenants on 28 February 2020. We have therefore deemed forecast compliance with the amended financial covenants to be a key audit matter. The Group has assessed forecast compliance with these financial covenants, including the impact of the economic uncertainty from the COVID-19 pandemic, by: • Preparing forecasts for the Group until the facility expiry date that have been approved by the Board. • Using the forecasts to calculate financial covenant compliance at each future covenant compliance date. • Assessing forecasting risk by considering the headroom available for each covenant at each compliance date. The Directors have concluded they expect to comply with the reset financial covenants for at least the next 12 months.	We have obtained an understanding of the amended facility agreements and relevant financial covenants. We obtained the Group's financial covenant compliance forecast for the next 12 months from the date of the approval of the consolidated financial statements and performed the following audit procedures: • We assessed management's historical forecasting accuracy. • We ensured the cash flow forecasts are consistent with the base case forecast used in the impairment testing (above). • We assessed the reasonableness of management's forecasts, including the expected impact of the economic uncertainty from the COVID-19 pandemic. • We recalculated forecast compliance with financial covenants at each reporting date. • We performed sensitivity analyses on the forecast covenant compliance calculations to assess the level of forecasting risk at each compliance date. We have read the disclosures in Note 12.5 to ensure they accurately reflect our understanding of the forecast compliance with the financial covenants.

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Description of the key audit matter	How our audit addressed the key audit matter
Debtor recoverability assessment	
Trade and other receivables are disclosed in Note 12.2. The Group had $7.4 million of gross trade receivables that were past due at 30 June 2020, as disclosed in Note 3.1. Management assessed the recoverability of trade and other receivables, which involved judgements in relation to assessing the credit risk of the associated customers and expected future cash flows based on payment history, age of the debt, specific factors related to each customer, and risk presented by the COVID-19 pandemic. Management concluded that it was appropriate to recognise an impairment provision of $2.95 million at 30 June 2020, as disclosed in Note 3.1. This provision largely relates to specific customer collection issues ($2.0m). We consider this is a key audit matter due to the size of the specific credit loss provision, the judgement regarding the outcome of disputed amounts and the general economic uncertainty that may affect the recoverability of receivables.	Our audit procedures in relation to recoverability of trade and other receivables included the following: • We gained an understanding of the business processes and controls over managing overdue trade and other receivables, and the determination of the credit loss provision. • We considered the historical recoverability of the aged debt as well as the Group's experience of bad debts. • We tested on a sample basis the aging of receivables back to invoices to assess accuracy of the aged trade receivables report used in determining the expected credit loss. On a sample basis, we performed the following procedures to assess the recoverability of trade and other receivables: • Gained an understanding of the customer terms and conditions. • Validated whether any payments had been received from customers subsequent to balance date and confirmed these payments to bank statements and remittance advices. • Assessed the customer's ability to pay through reviewing financial information of the counterparty. • Through discussions with management, review of correspondence with customers, and a review of past payment history we assessed the appropriateness of the year-end impairment provision. We gained an understanding of the circumstances related to the specific provisions. We reviewed correspondence with the customers and legal advice on the Group's position. In light of this evidence we evaluated management's judgement on the amount of the provision. We have no material matters to report.

Our audit approach

Overview

An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

Overall Group materiality: $1,148,000, which represents approximately 2% of reported earnings before interest, tax, depreciation and amortisation, share of loss of associates, bargain on acquisition, impairment of investment in associates, deferred consideration and advisor costs (EBITDA) as reported in Note 5.

We chose EBITDA as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark.

As reported above, we have three key audit matters, being:

- Goodwill impairment test
- Forecast compliance with bank financial covenants
- Debtor recoverability assessment

Each of these key audit matters is affected to varying degrees by the economic uncertainty created by the COVID-19 pandemic. These uncertainties have been reflected in management's approach and our audit procedures, as described in the key audit matters.

Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the consolidated financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Information other than the consolidated financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not, and will not, express any form of assurance conclusion on the other information. At the time of our audit, there was no other information available to us.

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In connection with our audit of the consolidated financial statements, if other information is included in the annual report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of the Directors for the consolidated financial statements

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

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

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

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

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

https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/

This description forms part of our auditor's report.

Who we report to

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

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
26 August 2020

Auckland

ADDITIONAL STATUTORY INFORMATION

DIRECTORS

The following persons were Directors of TIL Logistics Group Limited as at 30 June 2020:

Director	
Trevor Janes	Independent Chairman
Lorraine Witten	Independent Director
James Ramsay	Non-independent Director
Danny Chan	Independent Director
Peter Dryden	Independent Director

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DISCLOSURE OF INTERESTS BY DIRECTORS

In accordance with Section 140(2) of the Companies Act 1993 the Company maintains an interests register in which Directors' interests are recorded. The following are particulars of general disclosures of interest by Directors holding office at 30 June 2020. Changes to entries disclosed during the year to 30 June 2020 are noted in brackets, for the purposes of section 211(1)(e) of the Companies Act 1993.

Director	Name of Business or Entity	Nature of Activities of that Business or Entity	Nature and Extent of Your Interest
Trevor Janes	NZX Regulation Establishment Baord	NZX Regulator	Chair
	Tokelau International Investment Fund (resigned June 2020)	Investment	Chair
	NZ Markets Disciplinary Tribunal (resigned May 2020)	NZX Regulator	Member
Lorraine Witten	Rakon Limited	Global Technology Business	Director, Shareholder and Chair of Audit and Risk
	vWork Limited	Software for Mobile Workforce	Chair and Shareholder
	Simply Security	Security Guard Services	Chair and Shareholder
	Corrections Department	NZ Prison Service	Advisor to Audit & Risk
	Horizon Energy Group	Energy Distribution Company	Director and Chair of Audit and Risk
Danny Chan	Farmers Mutual Group (resigned 21 August 2020)	Insurance	Director
	SimTutor Limited	e-learning	Director/Shareholder
	Superthriller Jet Sprint Limited	Entertainment	Shareholder
	Fastcom Limited	IT Services	Shareholder
	iMonitor Intellectual Property Ltd	Temperature Monitoring	Shareholder
	The Digital Café Limited	Digital Promotion/Marketing	Shareholder
	QEX Logistics Limited	Logistics	Director
	Flowerzone International Ltd	Flower Exporter	Director/Shareholder
	Marlborough Wine Estates Group Ltd	Wine Manufacturer	Director
	NZ Markets Disciplinary Tribunal (resigned 27 May 2020)	NZX Regulator	Member
	Orient Pacific Management Limited	Financial Services	Director/Shareholder
James Ramsay	Bowker Holdings 99 Ltd	Investment	Director
	Hooker Bros (2019) Limited	Investment	Director/Shareholder
Peter Dryden	BGI Nominees Limited	Property	Director/Shareholder
	Port Taranaki Limited	Port Operator	Chair
	Aquafortus Limited	Chemical Company	Director

No entries were made in the interests register of any subsidiary companies during the year ended 30 June 2020.

DIRECTORS SHARE DEALINGS

In accordance with the Companies Act 1993 the Board received the following disclosures from Directors of acquisitions of relevant interests in the Company's shares between 1 July 2019 and 30 June 2020, and details of such dealings were entered in the Company's interests register.

Director	Transaction	Number of Shares	Price per Share	Date
Trevor Janes	Dividend Reinvestment Plan 2019	5,990	$1.20	27 September 2020
Trevor Janes[1]	Dividend Reinvestment Plan 2019	19,545	$1.20	27 September 2020
Danny Chan	Dividend Reinvestment Plan 2019	15,308	$1.20	27 September 2020
Lorraine Witten	Dividend Reinvestment Plan 2019	1,996	$1.20	27 September 2020
James Ramsay	Dividend Reinvestment Plan 2019	3	$1.20	27 September 2020
James Ramsay[2a]	Dividend Reinvestment Plan 2019	143,470	$1.20	27 September 2020
James Ramsay[2b]	Dividend Reinvestment Plan 2019	143,470	$1.20	27 September 2020

Notes to Director Share Dealings

[1] Shares held by Selenium Corporation Limited - Trevor Janes has a relevant interest in the shares held by Selenium Corporation Limited.

[2a] Shares held by James Ramsay, Nerida Joy Ramsay & RMY Trustees (2010) Limited as trustees of the James Ramsay Family Trust.

[2b] Shares held by James Ramsay, Nerida Joy Ramsay & RMY Trustees (2010) Limited as trustees of the Nerida Joy Ramsay Family Trust.

DIRECTOR'S SHAREHOLDINGS INTERESTS

As at 30 June 2020 the Directors of the Company had the following relevant interests in the Company's securities.

Director	Total Ordinary Shares Held
Trevor Janes	1,272,717
Lorraine Witten	104,996
Danny Chan	1,270,678
James Ramsay	15,288,209

USE OF COMPANY INFORMATION

There were no notices from Directors of the Company pursuant to section 145 of the Companies Act 1993 requesting to use Company information received in their capacity as directors that would not otherwise have been available them.

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REMUNERATION OF DIRECTORS

As a result of COVID-19, during April 2020 the Board agreed to a 25% reduction in Directors' fees. The table below sets out the total of the remuneration and the value of other benefits received by each Director during the financial year to 30 June.

Director	Board Fees	Audit & Risk Committee Fees	Governance & Remuneration Committee Fees	Total Directors fees FY20	Total Directors fees FY19
Trevor Janes	127,292	-	-	127,292	130,000
Lorraine Witten	68,333	10,000	-	78,333	80,000
James Ramsay[1]	68,542	-	-	68,542	70,000
Peter Dryden[2]	46,743	-	-	46,743	-
Danny Chan	66,667	-	10,000	76,667	70,000
Greg Kern[3]	-	-	-	-	66,667
Total	**377,577**	**10,000**	**10,000**	**397,577**	**416,667**

[1] During the year ended 30 June 2020 James Ramsay received an additional $61,000 remuneration and after benefits for his role as an Executive Director (resigned as Executive Director December 2019)

[2] Appointed to the Board in October 2019

[3] Resigned from the Board in April 2019

SUBSIDIARY COMPANY DIRECTORS

The following persons held office as Directors of subsidiary companies as at 30 June 2020. Employee directors of subsidiary companies appointed by the Group do not receive director's fees, remuneration or other benefits in their capacity as directors. The remuneration and other benefits of such employees, received as employees, are included in the relevant bands for remuneration disclosed under Employee Remuneration on page 73.

Company	Directors				
Alpha Customs Services Limited	Clayton Imbs	Alan Pearson	Lee Banks		
Appian Transport Limited	James Ramsay	Alan Pearson	Lee Banks		
Global Logistics Group Limited	James Ramsay	Alan Pearson	Lee Banks		
Hookers Shipping Lmited	James Ramsay	Alan Pearson	Lee Banks		
McAuley's Transport Limitd	James Ramsay	Alan Pearson	Lee Banks		
MOVE Logistics Limited	James Ramsay	Alan Pearson	Lee Banks		
NZL Group Limited	James Ramsay	Alan Pearson	Lee Banks		
Pacific Asset Leasing Limited	James Ramsay	Alan Pearson	Lee Banks		
Pacific Fuel Haul Limited	James Ramsay	Alan Pearson	Lee Banks		
Southern Fleet Leasing Limited	James Ramsay	Alan Pearson	Lee Banks		
Transport Investments Limited	Danny Chan	Trevor Janes	James Ramsay	Lorraine Witten	Peter Dryden
TIL Freighting Limited	James Ramsay	Alan Pearson	Lee Banks		
Specialist Lifting and Transport Group Limited	James Ramsay	Alan Pearson	Lee Banks		
TNL Logistics Limited	James Ramsay	Alan Pearson	Lee Banks		
TNL International Limited	Clayton Imbs	John Lowden	Shayne Miers	Lee Banks	
Transport Nelson Limited	James Ramsay	Alan Pearson	Lee Banks		
Pacific Liquid Logistics Limited	James Ramsay	Alan Pearson	Lee Banks		
ATL Limited	Lee Banks	Alan Pearson	Richard Mather		
Alexandra Transport Limited	Lee Banks				

During the year ended 30 June 2020 Alan Terris resigned as Director of Alpha Customs Limited, Global Logistics Group Limited, Hookers Shipping Limited, MOVE Logistics Limited, NZL Group Limited, Pacific Asset Leasing Limited, Pacific Fuel Haul Limited, Southern Fleet Leasing Limited, TIL Freighting Limited, TNL Logistics Limited.

CEO REMUNERATION DISCLOSURE

	Salary	Benefits	Fixed Remuneration Subtotal	Short Term Incentive (STI)	Long Term Incentive (LTI)	Incentive Subtotal	Total Remuneration (single figure)
FY20	$	$	$	$	$	$	$
Alan Pearson	501,500	53,310	554,810	-	-	-	554,810
FY19							
Alan Pearson	440,000	40,306	480,306	190,000	-	190,000	670,306

Notes to CEO Remuneration

Alan Pearson's remuneration is a mix of base salary and short term and long term incentive plan components. Alan's base salary for FY2020 was $510,000, which was subject to voluntary reduction during the COVID-19 alert level 4 period.

Alan's potential short term incentive plan payment for FY20 was 25% of base salary. Of the total potential payment, 60% was linked to the achievement the annual financial budget, as approved by the Board, while 40% was dependent on the achievement of certain personal objectives linked to safety, sustainability, growth, technology and innovation. As at the time of preparation of the Annual Report, final assessments were being made of achievement against these objectives.

Alan will participate in grants of share rights under the Company's Long Term Incentive Plan, in respect of both 2019 and 2020. The LTI plan was formally adopted on 1 July 2020, and the terms of Alan's participation, and that of any other employees in respect of 2019 and 2020 are currently being finalised by the Board.

EMPLOYEE REMUNERATION

The number of employees of the Company (not being directors of the Company) who received remuneration and other benefits in their capacity as employees during the year ended 30 June 2020 that in value was or exceeded $100,000 per annum was as follows:

Remuneration	No. of Employees
$100,000 - $109,999	89
$110,000 - $119,999	91
$120,000 - $129,999	40
$130,000 - $139,999	15
$140,000 - $149,999	6
$150,000 - $159,999	4
$160,000 - $169,999	5
$170,000 - $179,999	3
$180,000 - $189,999	2
$190,000 - $199,999	2
$200,000 - $209,999	1
$230,000 - $239,999	1
$250,000 - $259,000	1
$260,000 - $269,999	1
$270,000 - $279,999	1
$280,000 - $289,999	1
$290,000 - $299,999	1
$550,000 - $559,999	1

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Long Term Incentive Plan

The Company has established a Long Term Incentive Plan (LTI or Plan) under the TIL Logistics Group Limited-Long Term Incentive Plan Rules dated 1 July 2020. The Plan is designed to align employee remuneration with financial outcomes for shareholders over the longer term.

The Plan is a share rights scheme and participation in any year is by annual invitation at the discretion of the Company. Under the Plan participants are offered share rights for nil consideration. If the performance hurdles set by the Company are met, and the relevant employee remains employed by the Company for minimum period of three years, the employee is entitled to be issued one ordinary share in the Company for each share right that vests.

As at 30 June 2020 no grants had been officially made under the terms of the Plan. However, it is anticipated that during the FY21 financial year a retrospective grant of share rights will be offered to eligible employees under the Plan in respect of 2019, and an offer will also be made to certain employees in respect of 2020.

SPREAD OF SECURITY HOLDERS

As at 31 July 2020

Size of Shareholding	Number of Holders	Total Shares Held	% of Shares
1-1000	823	175,333	0.20%
1001-5000	143	422,008	0.49%
5001-10000	70	564,920	0.64%
10001-100000	85	2,694,552	3.07%
100001 or more	47	83,828,069	95.60%
	1,168	**87,684,882**	**100.00%**

SHAREHOLDER INFORMATION

The names and holdings of the twenty largest registered shareholders in the Company as at 31 July 2020 were:

	Total Shares Held	% of Shares
Gregory Whitham	12,926,601	14.74%
Kevin Garnet Smith	12,152,654	13.86%
Larry William Stewart & Kaylene Joy Stewart & SR Taranaki Trustees Limited	12,152,653	13.86%
Alan Terris	11,452,875	13.06%
James Ramsay & Nerida Joy Ramsay & RMY Trustees (2010) Limited	7,544,001	8.60%
James Ramsay & Nerida Joy Ramsay & RMY Trustees (2010) Limited	7,544,000	8.60%
David Gregory Carr & Lynette Maree Duncan	2,666,667	3.04%
New Zealand Central Securities Depository Limited	2,028,309	2.31%
Danny Chan	1,270,678	1.45%
Barry Francis Walker	1,164,271	1.33%
Michael Walter Daniel & Elizabeth Beatty Benjamin & Michael Murray Benjamin	1,083,991	1.24%
Alan Paul Terris & Moya Ruth Terris & Terris Trustees Limited	1,049,979	1.20%
Selenium Corporation Limited	957,724	1.09%
Rangatira Limited	700,000	0.80%
Kerry Girdwood	698,583	0.80%
New Zealand Depository Nominee	546,878	0.62%
Michael Walter Daniel & Nigel Geoffrey Burton & Michael Murray Benjamin	500,000	0.57%
JBWERE (NZ) Nominees Limited	493,468	0.56%
Graeme Finch	442,088	0.50%
Brian Finch	442,075	0.50%

SUBSTANTIAL PRODUCT HOLDERS

The following substantial product holder information is given pursuant to section 293 of the Financial Markets Conduct Act 2013. As at 30 June 2020, details of the substantial product holders in the Company and their relative interests in the Company's ordinary shares are shown in the table below. The total number of voting securities (fully paid ordinary shares) of the Company as at 30 June 2020 was 87,684,882.

	Number of Shares
James Ramsay[1]	15,288,209
James Ramsay, Nerida Joy Ramsay & RMY Trustees (2010) Limited	15,088,001
Gregory Peter Whitham	12,926,601
Alan Paul Terris[2]	12,502,854
Kaylene Stewart, Larry Stewart & SR Taranaki Trustees Limited	12,152,654
Kevin Garnet Smith	12,152,653

[1] This includes the 14,801,061 shares held by James Ramsay, Nerida Joy Ramsay & RMY Trustees (2010) Limited referred to above.
[2] This includes 1,200,011 shares held by Alan Paul Terris, Moya Ruth Terris & Terris Trustee Limited.

OTHER INFORMATION

Auditor's Fees
PwC has continued to act as auditor of TIL Logistics Group Limited.

During the year ended 30 June 2020, the amount payable by TIL Logistics Group Limited to PwC as audit and review fees was $353,000. The amount of fees payable to PwC for non-audit work during the year ended 30 June 2020 was $19,000. This is detailed in Note 8 of the Financial Statements.

Donations

The Company and its subsidiaries made donations totalling $20,000 during the year ended 30 June 2020.

NZX Waivers

There were no waivers granted by NZX or relied on by the Company in the 12 months preceeding 30 June 2020.

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CORPORATE GOVERNANCE

At TIL Logistics, we believe that good corporate governance is essential to protect the interests of investors and create and enhance value over the short and long term. We are committed to conducting business in the right way, ethically and in line with our legal and regulatory obligations.

The Board has adopted corporate policies and procedures that reflect best practice and we follow the principles and recommendations of the NZX Corporate Governance Code (the Code). We believe that the Company's corporate governance practices in FY20 are materially in line with the Code, with further work being undertaken in some areas to ensure full compliance. The following pages summarise our corporate governance practices and progress in FY20 and those areas where further work is being undertaken to ensure full compliance..

TIL Logistics takes a continuous improvement approach to corporate governance and policies are reviewed on a regular basis in line with best practice. Key governance policies and charters can be viewed on the TIL Logistics website at https://www.til.kiwi/investor-centre/governance.

This governance statement is current as at 30 June 2020 and was approved by the Board on 23 September 2020.

ETHICAL BEHAVIOUR

TIL Logistics expects its Directors and staff to act with integrity and professionalism and undertake their duties in the best interests of the Company. The Company's Code of Ethics is available on the Company website and is available to all staff.

The Code of Ethics is included in the New Employee Induction pack and all employees are required to attest that they have reviewed and understand the scope of relevant governance policies.

TIL Logistics encourages employees to speak out if they have concerns about any area of the Company. The avenues for doing so are detailed in the Company's Whistleblower Policy which is on the Company website.

The Securities Trading Policy, along with the Financial Markets Conduct Act 2013, imposes limitations and requirements on Directors and employees in dealing in the Company's shares. These limitations prohibit dealing in shares while in possession of inside information and impose requirements for seeking consent to trade.

BOARD COMPOSITION AND PERFORMANCE

The TIL Logistics Board comprises five non executive directors. Each Director has experience, skills and expertise that are of value to the Company. All of the directors are independent directors other than Jim Ramsay, due to his having been an executive of the Company within the last three years, and also because he is a substantial share holder in the Company. Profiles of Directors are available on the Company's website. Directors' interests are disclosed on page 70 of the Annual Report.

In order for a Director to be independent, the Board has determined that he or she must not be an executive of TIL Logistics Group and must have no disqualifying relationships. Independence will be determined by the Board, having regard to the factors described in the NZX Corporate Governance Code.

The roles and responsibilities of the Board are detailed in the Board Charter, which is reviewed at least every two years and is available on the Company's website. The Board's primary objective is to enhance shareholder value and protect the interests of other stakeholders by improving corporate performance and accountability.

The Board has delegated authority for day to day leadership and management of the business to the Group CEO, who in turn has sub-delegated authority to other Company management with specified financial and non-financial limits. There is a Delegations of Authority Policy, which is reviewed annually by the Board.

The number of elected Directors and the procedure for their retirement and election at Annual Meetings is determined in accordance with the Company Constitution and NZX Listing Rules.

All Directors are involved in the consideration of Board composition and nominations and take into account a number of factors including qualifications, capability, experience, judgement and skills, and the ability to work with other Directors. Shareholders may also nominate candidates for election to the Board. Reference checks are carried out on all candidates and key information about candidates is provided to shareholders to assist their decision as to whether or not to elect or

re-elect a candidate. New Board members enter into written agreements with TIL Logistics, outlining the terms of their appointment.

TIL Logistics' Chair is required to be an independent Director. The Board supports the separation of the roles of Chair and CEO and the appointment of an Independent Chair.

Directors are encouraged to undertake appropriate training and education to ensure they remain current on how to best perform their duties. In addition, management provide regular updates on relevant industry and Company issues, including briefings from senior executives.

All Directors have access to executives to discuss issues or obtain information on specific areas in relation to matters to be discussed at Board meetings, or other areas as they consider appropriate. The Board Committees and Directors, subject to the approval of the Board Chair, have the right to seek independent professional advice at the Company's expense, to enable them to carry out their responsibilities.

The Company has arranged a policy of Directors' and Officers' liability insurance which is underwritten by Vero Liability Insurance Limited. This policy covers the Directors and Officers so that any monetary loss suffered by them, as a result of actions undertaken by them as Directors or Officers, is insured to specified limits (and subject to legal requirements and/or restrictions).

The Board monitors its own performance and will, from time to time, commission an external review to assess the performance of individual Directors and the Board's effectiveness.

The Company has written agreements with each Director, outlining the terms of their appointment.

The Board is satisfied that each Director has the necessary time available to devote to the position, broadens the Board's expertise and has a personality that is compatible with the other Directors.

DIVERSITY

Diversity at TIL Logistics refers to characteristics of individuals and includes factors such as gender, marital status, religious belief, colour, race, ethnic or national origin, disability, age, political opinion, employment status, family status or sexual orientation. It encompasses the ways our people differ in terms of their education, life experience, job function, work experience, personality, location and career responsibilities. The key aspects that we are seeking are diversity of thinking and skills, as these attributes are most likely to assist TIL Logistics in delivering better outcomes for our stakeholders.

Diversity at TIL Logistics is about the commitment to equal employment opportunities and treating all individuals fairly and with respect. TIL Logistics has a diverse workforce and we recognise that everyone has individual differences which can be leveraged to create stronger teams and which will ultimately drive stronger business performance.

Our approach to diversity is outlined in the Diversity Policy, which is available on the Company's website.

Key areas of focus are:

- Recruitment and retention of a diverse workforce
- Supportive working environment
- People development
- Recognition and reward based on merit

As at 30 June 2020, females represented 18% (2019: 18%) of Directors and Officers of the Company (an officer is a person who reports directly to the CEO). Females represented 16% (2019: 16%) of all employees of the Company.

	FY20		FY19	
	Female	Male	Female	Male
Directors	1	4	1	3
Officers	2	9	2	11
All Employees	232	1,245	242	1,269

The Board is satisfied with the initiatives being implemented by the Group and its performance with respect to the Diversity Policy. The Board has not currently set measurable objectives under the Policy for achieving diversity (as is recommended by the NZX Corporate Governance Code), as the Board has considered diversity outcomes can be achieved without measurable objectives.

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BOARD COMMITTEES

The Board has delegated a number of its responsibilities to Committees to assist in the execution of the Board's responsibilities. The use of Committees allows issues requiring detailed consideration to be dealt with separately by members of the Board with specialist knowledge and experience, thereby enhancing the efficiency and effectiveness of the Board. However, the Board retains ultimate responsibility for the functions of its Committees and determines their responsibilities.

The Committees meet as required and have terms of reference (Charters), which are approved and reviewed by the Board.

Minutes of each Committee meeting are available to all members of the Board, who are all entitled to attend any Committee meeting. Each Committee is empowered to seek any information it requires from employees in pursuing its duties and to obtain independent legal or other professional advice.

The membership and performance of each Committee is reviewed annually. Management attendance at Committee meetings is by invitation only.

Special purpose Committees may be formed to review and monitor specific projects with senior management. In the case of a takeover offer, TIL Logistics would engage expert legal and financial advisors to provide advice on procedure.

Formal Takeover protocols have been developed and formally adopted by the Board in compliance with Recommendation 3.6 of the NZX Corporate Governance Code.

The Board committees as at 30 June 2020 were:

Committee	Role	Members
Risk Assurance and Audit Committee	Assist the Board in its oversight of the integrity of financial reporting, financial management and controls, external audit quality and independence, and the risk management framework.	Lorraine Witten (Chair) Trevor Janes James Ramsay Danny Chan
Governance and Remuneration Committee	Assist the Board to establish and maintain a strong governance framework overseeing the management of the company's people, remuneration and diversity policies.	Danny Chan (Chair) Trevor Janes James Ramsay

Attendance at Board and Committee Meetings

	Board	Risk Assurance and Audit Committee	Governance & Remuneration Committee
TOTAL MEETINGS HELD	**22**	**9**	**2**
Trevor Janes	22	9	2
Lorraine Witten	21	9	2
James Ramsay	20	6	1
Danny Chan	21	9	2
Peter Dryden[1]	17	4	1

[1] Appointed October 2019

REPORTING AND DISCLOSURE

TIL Logistics is committed to keeping investors and the market informed of all material information about the Company and its performance, in a timely manner. In addition to all information required by law, we also seek to provide sufficient meaningful information to ensure stakeholders and investors are well informed.

The Company's Continuous Disclosure Policy sets out the principles and requirements of this commitment to timely and balanced disclosures.

Key corporate governance policies are available on TIL Logistics' website at https://www.til.kiwi/investor-area/governance/

Financial Reporting

For the financial year ended 30 June 2020, the Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the financial statements with the Financial Markets Conduct Act 2013. The Chief Executive Officer and Chief Financial Officer have confirmed in writing that TIL Logistics Group's external financial reports present a true and fair view in all material aspects.

Non-financial reporting

TIL Logistics has a number of initiatives supporting its focus on the environment, people and communities. A process to measure carbon emissions and develop a formal ESG framework is currently underway and the Company will report against this at the end of the next financial year. As a result, TIL Logistics is not in full compliance with Recommendation 4.3 of the NZX Corporate Governance Code. TIL Logistics discusses its strategic objectives and its progress against these in the Chair and CEO's commentary in shareholder reports.

REMUNERATION

Remuneration of Directors and senior executives is the key responsibility of the Governance and Remuneration Committee. External advice has been sought to ensure remuneration is benchmarked to the market for senior management positions and Board positions.

Details of Director and Executive Remuneration in FY20 are provided on pages 72 to 73.

RISK MANAGEMENT

The Board has overall responsibility for the Company's system of risk management and internal control and has procedures in place to provide control within the management and reporting structure.

In addition, the Risk Assurance and Audit Committee (RAAC) provides an additional and more specialised oversight of Company risks. The RAAC Charter details the specific responsibilities of the Committee regarding Risk Assurance.

Financial statements are prepared monthly and are reviewed by the Board progressively throughout the year to monitor management's performance against budget goals and objectives, and the Board requires managers to identify and respond to risk exposures.

A structured framework is in place for capital expenditure, including appropriate authorisation and approval levels which place an emphasis on the commercial logic for the investment. Under a formal Delegation of Authority policy the Board has set limits to management's ability to incur expenditure, enter into contracts and acquire or dispose of assets.

Risk profiles which identify, assess, monitor and report the Company's key business risks are formally reviewed by the Board annually as part of the Board's risk assessment process. These risk profiles also identify the key risk mitigation strategies which are in place. A summary is below:

Key Risk	Mitigation
Competition	TIL is focused on continually improving its offer to customers and enhancing the customer experience. Investment is being made into IT and capacity to further strengthen TIL's end to end supply chain offer and enhance the customer experience.
Financial risks	Managing financial risk is an ongoing process in all businesses. A key focus for business managers is cash flow management. Financial policies and procedures are in place and monitored to ensure the business is managed within the limits on a continuous basis. This risk is managed by the Board Risk & Assurance and Audit Committee.
Crisis Events	Natural disasters and other crisis events in New Zealand can have an impact on how we operate our business. The Group is implementing a proactive risk management approach for each Division in the areas of supply chain, employees and business infrastructure in case of a natural disaster. Business Continuity Plans are in place for each business and pre- and post-disaster planning reviews are conducted.
Economy	We carefully monitor economic trends and each business is tasked with identifying potential risks and developing strategic plans which take these into account.

Cyber Security	The company has data security systems and protocols in place, which are continuously reviewed and updated for improvement. Cyber Security Audits are undertaken throughout the year.
Health & Safety	We have a programme and policies focused on identifying and mitigating health and safety risks within the business. We monitor and measure key metrics and report on these regularly to the Board. Preventative and recovery processes and controls are implemented across the business.

Crisis plans have been developed along with agreed protocols on actions to be taken and external and internal communication protocols.

Occupational Health and Safety statistics and reported data from each business are reviewed at each Board meeting. This includes serious and minor incidents along with near misses and corrective actions and internal training schemes.

The Board as a whole is responsible for monitoring corporate risk assessment processes and this is not delegated to a subcommittee.

HEALTH AND SAFETY

Staying safe, keeping others safe, and being corporately responsible are fundamental to what we are as an organisation. Operating our business in this way helps us deliver on our vision of "No Harm to People, the Environment or Assets". Paying close attention to safety, wellbeing, sustainability, ethics and integrity go hand in hand with that vision.

The Board is committed to ensuring a high quality, safe and healthy environment for all TIL Logistics people, our visitors, partners and those we interact with on the road. This means we make the safety and wellbeing of our employees, contractors and communities our priority.

People safety is a key priority, one of our core values and an essential component to everything we do. We are committed to developing, improving and reinforcing our safety culture. The key to this is improving leadership capacity and simplifying our tools and systems.

We track safety performance to identify patterns to help prevent incidents – for example, by determining fatigue trends we can schedule activities to avoid particular times of the day when we know incidents are more likely to occur. "Health, Safety and Sustainability" results and reported data from each Business Unit and at a Group level, are reviewed Monthly at each National Health & Safety Committee Meeting and at each Board meeting. This includes training, serious accident, incident and minor event data as well as near misses, observations and corrective actions.

During the year we took steps to operationalise our safety and sustainability teams with a revised focus and functional framework, using improved measurement and analytics tools, "in cab" technologies and other technology that move us beyond traditional safety metrics – bringing factors like weather and vehicle data into the picture – to identify leading indicators of injuries and illness and factoring our learnings into revised safety practices in all parts of our business.

In addition, an independent external review of the Company's health and safety management system was undertaken and a centralised health and safety team was established with representation at the Company's Executive Committee.

The National Health and Safety Committee is an executive group that meets monthly for the purposes of health and safety management across the Group. In addition, the Board receives monthly reports on the health and safety performance across the Group, including performance against plan, near miss reporting, progress with safety related initiatives and reviewing lead and lag indicators of performance.

As a company with over 900 vehicles in the fleet, road safety is a critical risk factor. We have a dedicated team of driver trainers to educate and support our drivers, alongside the increased use of in cab technologies. An increasing focus is becoming the risks around mobile plant more generally in our warehouses, freight depots and cross docks.

The Company's injury frequency rates provide a lag indicator of performance with both the LTI and TRIFR rates reducing for the sceond year in a row.

	2018	2019	2020
Lost time injury frequency rate	28.93	25.36	24.50
Total recordable injury frequency rate	84.15	71.35	62.18

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AUDITORS

External audit

For the year ended 30 June 2020, PricewaterhouseCoopers was the external auditor of TIL Logistics Group Limited. The Risk Assurance and Audit Committee monitors the ongoing independence, quality and performance of the external auditors and audit partner rotation. The Committee pre-approves any non-audit work undertaken by PwC. The non-audit services in the year ended 30 June 2020 are set out in the Annual Report. Those services were provided in accordance with the company's External Auditor Independence Policy and were assessed by the Risk Assurance and Audit Committee as not affecting PwC's independence. The fees paid for audit and non-audit services in FY20 is identified on page 75 of the Annual Report. The external auditors will attend the 2020 Annual Shareholders Meeting.

Internal Audit

TIL Logistics has a number of internal controls, including controls for computerised information system, security, business continuity management, insurance, health and safety, conflicts of interest, and prevention and identification of fraud. The Company does not have a formal internal audit function but is continuing to develop a framework for the function. During FY20 external resources were used to evaluate risk and risk management in two key areas of the business.

SHAREHOLDER RIGHTS AND RELATIONS

The Board is committed to open and regular dialogue and engagement with shareholders. TIL Logistics has developed an investor relations programme which includes regular dialogue with investors, analysts and investor meetings, and earnings announcements. The programme is designed to provide shareholders and other market participants the opportunity to obtain information, express views and ask questions.

Shareholders are actively encouraged to attend the Annual Meeting and may raise matters for discussion at this event, and vote on major decisions which affect TIL Logistics. Voting is by poll, upholding the 'one share, one vote' philosophy. Shareholders are also able to vote by proxy ahead of meetings without having to physically attend those meetings.

Shareholders are encouraged to communicate with the Company and its share registry electronically.

In addition to shareholders, TIL Logistics has a wide range of stakeholders and maintains open channels of communication for all audiences, including brokers, the investing community and the New Zealand Shareholders' Association, as well as its staff, suppliers and customers.

TIL Logistics has a number of policies which uphold stakeholder interests Including but not limited to the Securities Trading Policy, Market Disclosure Policy and Code of Conduct.

GLOSSARY

Non-GAAP financial information: TIL Logistics Group uses several non-GAAP measures when discussing financial performance. These include Earnings Before Interest, Tax, Depreciation and Amortisation, Share of (Loss)/Profit of Associates and Impairment of Goodwill (EBITDA), adjusted EBITDA excluding non-trading costs and adjusted Net Profit/Loss After Tax (NPAT/NLAT) excluding non-trading costs. Management believes that these measures provide useful information on the underlying performance of TIL Logistics' business.

EBITDA refers to Earnings Before Interest, Tax, Depreciation and Amortisation excluding income from associates. EBITDA is a non-GAAP profit measure.

NPAT/NLAT refers to net profit/loss after tax.

Adjusted EBITDA/Adjusted NPAT: Removes the impact of non-trading costs. The Board believes this provides a better reflection of the company's underlying performance.

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DIRECTORY

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DIRECTORS

Danny Chan
Appointed 6 December 2017

Trevor Janes
Appointed 6 December 2017

James Ramsay
Appointed 6 December 2017

Lorraine Witten
Appointed 6 December 2017

Peter Dryden
Appointed 23 October 2019

RISK ASSURANCE & AUDIT COMMITTEE

Lorraine Witten (chair)
Trevor Janes
James Ramsay
Danny Chan

GOVERNANCE AND REMUNERATION COMMITTEE

Danny Chan (chair)
Trevor Janes
James Ramsay

REGISTERED OFFICE AND ADDRESS FOR SERVICE

330 Devon Street East
New Plymouth

AUDITORS

PricewaterhouseCoopers
PwC Tower
Level 27
15 Customs St West
Auckland

BANKERS

ASB Bank
North Wharf
12 Jellicoe Street, Auckland

SOLICITORS

Harmos Horton Lusk Limited
Vero Centre
48 Shortland Street, Auckland

SHARE REGISTRAR

Link Market Services Limited
Deloitte Centre
80 Queen St, Auckland