



Helping Kiwis
afford great cars



ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2022

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This Annual Report is dated 27 June 2022
and is signed on behalf of the Board by:

Charles Bolt
Interim Chair, NZ Automotive Investments Limited

Tracy Rowsell
Director, NZ Automotive Investments Limited

Cover: 2 Cheap Cars Hamilton dealership

Inside front cover: 2 Cheap Cars top selling vehicle in FY22, Toyota Aqua Hybrid

WHO WE ARE

NZAI is an integrated used automotive group operating throughout New Zealand via two divisions: automotive retail and vehicle finance. Our mission is to deliver quality cars and financing solutions at the most affordable prices to the average New Zealander.

Operating under the “2 Cheap Cars” brand, our automotive retail division is one of the largest used vehicle retailers in New Zealand with 13 dealerships across the country. 2 Cheap Cars has sold on average 9,036 cars annually over the past three years and was responsible for approximately 6.7 percent of all used car import sales in New Zealand in FY22.

2 Cheap Cars is vertically integrated from procurement to the point of sale. Staff from our Japanese subsidiary, Car Plus, directly attend Japanese car auctions, visually inspect stock, and select which vehicles to buy. Having a presence in Japan provides greater control over our supply chain, improves vehicle quality, allows us to select cars that we believe will appeal to New Zealand consumers and achieve lower price points.

Our vehicle finance division operates under the “NZ Motor Finance” brand. It originates loans both from external partners and from cross-selling to automotive retail customers, which allows NZ Motor Finance to grow its finance book with minimal acquisition and administrative costs.

 **87** (FTE)
Employees

 **7,882**
Cars sold in FY22

 **13**
Dealerships Nationwide

 **16%**
Digital Sales

 **~24**
Days average time from car arriving at a lot to sale FY22

 **32%**
Finance demand from NZAI retail customers in FY22

2 Cheap Cars locations



Helping
Kiwis Afford
Great Cars

KEY METRICS

\$66.0M
REVENUE & INCOME

▼ down 0.3%

2.6M
NPAT

▼ down 18.9% (\$0.6m)

\$1.7M
UNDERLYING NPAT¹

▼ down 55.7%

3.1CPS
FULL YEAR DIVIDEND

Final gross dividend of 0.88 cps to be paid in June 2022

\$0.6M
NET OPERATING
CASHFLOW ex LENDING

▼ down (\$6.8M)

¹ Underlying NPAT is a non-IFRS measure and excludes the net consideration from rearrangement of leases.



2 Cheap Cars Botany dealership

FY22 IN REVIEW

The last financial year was a difficult one for the business with the Covid 19 restrictions having a greater impact than in FY2021, meaning our dealership network was restricted from fully operating for a total of 108 days.

The reduced ability to trade during the lockdowns and pandemic-related uncertainty impacted buyer behaviour, whilst the Omicron outbreak in January and February 2022 meant more stringent self-isolation with the business not experiencing the same level of bounce back in sales previously experienced after the first lockdown in 2021.

The August lockdown provided an opportunity for the Company to review stock and process vehicles, freeing up future capacity. While the decision to bring this initiative forward was made to improve processing capacity and to enable a stock clearance strategy ahead of the move to new premises, it did absorb more time and incurred more cost to resolve than had been anticipated.

As a consequence of the lower volume of vehicle sales and the new CCCFA lending standards, 2 Cheap Cars' finance and insurance income was impacted in the second half of the year. The changes to lending standards made it more difficult for some customers to access consumer finance, and also increased the time for our third party providers to process applications. The second half of the year was also impacted by an unexpected strengthening of the New Zealand dollar against the Japanese Yen. This affected the Company's foreign exchange hedge position with respect to committed inventory purchases, across the FY22 balance date, resulting in an adverse impact on net profit after tax.

Group Financial Results and Dividend

The rearrangement of the Company's leases associated with the shift of the vehicle processing Hub from Mt Wellington to Onehunga realised a one off gain of \$0.9 million, resulting in a reported NPAT of \$2.6 million. Underlying NPAT was \$1.7 million.

Net operating cashflow, excluding NZ Motor Finance lending decreased by \$6.8 million in FY22 due to the timing of inventory purchases, in particular a prepaid vehicle shipment of \$3.2 million at the end of March 2022.

NZAI's balance sheet remained solid, with \$3.8 million in cash and net debt of \$8 million as at 31 March 2022.

The Company's dividend policy is to target a payout ratio of between 50% and 60% of underlying NPAT. The Board declared a final dividend for the financial year of 0.88 cents per share which, combined with the interim dividend of 2.22 cents per share, delivered a total gross dividend per share of 3.1 cents for FY22.

Results by Division

Automotive Retail

The Covid 19 restrictions meant that the business was restricted from fully operating for a total of 108 days, or 30% of the year, with 63 of the impacted days falling in the second half of the financial year. Accordingly, revenue decreased by 2.1% to \$63.4 million. The business sold 7,882 vehicles, being 325 less than last year. The reduction in the number of vehicles sold was primarily offset by the ability to increase selling prices.

In the first half of the year the business purchased a greater number of vehicles than in the prior comparative period as part of a plan to build stock ahead of shipping and logistics challenges and potential stock shortages. The purchase price of these vehicles increased on average by almost 15% - a reflection of macroeconomic factors including a reduced supply of new vehicles globally. The increased global demand, combined with regulatory changes in New Zealand, requiring better quality, has resulted in higher prices for used vehicles.

As foreshadowed in last year's Annual Report, demand for electric and hybrid electric vehicles (EV/HEV) has continued to increase, with these types of vehicles accounting for 27% of all sales in FY22. The Company increased its inventory of EV/HEVs to meet the anticipated increase in demand as a result of the Government's Clean Car Discount Scheme, increasing petrol and diesel prices, and the consequent consumer demand for these types of vehicles.

Move to New Vehicle Processing Facility

As part of a strategy to take advantage of the Company's vertical integration, the Company moved into an expanded vehicle processing Hub in Onehunga, also investing in equipment and processes to optimise flow and output. This move will set the business up for greater vehicle processing capacity to position the business for sales growth, while providing greater amenity and a safer and more pleasant working environment for employees and contractors.

Digital Marketing

A further strategic initiative was the introduction of click and collect functionality to the Company's website which was developed on the back of the 2020 lockdowns. This innovation resulted in 39% of all vehicle sales during the lockdown period being completed through the click and collect channel, and 16% of all vehicle sales over the whole financial year were completed this way.

Automotive Finance

NZ Motor Finance's loan book grew from \$3.8 million to \$6.8 million, an increase of 79%. As at 31 March 2022 NZ Motor Finance had 889 loans in place.

People and Culture

In April 2022, inaugural Chair Karl Smith and Independent Director Michele Kernahan stepped down from the Board. Tim Cook joined the Board as an Independent Director and Charles Bolt was appointed as the Interim Chair, having been an Independent Director since listing. The Board is looking to appoint at least one further Independent Director in the coming months.

The Board is working closely with management to review the operating structure of the Group to ensure that the business is positioned for growth, and that it has the right skillsets that will be required to deliver on that strategy.



There is no doubt that the past year has seen many challenges and disruptions resulting from the pandemic. The Company is appreciative of its employees who have remained focused on supporting the customers and each other during this period, and has put in place a number of strategies to lift engagement and attract and retain talent.

Outlook

By achieving greater efficiencies in the relocated vehicle processing Hub, and expanding the dealership footprint and a significant uplift in sales and marketing investment, the Company is well positioned for growth and development.

In May 2022 the Government released its finalised Emissions Reduction Plan, which confirms that e-mobility will play a fundamental role in New Zealand's emissions reductions, targeting 30% of EVs on roads by 2035.

This includes a national charging infrastructure strategy, a pilot clean car programme to scrap and replace old vehicles, and an EV leasing programme for low income households. These initiatives from the Government, coupled with the increasing customer demand for more fuel efficient and environmentally friendly vehicles in the wake of increasing fuel prices, mean that the Company will focus on the opportunities that these evolving dynamics present.

The Board and Management remain of the view that access to affordable, high quality vehicles is an essential need in New Zealand. We will continue to find ways of delivering on that vision in the changing landscape as we help Kiwis afford great cars.

We would also like to thank our 3,000 shareholders for their continuing support.



Charles Bolt
Interim Chair



David Page
Chief Executive Officer



Another happy customer from our Christchurch dealership

THE BOARD



CHARLES BOLT
INTERIM CHAIRPERSON, INDEPENDENT, NON EXECUTIVE DIRECTOR

Charles has a background in corporate law and as a Senior Executive in a major listed Company. Beginning his career in capital markets regulation with the NZX, he then worked for New Zealand law firm Bell Gully before joining Fletcher Building where he most recently held the role of Group General Counsel and Company Secretary until 2019. He is currently Head of Governance Services for Computershare NZ and a member of the NZ Markets Disciplinary Tribunal. Charles holds an LLB from Victoria University and has completed the Senior Executive Programme at Columbia University, New York. Charles has been a Director of NZAI since December 2020.



DAVID (YUSUKE) SENA
NON INDEPENDENT, EXECUTIVE DIRECTOR, CO-FOUNDER

David founded 2CC in 2011 with Eugene Williams. He has responsibilities for procurement and supply chain aspects of the Company. David was born in Japan and has been influential in developing and maintaining relationships with vehicle suppliers. He has been a Director of NZAI since its inception.



EUGENE WILLIAMS
NON INDEPENDENT, EXECUTIVE DIRECTOR, CO-FOUNDER

Prior to founding 2CC in 2011 with David Sena, Eugene had been a successful small business owner in the education and FMCG sectors. Eugene has responsibilities for sales and marketing. He has been a Director of NZAI since its inception.



TRACY ROWSELL
NON INDEPENDENT, NON EXECUTIVE, DIRECTOR

Tracy is an advisory partner at BDO Auckland, with more than 20 years of experience in providing business advisory and taxation services to a wide array of local and overseas clients. She has provided advice to 2CC since 2012 and has a deep understanding and knowledge of the business. Tracy has been a Director of NZAI since December 2020.



TIM COOK
INDEPENDENT, NON EXECUTIVE DIRECTOR

Tim Cook joined NZ Automotive Investments as a Director in April 2022. Tim brings motor vehicle industry experience and was previously a Director and Chair of Auckland City BMW, Mini and Rolls Royce between 2008 and 2015. He was previously an Independent Director of NZX listed companies including Charlie's Group prior to the Asahi takeover in 2011, Plexure and Good Spirits Hospitality. He continues to hold a number of other directorships and is currently the Chair of Medsector Advisers Limited, The Heart Group and MyWave.AI.

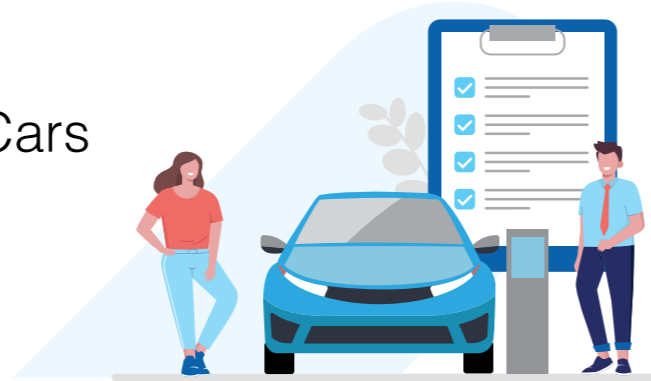


2 Cheap Cars Botany Dealership

STRATEGY

OUR PURPOSE

Helping Kiwis Afford Great Cars



STRATEGIC GOALS



PROGRESS TO DATE:

- ✓ Expanded vehicle processing Hub
- ✓ Expand national dealership footprint
- ✓ Actively increased supply of affordable EVs and HEV's
- ✓ Implement digital application with loan book
- ✓ Refine end to end online buying process
- ✓ Uplift net promoter score from 4.3 to 4.5

HOW WE WILL ACHIEVE OUR GOALS

By strengthening, leveraging, and growing our foundation to build a diversified automotive group. We have recognised five strategic priorities to achieve this:

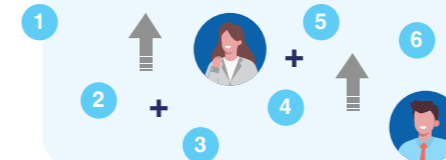
1. EXPAND SUPPLY CHAIN



Areas of focus and investment:

- Expand our HUB car processing to unlock growth.
- Actively increase supply of affordable EV & HEV's.
- Leverage our scale to drive efficiencies.

2. GROW RETAIL DISTRIBUTION PLATFORM



Areas of focus and investment:

- Expansion of national dealership footprint.
- Upgrade and modernise physical dealerships.
- Invest in brand / advertising.

3. OPTIMISE LOAN BOOK



Areas of focus and investment:

- Increase finance penetration.
- Implement digital application and fulfilment.

4. IMPROVE DIGITAL OFFERING



Areas of focus and investment:

- Refine full end-to-end online buying process.
- Automate internal processes.
- Execute on customer insights.

5. BUILD BRAND AND CUSTOMER EXPERIENCE



Areas of focus and investment:

- Deepen connection with our 130,000 followers on social media.
- Invest in customer care team.
- Uplift net promoter score from 4.33 to 4.5.
- Deliver customer value through partnerships.

2CheapCars SUPPLY CHAIN



Japan:

- Staff from NZAI's Japanese subsidiary, Car Plus, directly attend Japanese car auctions, visually inspect stock, and select vehicles.

Logistics:

- A Japanese local agent is responsible for the logistics of bringing cars from the auction house to New Zealand.

Independent Compliance:

- Upon arrival in New Zealand, each vehicle is independently tested by a third party approved by the New Zealand Transport Agency to ensure it adheres to the country's safety and environmental standards. This process is known as entry certification.

Processing Hub:

- Vehicles undergo servicing and a further round of mechanical checks by 2 Cheap Cars' own mechanics to ensure quality.
- Third party contractors groom the cars
- Quality Control team perform final checks and ensure the vehicles are in good in condition for customers.

Distribution to Yards:

- Vehicles are transported from the Hub to 2 Cheap Cars' 13 dealerships across the country.

Car Sold:

- In FY22 it took (on average) 24 days from the date the car arrived on the yard for it to be sold.

OUR VEHICLE PROCESSING HUB

New home for NZAI

Earlier this year we successfully relocated our Vehicle Processing Hub and Head Office to new premises in Onehunga. This was a strategic move to enable the business to grow. The Company has also taken the opportunity to invest in equipment and processes to optimise flow and output.

What the vehicle processing Hub does

The Hub contains our Workshop, Grooming, Quality Control, Photography and Dispatch functions, along with offices for our customer care and administration teams.

Internal Checks

After receiving the internal certification from independent compliance centres, vehicles are then transported to the Hub where they undergo a further round of mechanical checks by 2 Cheap Cars' own mechanics to ensure quality. A quality control team perform final checks.

In housing of services

As part of the set-up of the Hub, there are some services that have been partly brought in-house. This includes: grooming, a panel and paint team and a diagnostic mechanic.

Dispatch and logistics

The Hub is more than 1.5 times the size of the previous location and can store more vehicles for processing. We are finding synergies within our processes and have a smoother output flow, through the site, which has increased capacity. This will play a part in our future growth plans to expand our network.

The Hub is also a safer place for both our staff and suppliers to work from, with dedicated areas for trucks to move around the building. The operation is now physically closer to more of our suppliers reducing lost time in transit.



Vehicle Processing Hub in Onehunga

A SPOTLIGHT ON HYBRID AND ELECTRIC VEHICLES.

Market Dynamics continue to create demand for used vehicles

The number of electric vehicles registered in New Zealand grew by 66%¹ year on year to 34,513 in FY22. During the same period, there were 121,334¹ hybrid petrol vehicles registered, representing an increase of 44%.

The clean car feebate scheme came into effect on the 1st of April 2022. This, together with rising global fuel costs, continues to positively impact the demand for EV/HEV's.

What is happening from a regulatory perspective?

In May 2022 the Government released its finalised Emissions Reduction Plan, targeting 30% of EVs on roads by 2035. This includes a national charging infrastructure strategy, a programme to scrap and replace old vehicles, and an EV leasing programme for low income households.

Under the clean car feebate scheme, vehicles with lower CO2 emissions attract a rebate from the Government and higher emission vehicles may attract a fee. Typically hybrid and electric vehicles are favoured by these schemes, given they generally emit less CO2 per km travelled.

These initiatives from the Government, coupled with the increasing customer demand for more fuel efficient and environmentally friendly vehicles have created opportunities for NZAI.

How are we responding to the changes?

Sales of EV/HEV's have almost doubled over the past 12 months, with EV/HEV sales representing 27% of all 2 Cheap Cars' vehicles sold, rising to 37% in the last quarter of FY22.

However, hybrid vehicles will be more dominant in our market segment over next few years. We have over ten different models currently available for sale to our New Zealand customers.

The Three A's for helping Kiwi's make the switch to Electric vehicles:

Availability: 2 Cheap Cars specialises in light vehicle imports (including EV/HEV) and is well placed to service the growing demand for this type of vehicle.

Affordability: Our customers are everyday Kiwis who rely on safe, reliable and affordable transport. Making sure that electric vehicles are affordable, safe and reliable will be fundamental to New Zealand making the switch to lower carbon emission vehicles.

Awareness: In order for Kiwis to feel confident in making the switch to an electric or hybrid vehicle, it is important that they understand the benefits and potential limitations and are provided with the right information to make an informed decision.

¹ Source: Ministry of Transport electric vehicle registrations (March 2021 to March 2022)

FINANCIAL SUMMARY

Operating Revenue

NZAI operates two divisions.

The automotive retail division's revenue is primarily from the sale of motor vehicles and from agent commissions relating to the sale of third-party finance and insurance products.

The vehicle finance division generates finance income from lending to customers who are financing motor vehicles and from selling guaranteed asset protection insurance and payment protection insurance products. Finance income is either recognised as contractual income earned on loans at fair value through profit or loss or as finance income received at amortised cost.

Changes in operating revenue

	2022 \$000	2021 \$000	Change %
Revenues from retail operations	63,046	64,362	(2.0%)
Finance Income from finance Business	1,185	1,004	18.0%
Other Income	1,725	759	127.3%
Total Revenue and income	65,956	66,125	(0.3%)

FY22 revenue and income¹ of \$66.0m decreased by \$0.2 million on FY21. Revenue from retail operations decreased by 2.0% to \$63.0 million on the back of lower sales volumes impacted by Covid-19 related restrictions. The reduction in the number of vehicles sold was offset by the ability to increase selling prices.

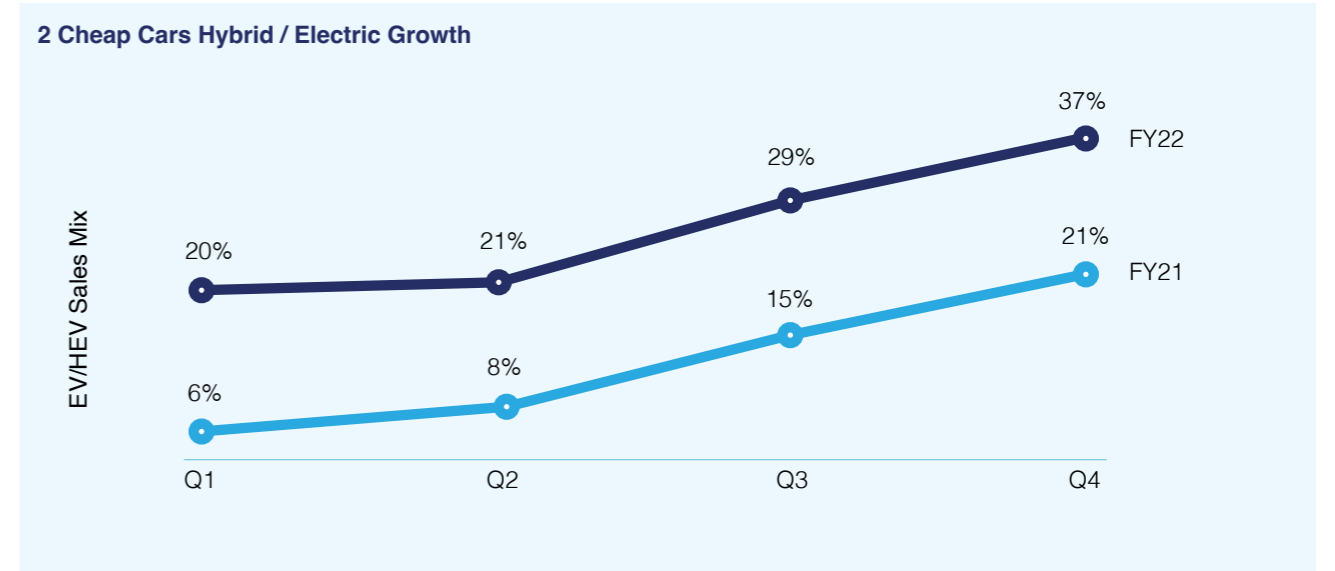
Finance income from the NZMF loan book was \$1.2m in FY22, up 18% on FY21. Growth in finance income was driven by increases in contractual income of 66%, off-set by a reduction in fair value gains on revaluation of the loan book and due to a one-off commission received in FY21 which was not received in FY22.

Other income of \$1.7m was made up of a one off cash gain from the rearrangement of leases, the Government wage subsidy and rent relief received from landlords in the face of the pandemic.

Sales of EV/HEVs nearly double

Motor vehicle sales	2022	2021	Change%	Mix%
Petrol Vehicles	5,785	7,134	(18.9%)	73%
EV / HEV Vehicles	2,097	1,073	95.4%	27%
Total vehicles sold	7,882	8,207	(4.0%)	100%

Sales of EV/HEV vehicles almost doubled in FY22 to 27% of total sales. In the last quarter of the year this grew to 37% of all sales, up from 21% at the same time last year.



¹ includes government wage subsidy received of \$0.3m

FINANCIAL SUMMARY (CONTINUED)

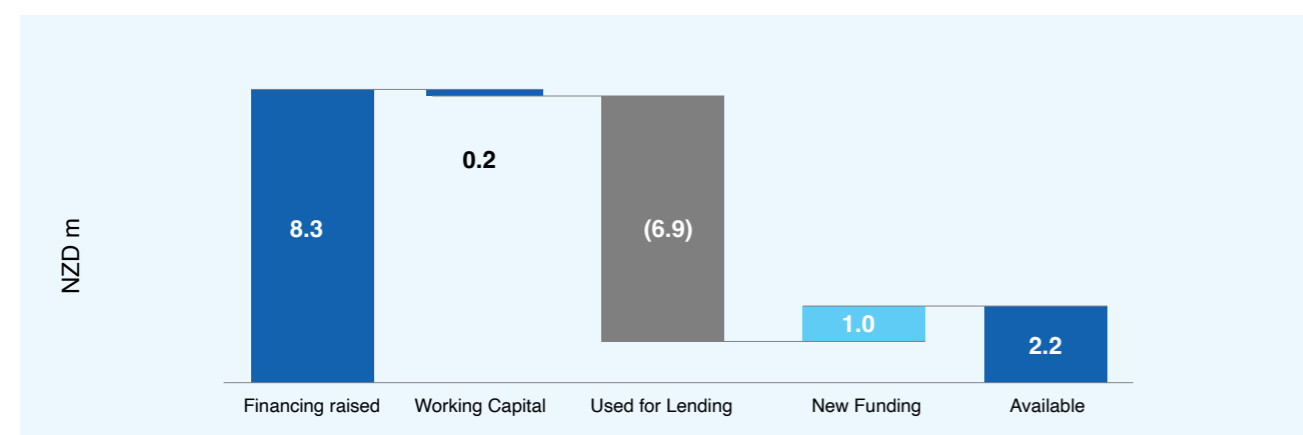
Growth in NZMF loan book:	2022 \$000	2021 \$000	Change %
\$ Value of Loan Book	6,824	3,803	79.4%
Number of Active Loans	889	461	92.8%

NZMF grew its loan book by 79% in FY22, an increase from \$3.8m to \$6.8m as at 31 March 2022. The number of loans totalled 889.

Approximately 32% of 2 Cheap Cars' customers required vehicle finance in FY22. Selective lending to NZMFs' customer base has continued, and the business has seen 0.05% of loans written off in FY22.

NZMF Use of Funds

NZAI increased its bank debt facility to \$6.0m, with the ability to increase it further by \$4m. NZMF had \$2.2m of funding available for new loans as at 31 March 2022.



Summary of financial results	2022 \$000	2021 \$000	Change %
Revenue and income	64,231	65,366	(1.7%)
Sundry income	1,725	759	127.2%
Total revenue and income	65,956	66,125	(0.3%)
Other operating expenses	60,556	58,368	3.7%
Net interest	425	399	6.5%
Depreciation & amortisation	1,779	1,972	(9.8%)
Cost to list Company	-	695	(100.0%)
Total operating expenses (excluding listing costs)	62,760	61,435	2.2%
Earnings before taxation	3,196	4,690	(31.9%)
<i>Earnings before tax margin</i>	<i>4.8%</i>	<i>7.1%</i>	<i>-31.7%</i>
Taxation	602	1,492	(59.7%)
Net profit after tax	2,594	3,199	(18.9%)
Earnings before taxation	3,196	4,691	(31.9%)
Net consideration from re-assignment of leases	(885)	-	N/A
Cost to list Company	-	695	(100.0%)
Underlying earnings before taxation	2,311	5,386	(57.1%)
Net profit after tax	2,594	3,199	(18.9%)
One off items net of tax	(899)	626	(233.1%)
Underlying net profit after tax	1,695	3,824	(55.7%)
<i>Underlying net profit after tax margin</i>	<i>2.6%</i>	<i>5.8%</i>	<i>(55.6%)</i>

Revenue and income was \$66.0m, down (0.3%) on FY21.

Operating costs, including cost of sales, increased by 3.7%. This was caused by the increased cost to procure vehicles from Japan, the cost of reducing the age of inventory and the costs associated of being a listed Company, which were reflected for only part of the year in FY21.

Net profit after tax (NPAT) declined year on year by (\$0.6m) to \$2.6m. This included a one off gain of \$0.9m of net income (net of tax) received in respect of the re-arrangement of leases. Underlying NPAT² was \$1.7m, down (\$2.1m) against last year and resulted in a decrease in the underlying net profit after tax margin to 2.6%.

Agent commissions received from finance and insurance products were impacted in the second half of the year due to changes to lending standards, introduced by the Government, which made it more difficult for some customers to access consumer finance. The second half of the year was also impacted by an unexpected strengthening of the New Zealand dollar against the Japanese Yen. This affected the Company's foreign exchange hedge position with respect to committed inventory purchases, across the FY22 balance date, resulting in an adverse impact on net profit after tax.

The underlying earnings per share were 3.7 cents for FY22.

² Excludes one off net gain from the rearrangement of leases and transaction costs to list the Company on NZX in FY21 (Underlying NPAT and underlying EBITDA are non-IFRS measures)

FINANCIAL SUMMARY (CONTINUED)

Earnings before interest, taxation, depreciation and amortisation	2022	2021	Change
	\$000	\$000	%
Earnings before taxation	3,196	4,691	(31.9%)
Net consideration from re-assignment of leases	(885)	-	
Cost to list Company	-	695	
Underlying earnings before taxation	2,311	5,386	(57.1%)
Interest expense	425	399	6.5%
Underlying earnings before interest and taxation	2,736	5,785	(52.7%)
Depreciation & amortisation	1,779	1,972	(9.8%)
Underlying earnings before interest, taxation, depreciation and amortisation	4,515	7,757	(41.8%)
<i>Underlying EBITDA margin</i>	<i>6.8%</i>	<i>11.7%</i>	<i>(41.7%)</i>

Underlying EBITDA² including finance income decreased from \$7.8 million in FY21 to \$4.5 million in FY22. The effects of Covid-19, the reduction of the age of inventory as well as additional corporate costs associated with becoming a listed Company, contributed to the \$3.2 million reduction. As a result, the underlying EBITDA margin was reduced from 11.7% in FY21 to 6.8% in FY22.

Cash flow summary	2022	2021	Change
	\$000	\$000	%
Proceeds from sale of goods	65,068	64,471	0.9%
Payments to suppliers & employees	(63,047)	(55,169)	14.3%
Other operating activities	(1,456)	(1,917)	(24.0%)
Underlying cash flows from retail operating activities	565	7,385	(92.3%)
Proceeds from loan receipts	3,514	2,123	65.5%
Advances to loan customers	(6,576)	(3,589)	83.2%
Cash flows from operating activities	(2,497)	5,919	(142.2%)
Net purchase & proceeds of property, plant & equipment	(414)	(157)	163.8%
Investing cash flow	(414)	(157)	163.8%
Free cash flow	(2,911)	5,762	(150.5%)
Net capital raised	-	3,312	(100.0%)
Borrowing repaid	3,380	420	704.8%
Dividends paid	(3,025)	(1,078)	180.5%
Other financing activities	(1,832)	(1,911)	(4.1%)
Cash flows from financing activities	(1,477)	743	(299.0%)
Net cash flow	(4,388)	6,505	(167.5%)
Effect of exchange rate	(89)	(12)	641.7%
Cash & cash equivalents	3,790	8,267	(54.2%)

NZAI received \$65.1m from the sale of vehicles and related income from its 2 Cheap Cars retail business. Receipts were up 0.9% on FY21.

Underlying operating cash inflows from retail operations and before loan book lending of \$0.6m decreased by (\$6.8m) on the previous year due to the timing of inventory purchases, in particular a prepaid shipment of \$3.2 million at the end of March 2022.

NZMF lent \$6.6m to customers and received \$3.5m in proceeds from loan receipts.

The Group invested \$0.4m in a new truck and plant and equipment to set up the new vehicle processing Hub. NZAI finished FY22 with \$3.8m in the bank.

FINANCIAL SUMMARY (CONTINUED)

Explanation

The financial summary section should be read in conjunction with the consolidated financial statements and the related notes contained within this report. This commentary may include information regarding plans and strategies that may involve risk and uncertainties. All figures are in New Zealand Dollars (NZD) except where indicated. References to this period or FY22 are to the year ended 31 March 2022. References to the prior period or to FY21 are for the 12-month period ended 31 March 2021. Non-GAAP measures have been included as management believes they provide useful information for readers of the Annual Report to assist in understanding the Company's financial performance. Non-GAAP measures should not be viewed in isolation or considered as substitutes for measures reported in accordance with New Zealand equivalents to International Financial Reporting (NZ IFRS).





FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022



CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

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Independent Auditor’s Report

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To the Shareholders of NZ Automotive Investments Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of NZ Automotive Investments Limited (the “Company”) and its subsidiaries (the “Group”) on pages 36 to 66 which comprise the consolidated statement of financial position as at 31 March 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 March 2022 and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (“NZ IFRS”) issued by the New Zealand Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (“ISAs (NZ)”) issued by the New Zealand Auditing and Assurance Standards Board. 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 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)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, 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 period. 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.



Why the audit matter is significant	How our audit addressed the key audit matter
<p>Revenue recognition – NZ Automotive Investments Ltd and Group</p> <p>The Group has recognised revenue of \$64m (FY 2021: \$ 65m) (Note 4). NZAI Group’s net sales comprises revenue from the sale of cars, insurance agent commissions and interest agent commissions.</p> <p>Revenue is recognised when the control associated with a good or service (or in aggregate thereof) representing a distinct performance obligation is transferred from the Group to the customer.</p> <p>There are a number of factors that could affect this reported amount, including the risk for revenue recognition policies being incorrectly applied or recognised in an incorrect period. This presents a key audit matter due to the financial significance and nature of net sales in the financial statements.</p>	<p>To address the risk associated with revenue recognition, the following audit procedures were carried out:</p> <ul style="list-style-type: none"> • Evaluated the design and operational effectiveness of management’s internal controls related to revenue recognition. • Reviewed revenue recognition policies for appropriateness and compliance with relevant accounting standards. • Performed analytical procedures by projecting the revenue listing by the model of the cars in a scatter diagram and identifying outliers. • Selected a sample of transactions and inspected supporting documentation, cash received and assessed whether all criteria related to revenue recognition has been met before being recognised as revenue. • Performed revenue cut off procedures by selecting a sample of revenue samples before and after year end and testing whether cut off on revenue was accurate.
<p>Valuation of loan receivables with waiver clauses – NZ Motor Finance Limited</p> <p>Loan receivables have been classified into those with waiver clauses and those without. The Group has recognised loan receivables with waiver clauses at fair value through profit or loss at \$3.4m (FY 2021: \$3.0m) (Note 14). There was a fair value gain on revaluation recognised through profit or loss of \$ 8k (FY 2021: \$ 132k) (Note 4 and 14). Accounting policies relevant to loan receivables have been disclosed under Note 3(d), 3(i), 7 and 14.</p> <p>The Group has early adopted NZ IFRS 17 Insurance Contracts and applied the scope exemption allowing them to measure the loan receivables that include waiver clauses as financial assets in their entirety at fair value through profit or loss. Repayments of the loans are recognised as reductions in carrying amount, with any fair value gains or losses at each reporting date recognised in profit or loss.</p> <p>The determination of the fair value for loan receivables with waiver clauses requires management judgment and continuous monitoring.</p>	<p>To address the risk associated with the valuation of the waiver loan receivables at fair value through profit or loss, the following audit procedures were carried out:</p> <ul style="list-style-type: none"> • Evaluated the design and operational effectiveness of key controls related to valuation of loan receivables, independent model validation and approval. • Reviewed the loan receivables measurements policies for appropriateness and compliance with relevant accounting standards and adequate disclosures in the financial statements. • Performed a review of the model prepared by management’s expert to measure the loan receivables at fair value by assessing it for completeness and accuracy, reviewing the underlying key assumptions (including discount rate, default provision rate, asset and income waiver provision, etc) used by management. We challenged the assumptions used for reasonability and appropriateness, comparing these to market benchmarks, with no evidence of management bias identified from our procedures.



Information Other than the Consolidated Financial Statements and Auditor's Report thereon

The Directors are responsible for the annual information. The other information comprises the annual report. The annual report is expected to be made available after the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to report that fact.

Directors' responsibilities for the Consolidated Financial Statements

The Directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ 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 on behalf of the Group 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) 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 the auditor's responsibilities for the audit of the consolidated financial statements is located on the External Reporting Board's website at: <https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/>

Restriction on use of our report

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders, as a body 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 opinion we have formed.

Grant Thornton New Zealand Audit Limited

Grant Thornton

VJ Black

Auckland
29 May 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2022

	Note	MAR 2022 \$'000	MAR 2021 \$'000
Revenue			
Revenue and income	4	64,231	65,366
Sundry income	5	1,725	759
Expenses			
Cost of sales		(51,680)	(51,688)
Administration expenses		(2,720)	(2,032)
Advertising expenses		(1,192)	(1,201)
Depreciation expenses		(1,779)	(1,972)
Employee benefits		(3,847)	(2,806)
Finance expenses	8	(689)	(413)
Property expenses		(853)	(627)
Operating Profit		3,196	5,386
Listing Costs		-	(695)
Profit before Income Tax		3,196	4,691
Income Tax Expense	20	(602)	(1,492)
Profit for the period		2,594	3,199
Other Comprehensive Income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Translation of foreign operations		(90)	(86)
Total Other Comprehensive Income		(90)	(86)
Total Comprehensive income for the Period		2,504	3,113
Earnings per share			
Basic earnings per share	10	0.06	0.12
Diluted earnings per share	10	0.06	0.12

The accompanying notes form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022

	Share Capital \$'000	Retained Earnings \$'000	Foreign Currency Translation Reserve \$'000	Amalgamation Reserve \$'000	Total attributable to equity holders of Parent \$'000	Non- Controlling Interests \$'000	Total Equity/ (Accumulated Losses) \$'000
Balance as at 1 April 2020	15,442	10,061	91	(35,442)	(9,848)	67	(9,781)
Profit for the Period	-	3,199	-	-	3,199	-	3,199
Translation of Foreign Operations	-	-	(86)	-	(86)	-	(86)
Total comprehensive income for the period	-	3,199	(86)	-	3,113	-	3,113
Transactions with owners of the Group in their capacity as owners							
Movement in NCI	-	24	-	-	24	(67)	(43)
Movement in Share Capital	23,902	-	-	-	23,902	-	23,902
Movement in Amalgamation	-	-	-	(514)	(514)	-	(514)
Dividends paid	-	(1,064)	-	-	(1,064)	-	(1,064)
Total transactions with owners of the Group	23,902	(1,040)	-	(514)	22,348	(67)	22,281
Balance at 31 March 2021	39,344	12,220	5	(35,956)	15,613	-	15,613
Balance at 1 April 2021	39,344	12,220	5	(35,956)	15,613	-	15,613
Profit for the Period	-	2,594	-	-	2,594	-	2,594
Translation of Foreign Operations	-	-	(90)	-	(90)	-	(90)
Total Comprehensive Income for the Period	-	2,594	(90)	-	2,504	-	2,504
Share options recognised at fair value net of options lapsed	21	-	-	-	21	-	21
Dividends paid	-	(3,025)	-	-	(3,025)	-	(3,025)
Total transactions with owners of the Group	21	(3,025)	-	-	(3,004)	-	(3,004)
Balance at 31 March 2022	39,365	11,789	(85)	(35,956)	15,113	-	15,113

The accompanying notes form part of these consolidated financial statements

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022**

	Note	MAR 2022 \$'000	MAR 2021 \$'000
Equity			
Share Capital	23	39,365	39,344
Amalgamation Reserve		(35,956)	(35,956)
Foreign Currency Translation Reserve		(85)	5
Retained Earnings		11,789	12,220
Total Equity		15,113	15,613
Current Liabilities			
Trade and Other Payables	16	1,890	2,095
Employee Benefit liabilities	19	933	871
Borrowings	22	11,800	8,420
Income tax Payable		-	724
Derivative financial liabilities	18	414	43
Related Party Payable	25	10	20
Lease liability	17	1,484	1,600
Other Current Liabilities		126	35
Total Current Liabilities		16,657	13,808
Non-Current Liabilities			
Lease Liability	17	5,833	5,003
Total Non-Current Liabilities		5,833	5,003
Total Equity and Liabilities		37,603	34,424

The accompanying notes form part of these consolidated financial statements

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 MARCH 2022**

	Note	MAR 2022 \$'000	MAR 2021 \$'000
Current assets			
Cash and cash equivalents	12	3,790	8,267
Trade and other receivables	15	4,865	2,559
Income tax receivable		288	-
Loans receivable	14	2,954	1,591
Inventories	13	13,008	11,892
Total current assets		24,905	24,309
Non-current assets			
Plant, property and equipment	27	1,335	1,176
Intangible assets		4	4
Loans receivable	14	3,870	2,212
Deferred tax asset	20	433	477
Right-of-use assets	17	7,056	6,246
Total non-current assets		12,698	10,115
Total assets		37,603	34,424

Approved on behalf of the Board on 29th May 2022

Charles Bolt
Director



Date 29 May 2022

Tracey Rowsell
Director



Date 29 May 2022

The accompanying notes form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2022

	MAR 2022 \$'000	MAR 2021 \$'000
Cash Flows from Operating Activities		
Cash receipts from customers	65,068	64,471
Government Grants Received	351	600
Cash paid to suppliers and employees	(63,047)	(55,169)
Interest received	26	14
Interest paid - retail operations	(263)	(165)
Tax paid	(1,570)	(2,366)
Net cash inflow from operating activities before Changes in Operating Assets and Liabilities	565	7,385
Loan receivables advanced	(6,576)	(3,589)
Proceeds from loan receivables	3,514	2,123
Net cash inflow / (outflow) from operating activities	(2,497)	5,919
Cash Flows from Financing Activities		
Proceeds from sale of property, plant and equipment	242	19
Purchase of property, plant and equipment	(656)	(176)
Net cash outflow from investing activities	(414)	(157)
Cash flows from financing activities		
Dividend paid	(3,025)	(1,078)
Repayments from related parties	-	4
Interest paid - finance operations	(187)	(234)
Principal elements of lease payments	(1,645)	(1,682)
Capital Raise	-	3,555
Cost of capital raise	-	(243)
Trade finance advance	3,380	420
Net cash inflow / (outflow) from financing activities	(1,477)	742
Net increase/(decrease) in cash and cash equivalents	(4,388)	6,504
Cash and cash equivalents at beginning of period	8,267	1,775
Effect of exchange rate	(89)	(12)
Cash and cash equivalents at end of period	3,790	8,267

The accompanying notes form part of these consolidated financial statements

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

1. Reporting entity

NZ Automotive Investments Limited (the Company) is a Company domiciled in New Zealand.

The Company is incorporated in New Zealand, registered under the Companies Act 1993 and is publicly traded on the New Zealand Stock Exchange.

These consolidated financial statements comply with the requirements of the Companies Act 1993 and the Financial Markets Conduct Act 2013.

These consolidated financial statements as at 31 March 2022 comprise the Company and its subsidiaries: 2 Cheap Cars Limited, NZ Motor Finance Limited, 2CC International Limited, 2 Cheap Rental Cars Limited and Car Plus K.K. (collectively, the Group).

2. Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (GAAP) and the requirements of the Financial Markets Conduct Act 2013.

These financial statements comply with New Zealand equivalents of International Financial Reporting Standards (NZ IFRS). As such, they also comply with International Financial Reporting Standards (IFRS).

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except that certain assets and liabilities are measured at fair value where stated under their specific accounting policies.

- Derivative financial instruments (Note 18)
- Loans receivable (Note 14)

(c) Functional and presentation currency

These consolidated financial statements for the Group are presented in New Zealand dollars (\$), which is the Group's functional and the Group's presentation currency. All financial information presented has been rounded to the nearest thousand dollars.

(d) Going Concern and COVID-19

The COVID-19 pandemic has continued to disrupt economic activity in New Zealand through out FY2022 due to Government introduced restrictions, put in place to reduce the spread of the virus compounded by reduced consumer spending due to unwillingness to attend retail settings.

Demand for used cars in New Zealand was strong in the lead up to the lockdown commencing 17 August 2021. The business was performing solidly to this point and ahead of the same Covid-affected period last year. On 17 August

2021 due to the Covid-19 alert system in New Zealand having moved to level 4, all twelve 2 Cheap Cars Limited dealerships and the Company's car processing Hub in Auckland closed for a period of time. The business was able to trade, but only on a limited basis through online channels during any move to alert level 3 and then on a more complete basis when regions out of Auckland moved to level 2.

The Group enacted a COVID recovery plan, which included negotiating an extension to trade finance contracts in order to conserve cash during the period. All measures were taken to ensure staff were safe and still being paid. Rent relief was sought and other cost saving measures were implemented during this time. The Group did not experience any significant issues with regards to finance customers meeting debt repayment obligations and there are no significant uncertain estimates or unusual provisions at balance date.

Towards the end of the financial period, particularly in the final quarter, when the Omicron COVID-19 wave was affecting New Zealand, there was an economic impact which affected the demand for used motor vehicles in New Zealand, due to less active customers in the retail setting.

The Directors have assessed the likely impact of COVID-19 on the Group and have concluded that, for the 12 months from the date of signing the financial statements, COVID-19 is not expected to impact the Group's ability to continue operating as a going concern. The main drivers of this conclusion are due to the business' past performance of navigating COVID disruptions and due to the fact that the Government has implemented the new COVID response plan, with high population vaccination rates and the introduction of the traffic light system which is expected to see retail business less affected by restrictive lockdowns moving forward. The group is maintaining a conservative cash balance to assist in the event of further restrictive lockdowns.

Based on these factors, the Directors consider that the Group is a going concern and the consolidated financial statements have been prepared on that basis.

(e) Critical accounting estimates and judgements

The preparation of the consolidated financial statements, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

2. Basis of preparation (continued)

(f) Changes in accounting policies

None during the period.

(g) Changes in accounting estimates

During the period the group updated its accounting treatment with regards to depreciation of fixed assets, previously utilising the diminishing value methodology, and switching to the Straight line method going forward. The effective date of this change is 1 April 2021. The Accounting Treatment has therefore been applied prospectively from this date. The Interim financial statements for the six month period ended 30 September 2021 will therefore be restated in the next appropriate reporting period following the updated methodology. Refer to Note 27 for the financial impact of this change.

3. Significant Accounting Policies

The Group has applied the same accounting policies and methods of computation in these financial statements as its previous annual financial statements, except for those detailed in note 2(f) and (g) above.

Details of the Group's significant accounting policies are provided below.

In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends have been eliminated in full.

a) Basis of consolidation

Subsidiaries are entities controlled by the Group. The Group controls an entity when it 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 over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences.

The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Intra-group transactions and balances are therefore eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Subsidiaries

The subsidiaries of NZ Automotive Investments Limited, all of which have been included in these consolidated financial statements, are as follows:

Name	Country of incorporation and principal place of business	Proportion of ownership interest	
		Mar 2022	Mar 2021
2 Cheap Cars Limited	New Zealand	100%	100%
NZ Motor Finance Limited	New Zealand	100%	100%
2CC International Limited	New Zealand	100%	100%
2 Cheap Rental Cars Limited	New Zealand	100%	100%
Car Plus K.K	Japan	100%	100%

3. Significant accounting policies (continued)

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Foreign currency differences arising from settlement at a different exchange rate are recognised in profit or loss.

(ii) Foreign currency monetary assets and liabilities

At balance date, foreign monetary assets and liabilities are translated to the functional currency at the closing rate and exchange variations are recognised in profit or loss.

(iii) Foreign currency non-monetary assets and liabilities

Foreign non-monetary assets and liabilities that are measured based on historical costs are translated using the exchange rate at the date of the transactions. Any foreign currency difference arising due to translating to functional currency are recognised in profit or loss.

(c) Revenue

The specific revenue recognition policies associated with the Group's distinct performance obligations (as presented in Note 4) are detailed below.

(i) Vehicles sold

Revenue is recognised at a point-in-time, with the transfer of control determined as the point purchaser takes final physical possession of the vehicle.

(ii) Insurance policies

Commission revenue is recognised on an agent basis at a point-in-time, with the transfer of control determined at the point the end customer enters into a signed insurance policy with the insurance provider (principal). As the uncertainty associated with any commission clawbacks is resolved, previously deferred revenue recognised as contract liabilities is released and recognised as revenue.

(iii) Sale of scrap parts

Revenue is recognised at a point-in-time, with the transfer of control determined as the point that the purchaser takes final physical possession of the scrap parts.

(iv) Commissions received (booking fee, sales, finance)

Revenue is recognised on an agent basis at a point-in-time, with the transfer of control determined as the point the end customer enters into a signed finance agreement with the finance provider (principal). As the uncertainty associated with any commission clawbacks is resolved, previously deferred revenue recognised as contract liabilities is released and recognised as revenue.

(v) Interest revenue calculated using the effective interest method

Interest revenue comprises interest on loans receivable and cash and cash equivalents. Interest revenue is recognised based on the effective interest method.

Performance obligations and timing of revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled to, excluding amounts collected on behalf of third parties and net of rebates, discounts and payments to customers that are not in consideration for separate goods or services provided. This represents the fair value of total consideration payable, including both cash and in the case of vehicles sold, any vehicle trade-ins.

Where the ultimate transaction price receivable is subject to variability (such as in the case of vehicle returns or clawbacks on commissions) revenue is recognised only to the extent that it is highly probable that the revenue recognised would not be subsequently reversed. Revenue is recognised when the control associated with a good or service (or in aggregate thereof) representing a distinct performance obligation is transferred from the Group to the customer.

Where a single contract contains two or more distinct performance obligations, the total transaction price of the contract is allocated between the separate performance obligations based on their stand-alone-sales-prices, and represents the revenue to be recognised with respect to that separate performance obligation.

Revenue is recognised on an over-time basis subject to meeting specific criteria, otherwise, revenue is recognised at a point-in-time, being the point that the customer obtains control of the good or service subject to various indicators.

Payment received from customers before revenue is recognised and presented as a "Contract liability" in the consolidated statement of financial position.

Receivables resulting from revenue being recognised before the Company is able to contractually invoice for the goods or services provided is recognised and presented as a "Other current asset" in the consolidated statement of financial position.

The Group recognises revenue on a net basis as an "Agent" (rather than on a gross basis as "Principal") when

- (i) it is not the party primarily responsible for fulfilling to provide goods or services to the end customer,
- (ii) when it does not assume the (inventory) risk of the goods or services, and/or
- (iii) it does not have discretion in setting the price payable by the end customer.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

3. Significant accounting policies (continued)

(d) Insurance contracts

NZ IFRS 17 Insurance contracts becomes effective for annual reporting periods commencing on or after 1 January 2023.

NZ IFRS 17 Insurance contracts provides a scope exception for certain contracts that provide waivers (forgiveness) of loan balances upon the occurrence of specified events. Rather than accounting for these waivers as insurance contracts, the scope exemptions permits the Group to elect to account for such loans entirely as financial instruments.

The Group has elected to apply this scope exemption. Further details of the accounting policy relating to Loans receivable to which the scope exemption directly effects can be found in Note 7.

- Use of interest-bearing borrowings (interest rate risk); and
- Purchases in foreign currencies (foreign currency risk).

(e) Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss, except to the extent that they relate to items recognised directly in equity or in other comprehensive income. In such cases, the tax is also recognised directly in equity or in other comprehensive income, respectively.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- (i) temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss,
- (ii) temporary differences arising on the initial recognition of goodwill; and
- (iii) temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that the timing of the reversal of the temporary differences is controlled by the Group and it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(f) Employee benefits

(i) Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits and accumulating annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of 'employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

These include salaries and wages accrued up to the reporting date and annual leave earned, but not yet taken at the reporting date. The Group recognises a liability and an expense for bonuses where they are contractually obliged or where there is a past practice that has created a constructive obligation.

(ii) Defined contribution plans (Kiwisaver etc.)

Contributions to defined contribution plans are recognised in the consolidated statement of profit or loss and other comprehensive income in the year to which they relate.

3. Significant accounting policies (continued)

(iii) Share-based payment arrangements

Equity Settled Transactions.

The Group has provided benefits to key management personnel in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity settled transactions). The cost of these equity-settled transactions with employees is measured by reference to the fair value benefit of the equity instruments at the date at which they are granted. In valuing equity-settled transactions, conditions linked to the price of the shares of NZ Automotive Investments (NZX:NZA - market conditions) are considered where applicable. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

(g) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

(iii) Depreciation

For plant and equipment, depreciation is based on the cost of an asset less its residual value. Significant components of individual assets that have a useful life that is different from the remainder of those assets are depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

The useful lives and depreciation method used for significant items of property, plant and equipment are as follows:

Leasehold improvements	6.7% - 20.0% SL
Furniture and fittings	6.3% - 50.0% SL
Motor vehicles	10.0% - 50.0% SL
Computer equipment	20.0% - 100% SL
Workshop equipment	10.0% - 50.0% SL

Depreciation methods, useful lives and residual values are reviewed at reporting date and adjusted if appropriate.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value with due allowance for any damaged and obsolete stock items. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Vehicles acquired via trade-in from car sales with customers are initially measured at their trade-in date fair value.

(i) Financial instruments

The Group recognises financial instruments when it becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value. For those financial instruments that are classified as amortised cost this includes directly attributable transaction costs. For those financial instruments classified as at fair value through profit or loss, any directly attributable transaction costs are expensed in profit or loss as incurred. Financial liabilities are measured net of transaction costs.

(i) Financial assets – classification and subsequent measurement

Financial assets are classified based on whether their repayments represent solely payments of principal and interest (SPPI), and whether the instrument is held to collect those repayments, and/ or to be sold.

At Amortised cost

These financial assets represent those held to collect SPPI, and include: Trade and other receivables; Loans receivable (those that do not include waiver clauses); Cash and cash equivalents (including cash in hand, deposits held at call with banks).

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

3. Significant accounting policies (continued)

Impairment allowances for Trade receivables

Are recognised based on the simplified approach within NZ IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. On confirmation that the trade receivable will not be collectible, the gross carrying value of the asset is written off against the associated impairment allowance.

Impairment allowances for Loans receivable

Are recognised based on a forward-looking expected credit loss ("ECL") model. The methodology used to determine the amount of the allowance is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised ("Stage 1").

For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised ("Stage 2"). The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

For those that are determined to be credit impaired (in default), lifetime expected credit losses along with interest income on a net basis are recognised ("Stage 3"). The Group considers a financial asset to be in default when the financial asset is more than 90 days past due, as well as observable evidence with respect to:

- significant financial difficulty of the borrower;
- a breach of contract, such as a default or being more than 90 days past due;
- granting to the borrower a concession for economic or contractual reasons relating to the borrower's financial difficulty; that the Group would not consider otherwise;
- or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

When determining whether there has been a significant increase in credit risk since initial recognition of the financial asset, and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort.

This includes both qualitative and quantitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward looking information.

The gross carrying amount of Loans receivable is written off when the Group has no reasonable expectation of recovering the balance in its entirety or a portion thereof.

Impairment allowances for Cash and cash equivalents

Balances held with "investment grade" counterparties a significant increase in credit risk is deemed not be present.

At Fair value through profit or loss (non-derivatives)

These financial assets represent Loans receivable (that include waiver clauses). In applying the scope exemption in NZ IFRS 17 Insurance Contracts to these contracts, such that they are accounted for as financial assets in their entirety, the presence of the waiver clauses results in repayments not representing SPPI. Loans receivable includes loans on which customers voluntarily elect to opt for additional Asset Waiver and/or Income Waiver products which are offered by the Group.

Accordingly, these balances are classified and measured subsequently as at fair value through profit or loss. Repayments of these loans are recognised as reductions in the carrying amount, with fair value gains or losses at each reporting date recognised in profit or loss.

At Fair value through profit or loss (derivatives)

Derivatives financial assets represent "in the money" derivative contracts that are classified and measured subsequently as at fair value through profit or loss, with fair value gains or losses at each reporting date recognised in profit or loss.

(ii) Financial liabilities - classification and subsequent measurement

Financial liabilities are classified as at fair value through profit or loss if it is held-for-trading, it is a derivative or it is designated as such on initial recognition, otherwise the it is classified as At Amortised cost.

At Amortised cost

Includes; Trade and other payables; Borrowings; Lease liabilities.

These financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

At Fair value through profit or loss (derivatives)

Derivatives financial liabilities represent "out of the money" derivative contracts that are classified and measured subsequently as At Fair value through profit or loss, with fair value gains or losses at each reporting date recognised in profit or loss.

(iii) Derecognition of financial assets and financial liabilities

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the

contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets and inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in profit or loss.

The estimated recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

A cash-generating unit is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of the other assets or groups of assets.

Impairment losses are reversed when there is a change in the estimate used to determine the recoverable amount and there is an indication that the impairment loss has decreased or no longer exists. An impairment

loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. All impairment losses are reversed through profit or loss.

(j) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(k) Goods and services tax

With the exception of trade payables and receivables, all items are stated exclusive of Goods and Services Tax.

(l) Reserves

Amalgamation reserve

The amalgamation reserve represents the difference between the fair value of consideration paid and the carrying amount of net assets in a business combination where the acquirer and acquiree are controlled by the same (ultimate) party (business combination under common control).

(m) Leases

All leases in which the Group is a lessee are accounted for by recognising a Right-of-use asset and a Lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Payments associated with all leases of low-value assets and short-term leases of equipment and vehicles are recognised on a straight-line basis as an expense in profit or loss.

(i) Initial measurement

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate, however in such cases the initial present value determination assumes that the variable element will remain unchanged throughout the lease term.

Other variable lease payments are expensed in the period to which they relate.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

3. Significant accounting policies (continued)

On initial recognition, the carrying value of the Lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonable certain to assess that
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the Lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset (typically make-good provisions on buildings).

(ii) Subsequent measurement

Subsequent to initial measurement Lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term. Right-of-use assets are also subject to impairment assessment at reporting date.

(iii) Remeasurement

When the Group revises its determination of the use (or non-use) of renewal and/or termination options, the carrying amount of the lease liability is adjusted to reflect the payments to make over the revised term, which are discounted at the revised discount rate.

The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, however this is discounted at the original discount rate.

In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

For changes in lease payments as a result of COVID-19, the carrying value of lease liabilities is revised and discounted at the original discount rate, with a corresponding adjustment to profit or loss (variable lease payment).

(iv) Modifications to lease agreements

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

Increases in scope:

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the stand-alone price (i.e. market rate) for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.
- In all other cases (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the revised discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.

Decreases in scope:

- Both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss.

The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date.

The right-of-use asset is adjusted by the same amount.

(n) Government grants

Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the periods in which the associated expenses are recognised.

(o) Finance income and finance expenses

Interest income is recognised as it accrues in profit or loss, using the effective interest method. Finance expenses comprise interest expense on borrowings.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(p) Intangible assets

Finite Intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

3. Significant accounting policies (continued)

The estimated useful lives for the current and comparative periods are as follows:

- Trademarks 10 years

Amortisation methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

(q) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

4. Revenue from contracts with customers

	MAR 2022 \$'000	MAR 2021 \$'000
Sale of cars	56,653	58,105
Fair value gain/(loss) on revaluation	8	132
Contractual income earned on loans at fair value through profit or loss	762	610
Interest on bank accounts, short term deposits and investments	463	144
Agent commissions received		
- Interest agent commissions	4,132	4,228
- Insurance agent commissions	2,213	2,147
Total revenue from contracts with customers	64,231	65,366
Timing of transfer of goods and services		
Point of sale income	64,204	65,222
Over time income	27	144
Total Revenue	64,231	65,366

5. Sundry income

	MAR 2022 \$'000	MAR 2021 \$'000
Gain/(loss) on sale of property, plant and equipment	6	(85)
Government grants received ¹	351	599
Consideration for reassignment of leases ²	1,085	-
Other	283	245
Total sundry income	1,725	759

¹ During the period the Group received government grants in the form of COVID-19 related Wage subsidies from the New Zealand Government.

² The Group received consideration from an external party for the assignment of two leased properties.

6. Segment reporting

Description of segments

Management has determined the operating segments based on the components of the Group that engage in business activities, which have discrete financial information available and whose operating results are regularly reviewed by the Group's chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors. The Board of Directors makes decisions about how resources are allocated to the segments and assesses their performance. Geographically the Group's business activities are located in New Zealand.

Reportable segments have been identified as follows:

Operating Segments

As at 31 March 2022	Automotive Retail	Finance	Others Entities	Inter-entity transactions	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue including interest	63,381	1,185	2,547	(2,882)	64,231
Sundry Income	1,681	16	28	-	1,725
Cost of sale	(52,649)	-	(1,567)	2,536	(51,680)
Interest expense - finance	-	(90)	-	-	(90)
Operating expense	(7,208)	(674)	(2,690)	181	(10,391)
Operating profit	5,205	437	(1,682)	(165)	3,795
Dividend received	-	-	3,025	(3,025)	-
Interest expense - trading	(361)	(441)	-	203	(599)
Net profit before tax	4,844	(4)	1,343	(2,987)	3,196

As at 31 March 2021	Automotive Retail	Finance	Others Entities	Inter-entity transactions	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue including interest	64,709	1,004	723	(1,070)	65,366
Sundry Income	806	-	1,435	(1,482)	759
Cost of sale	(52,656)	-	(1,058)	2,026	(51,688)
Interest expense - finance	(9)	(586)	89	494	(12)
Operating expense	(6,893)	(397)	(1,348)	-	(8,638)
Operating profit	5,957	21	(159)	(32)	5,787
Cost to list Company	(418)	-	(278)	-	(696)
Dividend received	-	-	1,064	(1,064)	-
Interest expense - trading	(383)	-	(17)	-	(400)
Net profit before tax	5,156	21	610	(1,096)	4,691

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

7. Determination of fair values

Face value versus carrying amounts

The fair value of financial assets and liabilities, together with the carrying amounts shown in the Consolidated Statement of Financial Position, are as follows.

31 March 2022	Note	Carrying Amount \$'000	Fair value (level 3) \$'000
Assets			
Cash and cash equivalents	12	3,790	3,790
Trade and other receivables	15	4,865	4,865
Loans receivable - Amortised Cost	14	3,456	3,673
Loans receivable - Fair Value through Profit or Loss	14	3,442	3,442
Total		15,553	15,770
Current Liabilities			
Trade and Other Payables	16	1,890	1,890
Borrowings	22	11,800	11,800
Derivative financial liabilities	18	414	414
Related Party Payable	25	10	10
Total		14,114	14,114
31 March 2021			
	Note	Carrying Amount \$'000	Fair value (level 3) \$'000
Assets			
Cash and cash equivalents	12	8,267	8,267
Trade and other receivables	15	2,559	2,559
Loans receivable - Amortised Cost	14	829	876
Loans receivable - Fair Value through Profit or Loss	14	2,998	2,998
Total		14,653	14,700
Current Liabilities			
Trade and Other Payables	16	2,095	2,095
Borrowings	22	8,420	8,420
Derivative financial liabilities	18	43	43
Related Party Payable	25	20	20
Total		10,578	10,578

The carrying amount of cash and cash equivalents, trade and other receivables and trade and other payables has been determined to be a reasonable approximation of the fair value of the financial instrument given the short-term nature of these financial instruments.

Borrowings relate to facilities that are repaid within a short timeframe.
Refer to Note 14 for fair value measurement information regarding Loans receivable.

7. Determination of fair values (continued)

The sensitivity analysis of a reasonably possible change in one significant unobservable input, holding other inputs constant, of level 3 financial instruments is provided below:

Significant unobservable inputs	Profit or loss		Other comprehensive income (net of tax)	
	Increases \$'000	Decreases \$'000	Increases \$'000	Decreases \$'000
Discount rate used (+/- 5%)	232	(208)	167	(150)
Default provision used (+/- 5%)	178	(178)	128	(128)
Waiver provision rate used (+/- 5%)	163	(163)	117	(117)

8. Finance expenses

	Notes	MAR 2022 \$'000	MAR 2021 \$'000
Interest expense on financial liabilities measured at amortised cost		\$'000	\$'000
Interest expense on lease liabilities	17	(263)	(166)
Other		(189)	(234)
		(237)	(13)
Finance Expenses		(689)	(413)

9. Key operating expenses

Key operating expenses includes the following:

	Notes	MAR 2022 \$'000	MAR 2021 \$'000
Audit fees		(87)	(60)
Depreciation - property, plant and equipment	27	(204)	(304)
Depreciation - right-of-use assets	17	(1,574)	(1,669)
Employee benefit expenses - excluding direct wages included in cost of sale			
Wages and salaries, Including kiwisaver contributions		(2,620)	(2,854)
Expenses related to reassignment of leases		(200)	-

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

10. Earnings per share

Basic earnings per share (EPS) is calculated by dividing the profit attributable to shareholders of the Group by the weighted average number of ordinary shares on issue during the year, excluding shares held as treasury stock.

Diluted earnings per share assumes conversion of all dilutive potential ordinary shares in determining the denominator.

Numerator	MAR 2022 \$'000	MAR 2021 \$'000
Profit for the period	2,594	3,199
Denominator		
Weighted average number of shares	45,554,500	27,731,042
EPS basic	0.06	0.12
EPS Diluted	0.06	0.12

11. Dividends

	MAR 2022 \$'000	MAR 2021 \$'000
Final Dividend Interim Dividend	2,296	1,078
Interim Dividend	729	-
Total	3,025	1,078

12. Cash and cash equivalents

Cash and cash equivalents in the Consolidated Statement of Financial Position comprise cash at bank and short term deposits with an original maturity of three months or less which are subject to an insignificant risk of changes in value.

	Held with Credit Rating 31 Mar 2022	Credit Rating	Interest 31 Mar 2022	Interest 31 Mar 2021	MAR 2022 \$'000	MAR 2021 \$'000
Cash at bank	ASB Bank & Mitsui Bank	AA- & A-1	0.11%	0.11%	3,790	8,267

As cash and cash balances are held with counterparties with "investment grade" credit ratings, there is not deemed to be a significant increase in credit risk associated with the Group's Cash and cash equivalents balance. Credit rating is as per Standard & Poor.

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours' notice with no loss of interest. See note 3(q) for the group's other accounting policies on cash and cash equivalents.

13. Inventories

	MAR 2022 \$'000	MAR 2021 \$'000
Gross stock on hand	13,334	12,350
Inventory provision	(326)	(458)
Total inventories	13,008	11,892

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

14. Loans receivable

	<i>At Amortised Cost</i>	<i>At Fair value through profit and loss</i>	Total
Opening balance (1 Apr 2020)			
Gross carrying value	463	1,148	1,611
Less: Impairment allowance	(9)	-	(9)
Total Loans receivable	454	1,148	1,602
Movements during the period			
Advances of loans to customers	711	2,777	3,488
Repayments of loans by customers	(431)	(1,059)	(1,490)
Movement in accrued interest	86	-	86
Movement in Impairment Allowance	(15)	-	(15)
Fair value gain/(loss) on revaluation	-	132	132
Total Movements	351	1,850	2,201
Closing balance (31 Mar 2021)			
Current portion	406	1,209	1,615
Non-current portion	423	1,789	2,212
Less: Impairment allowance	(24)	-	(24)
Total Loans receivable	805	2,998	3,803
Opening balance (1 Apr 2021)			
Gross carrying value	829	2,998	3,827
Less: Impairment allowance	(24)	-	(24)
Total Loans receivable	805	2,998	3,803
Movements during the period			
Advances of loans to customers	3,611	2,677	6,288
Repayments of loans by customers	(1,273)	(2,241)	(3,514)
Movement in accrued interest	288	-	288
Movement in Impairment Allowance	(49)	-	(49)
Fair value gain/(loss) on revaluation	-	8	8
Total Movements	2,577	444	3,021
Closing balance (31 March 2022)			
Current portion	1,343	1,684	3,027
Non-current portion	2,112	1,758	3,870
Less: Impairment allowance	(73)	-	(73)
Total Loans receivable	3,382	3,442	6,824

The effective interest rate on Loans receivable at Amortised cost are 9.95% - 17.95%. (2021: 15.95% - 17.95%)
Loans Receivable measured at amortised cost (financial assets which represent solely payments of principal and interest) have been impaired at 2% (2021: 2%), using the expected credit loss model.

Loans receivable measured at fair value (financial instruments that include waiver based clauses) are modelled at fair value and include an effective default risk impairment rate of 2% (2021: 2%) which is factored into the inputs of the valuation.

The impairment rate used is higher than the current actual current rate of impairment, which stood at 0.05% at 31 March 2022 (31 March 2021: 0.11%). Consideration was made with reference to additional default risks that could be caused from the effects that COVID-19 could have on borrowers ability to repay debt and was taken into account when determining the impairment rate.

The following table details the risk profile of the Group's provision matrix for loan receivables collectively assessed for impairment. The provision disclosed relates to loans assured at amortised cost only. Provision on loans valued at fair value are included in the fair value gain or loss.

14. Loans receivable (continued)

The following table details the risk profile of the Group's provision matrix for loan receivables collectively assessed for impairment. The provision disclosed relates to loans assured at amortised cost only. Provision on loans valued at fair value are included in the fair value gain or loss.

	Expected loss rate	Gross finance receivable	Collective impairment provision	Net finance receivables
31 Mar 2022	%	\$'000	\$'000	\$'000
Current	2%	6,528	(29)	6,499
Past due up to 30 days	2%	211	(8)	203
Past due 30 - 60 days	2%	56	(8)	48
Past due 60 - 90 days	2%	71	(18)	53
91 days and over in default	2% 0%	31 -	(10) -	21 -
		6,897	(73)	6,824
31 Mar 2021				
Current	2%	3,826	(24)	3,802
Past due up to 30 days	2%	1	-	1
Past due 30 - 60 days		-	-	-
Past due 60 - 90 days		-	-	-
91 days and over in default		-	-	-
		3,827	(24)	3,803
			MAR 2022 \$'000	MAR 2021 \$'000
Movement in the impairment provisions:				
Specific impairment provision			-	-
Opening balance			(24)	(9)
Impairment release through profit or loss			(49)	(11)
Amounts written off			-	(4)
			(73)	(24)

15. Trade and other Receivables

	MAR 2022 \$'000	MAR 2021 \$'000
Trade receivables	461	215
Less: Impairment allowance	(42)	(17)
Net trade receivables	419	198
Lease deposits and bonds	320	217
Financial assets At Amortised cost	739	415
Prepayments	3,797	2,069
GST receivable	-	-
Other current assets	329	75
Total trade and other receivables	4,865	2,559

Trade receivables generally have terms of 30 days and are interest free. Trade receivables of a short-term duration are not discounted. These financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

16. Trade and other payables

	MAR 2022 \$'000	MAR 2021 \$'000
Trade payables	1,319	1,577
Financial liabilities At Amortised cost	1,319	1,577
Contract liabilities	207	228
GST payable	-	(153)
Other payables	364	443
Total trade and other payables	1,890	2,095

Trade payables generally have terms of 30 days and are interest free. Trade payable of a short-term duration are not discounted.

17. Leases

The Group leases a number of properties and equipment in the jurisdiction from which it operates.

(i) Right of use Assets	MAR 2022 \$'000	MAR 2021 \$'000
Opening Balance	6,246	7,651
Additions and modifications	4,958	560
Less:		
Depreciation	(1,574)	(1,669)
Terminations	(2,574)	(296)
Closing Balance	7,056	6,246
(ii) Lease Liabilities		
Opening Balance	6,603	7,883
Additions and modifications	4,958	563
Interest	189	234
Gain on changes to leases	(154)	17
Less:		
Terminations	(2,574)	(278)
Repayments	(1,645)	(1,682)
COVID Relief	(45)	(120)
Effects of movements in exchange rates	(15)	(14)
Closing Balance	7,317	6,603
Current portion	1,484	1,600
Non-current portion	5,833	5,003
Total lease liabilities	7,317	6,603

17. Leases (continued)

(ii) Balance sheet and cash flow statement

Carrying amount of RoU asset (by asset class)

- Premises
- Equipment

Total cash outflow related to leases (principal repayments)
Total cash outflow related to leases (interest)

	MAR 2022 \$'000	MAR 2021 \$'000
Premises	7,056	6,246
Equipment	-	-
Total cash outflow related to leases (principal repayments)	(1,645)	(1,682)
Total cash outflow related to leases (interest)	(189)	(234)

(i) Variable lease payments

As standard industry practice, several of the Groups property leases are subject to periodic CPI increases and/or market rent reviews. A 1% increase in these payments would result in an additional \$16,510 (2021: \$8,453) cash outflow compared to the current period's cash outflow. (2021: 1%)

(ii) Lease term – use of renewal and termination options

The Group's property leases typically include renewal and termination options. The Group must assess whether it reasonably expects (or not) to exercise these when determining the lease term.

As at 31 March 2022, there is no leases where the group has assessed it does not reasonably expect to exercise all available renewal options, resulting in potential future lease payments not currently being included in the lease liability recognised for these leases:

(i) Amounts recognised in the financial statements

(ii) Short-term lease expense (excluding leases of 1 month or less)

These are all leases that exclude 1 month or less in duration, which management have assessed do not qualify as a lease under NZ IFRS16 leases and have not been capitalised as a result.

18. Derivative financial instruments

Forward contracts were taken out during the year to provide cover for risks that could potentially arise from foreign currency fluctuations in the buying & selling of inventories. If the contracts are realised at fair market value at balance date, this would result in a foreign exchange loss on derivatives of \$414k as at 31 March 2022 (31 March 2021: Foreign exchange gain of \$43k).

19. Employee benefit liabilities

	MAR 2022 \$'000	MAR 2021 \$'000
Liability for annual leave	730	613
Wages payables	203	258
Total	933	871

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

20. Income tax

(a) Income tax recognised in profit or loss and other comprehensive income

	MAR 2022 \$'000	MAR 2021 \$'000
Income tax recognised in profit or loss		
Current tax	558	1,541
Deferred tax	44	(49)
Total income tax expense	602	1,492

(b) Reconciliation of income tax expense

	MAR 2022 \$'000	MAR 2021 \$'000
Income tax recognised in profit or loss		
Profit before income tax expense	3,196	4,691
Tax expense at the domestic tax rate (28%)	895	1,313
Permanent differences	(278)	284
Timing differences	(43)	49
Intergroup eliminations	21	(168)
Effects of tax rate in foreign jurisdictions	7	14
Income tax expense	602	1,492

(c) Deferred tax

	MAR 2022 \$'000	MAR 2021 \$'000
Income tax recognised in profit or loss		
Balance at the beginning of the period	477	428
Current period movement	(44)	49
Deferred tax asset	433	477
Made up of:		
Deferred tax asset	2,399	2,230
Deferred tax liability	(1,966)	(1,753)
Net balance as per above	433	477

Deferred tax assets are attributable to the following:

Inventory provision	91	127
Employee benefits	179	160
Bad debt	32	13
Others	7	12
Contract liabilities	51	64
Lease liabilities	2,039	1,854
Right-of-use asset	(1,966)	(1,753)
Total	433	477

21. Imputation Credits

	MAR 2022 \$'000	MAR 2021 \$'000
Imputation credits at 1 April	(3,461)	(2,091)
New Zealand Tax payments, net of refunds	(1,310)	(1,788)
Imputation credits attached to dividends received	-	(559)
Imputation credits attached to dividends paid	1,176	977
	(3,595)	(3,461)

The imputation credits are available to shareholders of the group:

- Through the Company
- Through subsidiaries

22. Borrowings

	MAR 2022 \$'000	MAR 2021 \$'000
Motor Vehicle Finance Credit Facility	3,800	420
Retail Trade Finance Facility	8,000	8,000
Total Trade finance facility	11,800	8,420

The loan facilities are up for review and expire on 31 December 2022.
All covenants on facilities were met throughout the year.

23. Share capital

	MAR 2022	MAR 2021
Number of Ordinary Shares		
Opening balance	45,554,500	15,000,000
Shares issued capital raise	-	3,509,500
Shares issued staff incentives	-	45,000
Shares issued buy back of non controlling interest	-	413,358
Shares issued conversion shareholder loans to shares	-	14,012,144
Share split	-	12,574,498
Total issued and authorised capital	45,554,500	45,554,500

	MAR 2022 \$'000	MAR 2021 \$'000
Dollar value of Ordinary Shares		
Opening balance	39,344	15,442
Shares issued capital raise	-	3,510
Cost of capital raise	-	(243)
Share Option Scheme	21	-
Shares issued staff incentives	-	45
Shares issued buy back of non controlling interest	-	590
Shares issued conversion shareholder loans to shares	-	20,000
Share split	-	-
Total issued and authorised capital	39,365	39,344

All issued shares are fully paid and have no par value. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Group and rank equally with regard to the Group's residual assets.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

24. Share-based payment arrangements Refer accounting Policy in Note 3 (f)

On 1 October 2021 the group established a share option programme that entitles key management personnel to purchase shares in the group. Under this programme holders of vested options are entitled to purchase shares at a pre-determined rate at the grant date. The programme is limited to select key management personnel approved by the Board.

This Programme is active as at 31 March 2022.

Tranche	Average ESOP Value	Grant Date	Number of Instruments	Vesting Date	Contractual life
Tranche 1	0.31	1 Oct 2021	175,000	30 Sept 2024	3 years
Tranche 2	0.13	1 Oct 2021	150,000	30 Sept 2024	3 years
Tranche 3	0.62	1 Oct 2021	94,230	30 Sept 2024	3 years
			419,230		

The Vesting Conditions are linked to Profitability, Share price and Liquidity in publicly traded shares of NZ Automotive investments. Each option entitles the holder to subscribe for one ordinary share in the group, for nil consideration, in the event that certain performance hurdles are met and they remain employed by the Company at the end of the performance period

The Fair Value of the options was determined using a Monte Carlo option pricing model. The significant inputs in the model were share price at grant date of \$0.83, Annual Volatility of 41.6% and an annual Risk free rate of 1.52%.

25. Related parties

Identity of related parties

The group has a related party relationship with its key management personnel being the Directors and Executive Officers.

Key management personnel

Key management personnel represent the Board of Directors, and the Senior Leadership team including the Managing Directors, Chief Executive Officer and Chief Financial Officer.

	MAR 2022 \$'000	MAR 2021 \$'000
Short-term employee benefits	1,496	1,076
Defined contribution plans	45	30
Total key management personnel remuneration	1,541	1,021

Transactions with related parties

	Transactions for the period		Balance outstanding at balance date	
	MAR 2022 \$'000	MAR 2021 \$'000	MAR 2022 \$'000	MAR 2021 \$'000
Eugene Williams	10	10	-	10
Yusuke Sena	-	10	10	10
	10	20	10	20

26 Financial instruments - risk management

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives monthly reports from the Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The Group's internal finance team also review the risk management policies and processes and report their findings to the Audit Committee.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Groups competitiveness and flexibility. Further details regarding these policies as they relate to the specific financial risks that the Group is exposed to are set out below.

Through its operations, the Group is exposed to the following financial risks:

- (a) Credit risk
- (b) Market risk
- (c) Liquidity risk
- (d) Currency risk

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial asset fails to meet their contractual obligations. The Group's exposure to credit risk is represented by the carrying amount of cash and cash equivalents and investments.

The Group only holds cash and cash equivalents and investments with financial institutions that are independently determined credit ratings of "A" or higher.

The Group has an Audit & Risk Committee that monitors credit risk as part of its wider duties. Cash and cash equivalents held with financial institutions are presented in the table below:

31 March 2022	Credit rating *	Cash and cash equivalents \$'000	Investments \$'000	Total \$'000
ASB Bank	AA-	3,705	-	3,705
Mitsui Bank	A-1	85	-	85
		8,267	-	8,267

31 March 2021	Credit rating *	Cash and cash equivalents \$'000	Investments \$'000	Total \$'000
ASB Bank	AA-	7,959	-	7,959
Mitsui Bank	A-1	308	-	308
		8,267	-	8,267

* Standard & Poor's

Interest rates on interest bearing cash and cash equivalents and investments range between 0.11% - 0.86% (2021: 0.11% - 0.20%).

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

26 Financial instruments - risk management (continued)

(b) Market risk

Market risk arises from the Group's:

- Use of interest-bearing borrowings (interest rate risk); and
- Purchases in foreign currencies (foreign currency exchange risk).

i. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to fair value interest rate risk from its fixed / variable rate borrowing and lease liabilities, with rates between 3.3% - 3.75% (2021: 3.3%).

ii. Foreign exchange risk

The Group currently does not have any sales transactions denominated in foreign currencies, however the Group has purchases transactions denominated in foreign currencies.

During the current reporting period the Group has purchased used cars with purchase prices denominated in foreign currencies (YEN).

To mitigate foreign exchange risk on significant purchases, the Group enters into forward exchange contracts to match the timing and amount of payments due. Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period.

The Group does not apply hedge accounting to these transactions, and they are classified as held for trading for accounting

As at 31 March 2022	Up to 3 months \$'000	Between 3 and 12 months \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total \$'000
Trade and other payables	1,809	26	48	7	-	1,890
Borrowings	11,800	-	-	-	-	11,800
Lease liabilities	380	1,104	1,409	2,620	1,804	7,317
Total	13,989	1,130	1,457	2,627	1,804	21,007

As at 31 March 2021

Trade and other payables	2,003	92	-	-	-	2,095
Borrowings	8,000	420	-	-	-	8,420
Lease liabilities	408	1,191	1,362	3,642	-	6,603
Total	10,411	1,703	1,362	3,642	-	17,118

(d) Currency risk

The Group is exposed to currency risk arising from Japanese Yen ('JPY').

Currency risk arises from the future transactions, recognised assets and liabilities, and investments.

purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period. They are considered level 2 fair value measurements being based on the present value of future cash flows based on the forward exchange rates at the reporting date.

There are open forward exchange contracts of \$6.3m at the end of the reporting period (2021: \$6.4m).

The net foreign exchange loss recognised for the year was \$0.79m (2021: \$0.97m loss).

(c) Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this the Group maintains a monthly forecast on its future cash position to ensure it can meet financial obligations when they fall due.

The Board receives monthly financial statements which include statements of financial position, performance and cash flows, as well as budget/forecast variance reports, to ensure it holds or will hold cash equivalents to meet its obligations.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

27. Property, plant and equipment

Cost	Leasehold improvements \$'000	Motor vehicles \$'000	Furniture and fittings \$'000	Computer equipment \$'000	Workshop equipment \$'000	Total \$'000
Balance at 1 April 2021	706	349	602	519	62	2,238
Additions	213	255	70	68	50	656
Disposals	(408)	(11)	(28)	(9)	-	(456)
Balance at 31 March 2022	511	593	644	578	112	2,438
Accumulated depreciation						
Balance at 1 April 2021	(212)	(181)	(273)	(382)	(14)	(1,062)
Depreciation	(42)	(66)	(35)	(51)	(10)	(204)
Disposals	139	4	11	4	-	158
Effect of exchange rate	-	5	-	-	-	5
Balance at 31 March 2022	(115)	(238)	(297)	(429)	(24)	(1,103)

Net book value

At 31 March 2022	396	355	347	149	88	1,335
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The Group has reviewed each items of property, plant and equipment and no impairment charge was recognised for the year ended 31 March 2022 (March 2021: Nil).

Balance at 1 April 2020	724	319	655	497	49	2,244
Additions	24	61	16	43	32	176
Disposals	(42)	(31)	(69)	(21)	(19)	(182)
Balance at 31 March 2021	706	349	602	519	62	2,238
Accumulated depreciation						
Balance at 1 April 2020	(172)	(90)	(246)	(309)	(9)	(826)
Depreciation	(52)	(92)	(60)	(91)	(9)	(304)
Disposals	12	7	33	18	4	74
Effect of exchange rate	-	(6)	-	-	-	(6)
Balance at 31 March 2021	(212)	(181)	(273)	(382)	(14)	(1,062)

Net Book Value

As at 31 March 2021	494	168	329	137	48	1,176
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Depreciation Methodology

As per Note 2(f) the group has changed its method for recognising depreciation from Diminishing value to Straight line. This has had the following impact on the depreciation expense both in the current financial period and future periods:

Financial year ending:	Increase / (Decrease) in Depreciation expense
31 Mar 2022	(74,721)
31 Mar 2023	(17,640)
31 Mar 2024	18,540

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)**

28. Notes supporting statement of cash flows

Reconciliation of the net cash flow from operating activities to profit

	MAR 2022 \$'000	MAR 2021 \$'000
Net Profit for the year	2,594	3,199
<i>Non-cash / Non-operating items:</i>		
Depreciation of property, plant and equipment	1,779	1,973
Amortisation of intangible fixed assets	-	-
Loss/(gain) on sale of property, plant and equipment	(6)	85
Foreign exchange	(90)	(235)
Income tax expense	602	1,492
Finance expense	277	235
Impairment of related parties	-	47
	2,562	3,597
<i>Movements in working capital:</i>		
(Increase)/decrease in trade and other receivables	(3,669)	(2,181)
Increase/(decrease) in trade and other payables	(1,298)	(413)
(Increase)/decrease in Inventory	(1,116)	3,355
	(6,083)	761
Cash generated from operations	(927)	7,557
Income taxes paid	(1,570)	(1,638)
Net cash flows from operating activities	(2,497)	5,919

29. Contingent liabilities

ASB Bank Limited has given a guarantee to the landlord on behalf of the Group to secure premises.
The maximum guarantee is for \$1,643,000 (March 2021: \$541,145).

30. Subsequent events

No significant events have occurred subsequent to balance date.
(2021: None)



2022 STATEMENT OF CORPORATE GOVERNANCE

STATEMENT OF CORPORATE GOVERNANCE

This Statement of Corporate Governance is correct as of 31 May 2022 and was approved by the Board on 27 June 2022

The Board of NZ Automotive Investments Limited (Company) is committed to ensuring that it has best practice corporate governance principles in place and high standards of business behaviour and accountability. The Company is committed to conducting business in the right way, ethically and in line with its legal and regulatory obligations.

The Company's corporate governance arrangements have been set by the Board having regard to the recommendations set out in the NZX Corporate Governance Code (Code). The Company believes that its corporate governance practices in FY22 are materially in line with the Code. This governance statement summarises:

- the Company's corporate governance practices;
- the areas where the recommendations of the Code are not fully complied with; and
- those areas where further work is being undertaken to ensure full compliance.

The Company takes a continuous improvement approach to corporate governance such that its policies are reviewed on a regular basis in line with best practice. Key governance policies and charters can be viewed on the Company's website at www.nzautomotiveinvestments.co.nz/investors/.

PRINCIPLE 1: CODE OF CULTURE & ETHICAL BEHAVIOUR

The Company has adopted a written Code of Culture and Ethical Behaviour (CCEB). The CCEB is a statement of the Company's core values and sets out explicit expectations for ethical decision making and personal behaviour for the Board of Directors (Directors, and the Board) and employees. The CCEB is available to all Directors, volunteers, employees and contractors of the Company and its subsidiaries (NZAI Personnel). The CCEB is available on the Company's website.

The CCEB establishes a framework that allows for 'whistle blower' protection where any Company personnel report a breach or suspected breach of any law, regulation, Company policy or other serious wrongdoing.

The Company's Financial Products Dealing 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.

PRINCIPLE 2: BOARD COMPOSITION AND PERFORMANCE

Board composition/performance

The Board comprises five Directors, two of whom are Independent Directors - Charles Bolt and Tim Cook.

In order for a Director to be independent, the Board has determined that he or she must not be an employee of the Company or any of its subsidiaries and must have no disqualifying relationships. Independence is determined by the Board in accordance with the independence requirements of the NZX Listing Rules; and having regard to the factors described in the Code.

Since 8 April 2022 less than 50% of the Board has been comprised of Independent Directors. Prior to 8 April 2022 half of the Board were Independent Directors. Accordingly, the Company does not comply with Recommendation 2.8 of the Code, which recommends that a majority of the Board should be Independent Directors. Consequently the Independent Directors Charles Bolt and Tim Cook have put in place additional governance, review and reporting processes to ensure that decisions of the Board are fully informed and reflect the best interests of the Company and its shareholders generally.

The Board expects that this will be a temporary situation, brought about by the departure of two Independent Directors in April 2022. The Board plans to appoint at least one further Independent Director in the coming months.

Each Director has experience, skills and expertise that are of value to the Company. Profiles of Directors are available on the Company's website. Directors' interests are disclosed on pages 80-81 of the Company's 2022 Annual Report.

The roles and responsibilities of the Board are detailed in the Board Charter, which is reviewed from time to time and is available on the Company's website. The Board's primary objective is to act at all times in a manner designed to create and grow sustainable value for shareholders. The Directors are expected to be cognisant of the duties and obligations imposed on them by the Company's Constitution, the NZX Listing Rules, and by law.

The Board has delegated authority for day-to-day leadership and management of the business to the 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's Constitution and the NZX Listing Rules.

The Company has not established a separate nominations committee to recommend Director appointments to the Board in accordance with Recommendation 3.4 of the Code, as this function is carried out by the whole Board. All Directors are involved in the consideration of Board composition and nominations and take into account a number of factors including qualifications, capability, experience, judgment 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. Board members enter into written agreements with the Company, outlining the terms of their appointment.

The Interim Chair of the Company, Charles Bolt, is an Independent Director. Charles Bolt was appointed Interim Chair in April after the resignation of two Independent Directors, including the then Chair, Karl Smith. Due to other commitments, Charles has indicated that he does not anticipate this being a long term appointment. The Chair role will be reviewed in the coming months as a broader review of the Board and the appointment of any further Independent Directors.

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, where the Committee or individual deems it necessary to carry out its, his or her functions.

The Company has arranged a policy of Directors' and Officers' liability insurance with 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 Chair meets regularly with Directors to discuss and assess individual performance of the Directors.

In accordance with its Charter, the Board will review and assess its performance as a whole on an annual basis and in such manner as the Board deems appropriate.

Diversity

The Company is committed to equal employment opportunities and treating all individuals fairly and with respect. The Company has a diverse workforce and recognises that everyone has individual differences which can be leveraged to create stronger teams and drive stronger business performance.

The Company's approach to diversity is outlined in the Company's Diversity and Inclusion Policy, which is available on the Company's website. Key areas of focus are:

- Recruitment and retention of a diverse workforce;
- Creating a supportive working environment;
- People development; and
- Recognition and reward based on merit.

The Board has set diversity objectives in accordance with the Diversity and Inclusion Policy, however they are not currently being measured (as recommended under Recommendation 2.5 of the Code). The Board has reviewed its required diversity profile and considers that, at this time, the make-up of the Board is sufficiently diverse for the purposes of forming a strong team, providing specialised knowledge and expertise in relevant markets, and driving business performance.

The Board considers that while the Company has performed in accordance with its Diversity and Inclusion Policy, this is a matter that should attract greater focus in the next financial year.

As at 31 March 2022, females represented 22.2% of Directors and Officers of the Company (an Officer is a person who is concerned or takes part in the management of the Company's business and reports directly to the Board or the CEO).

As At 31 March 2022:	Male	Female
Directors	4	2
Officers	3	-

As At 31 March 2021:	Male	Female
Directors	4	2
Officers	3	-

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

PRINCIPLE 3: 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. Copies of relevant Committee Charters can be found on the Company's website.

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 the Company's personnel in pursuing its duties and to obtain independent legal or other professional advice.

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

Formal takeover protocols have been developed and formally adopted by the Board in compliance with Recommendation 3.6 of the Code – the Company's Takeovers Code can be found on the Company's website.

The Board Committees as at 31 May 2022 were:

Committee	Role	Members
Audit, Finance and Risk Management Committee	The main purpose of this Committee is to assist the Board in providing oversight of matters relating to the quality and integrity of financial reporting, independence and performance of the external auditors, effectiveness and objectivity of the internal audit programme, and oversight of business risks and compliance activities.	Tracy Rowsell (Chair) Charles Bolt Tim Cook
Remuneration Committee	This Committee has been established to assist the Board in fulfilling its responsibilities in relation to the following matters: <ol style="list-style-type: none"> 1. Formal and transparent method for determining Directors' remuneration. 2. Remuneration of the CEO. 3. Review of the remuneration recommendations made by the CEO for the senior management team. 4. Consideration and review of any incentive plans or payment targets and calculations for the CEO and senior management team. 5. Review of the overall Company-wide salary and incentive policies. 	Tim Cook (Chair) Charles Bolt David Sena

In April 2022 the Board resolved to disband the Continuous Disclosure Committee. This was due to the reality that the Board as a whole had found itself engaged in disclosure matters over the first year of listing. The Board felt the separate committee structure was therefore not adding enough to the governance of the Company to justify the additional cost and administration involved.

The Audit, Finance and Risk Management Committee is comprised of a majority of Independent Directors and only Non-Executive Directors. The Chair of the Audit, Finance and Risk Management Committee is not the Chair of the Board. However the Chair of the Committee is not an Independent Director. Recommendation 3.1 of the Code recommends that the Audit, Finance & Risk Management Committee should be chaired by an Independent Director. The Board has considered the skills and experience of the Board and has determined that despite not being considered an Independent Director, Tracy Rowsell is the most appropriately qualified member of the Board to act as Chair of the Audit, Finance & Risk Management Committee given her knowledge of NZAI and its history of audit and risk matters as well as her experience and qualifications in the area of finance. The Board considers that Tracy brings an impartial approach to her role as Committee Chair.

The Audit & Risk Management Committee Charter sets out the policies and practices of the Board of Directors regarding the financial audit and risk management processes and is available on the Company's website.

Employees of the Company only attend meetings of the Audit, Finance and Risk Management Committee at the invitation of the Committee.

The Remuneration Committee is comprised of a majority of Independent Directors. Management attendance at meetings of the Remuneration Committee is by invitation of the Committee.

Attendance at Board and Committee meetings during FY22 was:

Attendee	Board	Audit, Finance and Risk Management Committee	Remuneration Committee	Continuous Disclosure Committee
Karl Smith	12	6	4	13
Eugene Williams	12	-	4	-
David Sena	12	-	-	12
Tracy Rowsell	12	6	-	13
Charles Bolt	12	-	4	13
Michele Kernahan	11	6	4	-
Total Meetings Held	12	6	4	13

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

PRINCIPLE 4: REPORTING AND DISCLOSURE

The Company 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, the Company also seeks 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.

For the financial year ended 31 March 2022, 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 CEO and the CFO are required to provide a letter of representation to the Board confirming that:

- the NZAI Group's financial statements have been prepared in accordance with accepted accounting standards in New Zealand, are free of material misstatements, including omissions, give a true and fair view of the financial performance and position of the NZAI Group and the financial records have been properly prepared;
- the representations are based on a sound system of risk management, internal compliance and controls that provide for the implementation of the policies adopted by the Board; and
- the NZAI Group's risk management and internal control systems are operating effectively in all material respects.

A letter of representation confirming those matters was received in relation to the FY22 financial statements.

The Board has given due consideration to the importance of non-financial disclosure and recognises the importance of non-financial disclosure including environmental, economic and social and Government (ESG) considerations. However given the size of the Company it has elected to not yet implement a formal ESG policy or provide the level of reporting on environmental, economic and social stability factors and processes to the level recommended in principal 4.3 of the Code. The Company's Annual Report does discuss the role the Company is playing with respect to the implementation of lower emission vehicles in the 'FY22 in Review' section and in the commentary provided on page 76 of its Annual Report.

PRINCIPLE 5: REMUNERATION

Remuneration of Directors and the senior management team is the key responsibility of the Remuneration Committee. External advice has been sought to ensure remuneration is benchmarked to the market for senior management positions. The Company has adopted a Remuneration Policy which relates to Non-Executive Directors and senior managers. The Remuneration Policy is designed to ensure that remuneration practices of the Company are fair and appropriate, and that there is a clear link between remuneration and performance. At present, the weightings of remuneration for senior management is geared towards a fixed basis remuneration with a short term incentive scheme in place for select senior management. No equity-based incentive scheme is yet in place other than for the CEO.

Fixed remuneration is determined having regard to the scale and complexity of the relevant employee's role. It includes all benefits, allowances and deductions. Adjustments to fixed remuneration are not automatic and are determined based on performance which is reviewed annually by the Remuneration Committee.

Remuneration of the Non-Executive Directors is determined by the Board, on the recommendation of the Remuneration Committee.

There is no requirement for the Directors to hold shares.

Details of Director and Executive remuneration (including remuneration arrangements for the CEO) in FY22 are provided on pages 82-83 of the Company's 2022 Annual Report.

PRINCIPLE 6: RISK MANAGEMENT

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

In addition, the Audit, Finance and Risk Management Committee provides an additional and more specialised oversight of Company risks. The Audit, Finance and Risk Management Committee Charter provides detail around the specific responsibilities of the Committee regarding risk management.

The Committee reviews and recommends to the Board for approval the Company's half year and annual financial statements and advises the Directors as to whether the Company's financial statements comply with applicable laws and regulations.

Monthly management reporting is provided to the Board in order to monitor the Company's performance against budget and other objectives.

The responsibilities of the Audit, Finance and Risk Management Committee include the following:

- To ensure that management is implementing, and reporting to the Committee on, the Company's risk management framework (including the maintenance of the risk register) and policies.
- To report to the Board on the development of existing risks and the emergence of new risks.
- To report to the Board on the main risks to the Group's performance, how these main risks are being managed under the Group's risk management framework and on any incident involving fraud or other breakdown of internal controls.

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 on 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	Description of Risk	Mitigation
Import Concentration Risk	<p>Almost all of the Company's vehicles are imported from Japan. The Company is therefore fully reliant on the auction and export process as it stands in Japan, and is exposed to fluctuations in foreign exchange rates, border restrictions and regulation changes. If the Company could no longer source most of its cars from Japan, it may need to set up a similar process in one or more other countries, incurring costs in doing so.</p> <p>Japan is also exposed to typhoons and is home to marmorated stink bugs, an invasive pest to New Zealand, which present a level of specific risk to importing from Japan.</p>	<p>While the Company takes forward cover on currency exchange rates, long-term trends in the Japanese Yen to New Zealand dollar exchange rate cannot be fully hedged and may affect margins.</p> <p>During stink bug season (September to April) all imported cars are heat treated, which adds a small additional cost. New Zealand's Ministry of Primary Industries usually refuses entry for any ship where a stink bug is discovered (unless the cargo ship has been heat treated), which has affected used car imports from Japan in the past, again affecting available inventory and sales throughput.</p>
Finance Book Establishment Risk	<p>As NZ Motor Finance Limited's finance book moves away from third party finance partners, the Company may dilute its existing revenue streams in the division of the Company which retails vehicles through 2 Cheap Cars Limited. These funding partners currently pay 2CC commissions for vehicle loan origination, and if they reduce their support of 2CC, the commission revenue received may decline as fewer finance options are available to its customers.</p>	<p>The Company has sent a clear message to 2CC's current partners that their finance operations will be supported in the interim and will benefit from any growth in the Automotive Retail business. As NZMF has built its own finance book, it has scaled up resources, whilst outsourcing arrears management and other core processes. This has helped enable the Company to capture sales opportunities resulting from gaps in finance partner offerings.</p> <p>The finance sector is competitive with a wide range of providers, and even if origination volumes are transitioned away from a finance partner, it is generally profitable and attractive for them to take on as many customers as 2CC refers to them.</p>
Key Person Risk	<p>The Company's operation is reliant on certain key personnel, including its two founders. If any of the key personnel were to leave the Company suddenly without a suitable transition period, its financial performance could be materially affected.</p>	<p>The risk can be mitigated with suitable transition periods. Further, the founders have a sizeable cornerstone equity stake in the business with selling restrictions in place, incentivising them to prioritise its financial performance over the medium to longer term.</p>

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

Key Risk	Description of Risk	Mitigation
Regulatory Risk	The Company's importation costs may increase from 2023 if the Government introduces a vehicle fuel efficiency standard for used light vehicles that requires vehicle importers to lower the carbon dioxide emissions of the vehicles they are importing or pay a fine.	<p>The Government has introduced new regulations in the past, such as the electronic stability control system requirement for all used light passenger vehicles imported from 1 March 2020, and the Company has proven it can adapt its procurement model to adhere to new requirements. In particular, the Company expects that the fuel efficiency standards will continue to evolve and will monitor and comply with the standards. The Company has plans to adapt to new standards and meet its customers' needs through procurement of smaller cars that are more fuel efficient, as well as a mix of fully electric and hybrid electric vehicles, which it has already begun.</p> <p>If a vehicle fuel efficiency standard were introduced, any additional costs incurred by the Company during the importation process would be directly passed on to consumers through higher retail pricing. Given all used car importers would be subject to the same requirements, 2CC's market position as one of the more affordable used car dealerships should be maintained.</p>
NZMF Credit Quality Risk	NZMF's vehicle finance loan book exposes the Company's balance sheet to poor performing loans. If a significant number of NZMF loans default, then the Company's financial performance could be materially affected.	<p>The Company has stringent lending criteria and processes, including thorough checks into the borrower's credit worthiness, employment status and ability to service the requested loan. Under Responsible Lending Guidelines, the Company is also required to ensure that the requested loan is suitable for the specific clients' needs and circumstances of the borrower.</p> <p>In addition, the Company also has professional back end or collection and recovery systems in place using qualified and approved third party collection houses and agents. This allows the Company to deal with any arrears at the earliest possible stage and if the arrears become problematic, it can engage the services of experienced collectors and recovery services to take the required action to enforce repayment.</p>
Health and Safety	<p>The Board as a whole is responsible for monitoring corporate risk assessment processes and this is not delegated to a subcommittee. Staying safe, keeping others safe, and being corporately responsible are fundamental to the Company.</p> <p>The Board is committed to ensuring a high quality, safe and healthy environment for all of the people who work at the Company, its visitors and partners. This means that the Company makes the safety and wellbeing of the Company's employees and contractors a top priority.</p> <p>People safety is a key priority, and an essential component to everything the Company does. The Company is committed to</p>	<p>developing, improving and reinforcing its safety culture. The key to this is improving leadership capacity and simplifying tools and systems. Paragraph 2.3.3 of the Board Charter describes how the Company manages its health and safety risks.</p> <p>The Board receives monthly reports on the health and safety performance, including performance against plan and near miss reporting.</p> <p>The Company seeks to provide a healthy and safe workplace with a KPI goal of zero serious harm accidents and incidents. This was achieved with no major incidents during the FY22 period. The Company strives to create an environment where employees report all near miss accidents and incidents,</p>

however minor, with the objective to identify potential harm and promote continuous improvement.

Vehicles are the biggest risk area for our staff. This includes risks associated with vehicle movements at our dealerships as well as in our logistics and vehicle processing Hub.

NZAI engages a third party specialist to perform health and safety reviews. These reports are focused on the identification of site hazards with recommendations of appropriate corrective actions to ensure staff are working in a safe environment and all relevant compliance is adhered to.

All staff are provided with the Company handbook which contains the risk management policy, the health and safety policy and guidelines for keeping safe while at work, staff are required to read and confirm that they have received this.

PRINCIPLE 7: AUDITORS

For the year ended 31 March 2022, Grant Thornton was the external auditor of the Company.

The Audit, Finance and Risk Management Committee monitors the ongoing independence, quality and performance of the external auditors and audit partner rotation. The Audit, Finance and Risk Management Committee Charter establishes a framework for the Company's relationship with its external auditors in accordance with Recommendation 7.1 of the Code.

The Committee pre-approves any non-audit work undertaken by Grant Thornton. Grant Thornton did not provide any non audit services to the Company or its subsidiaries during FY22.

The fees paid for audit services in FY22 is identified on page 53 of the Company's 2022 Annual Report. The external auditors will attend the 2022 Annual Shareholders' Meeting.

Given the size of the Company, it does not have an internal audit function. Through the normal operations of the Company a number of internal controls are embedded within the business including but not limited to; risk management, information systems, security, health and safety, conflicts of interest and prevention and detection of fraud.

PRINCIPLE 8: SHAREHOLDER RIGHTS AND RELATIONS

The Company aims to promote open and regular communication with shareholders and interested stakeholders. The Company seeks to encourage effective participation at shareholder meetings of the Company and distribute shareholder communications in accordance with the NZX Listing Rules and any relevant legislation.

The Company uses a variety of channels and technologies to keep its shareholders informed and to allow access to information, including market announcements through NZX, the Company's share registry, the Company's website, shareholder roadshows, annual reports and annual meetings of shareholders. The Company also provides options for its shareholders to communicate with the Company and the Company's share registry electronically.

All market releases carry contact details for shareholders to communicate with the Company. The Company responds to all shareholder communications within a reasonable timeframe.

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 the Company. 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.

Notices of annual or special meetings of the shareholders are posted on the Company's Website and to the NZX as soon as possible and at least 20 working days prior to the meeting.

In addition to shareholders, the Company 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.

The Company has a number of policies which uphold stakeholder interests, including but not limited to the Continuous Disclosure Policy and Financial Products Dealing Policy.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSIDERATIONS

Environmental

The Company is committed to being more sustainable and to developing practices that minimise its impact on the environment. The Company has implemented several initiatives to begin reducing the Company's carbon footprint and is contributing to the overall New Zealand reduction in carbon emissions through its strategy to sell a higher proportion of lower emission vehicles to consumers.

The vehicle processing Hub has been set-up with LED light bulbs throughout the warehouse to light the building more efficiently. The Company has installed lighting with day/night sensors to consume less power.

The business collects oil extracted during the vehicle service process which then is provided to an external Company which recycles the used oil in an environmentally friendly method. Old vehicle batteries are also recycled.

We plan to investigate initiatives to further reduce the carbon footprint of the operation, such as water recycling and the installation of solar panels.

NZAI is committed to the Government's clean car initiatives and has a strategy to increase the sourcing of low emission vehicles such as Hybrids and Electric vehicles.

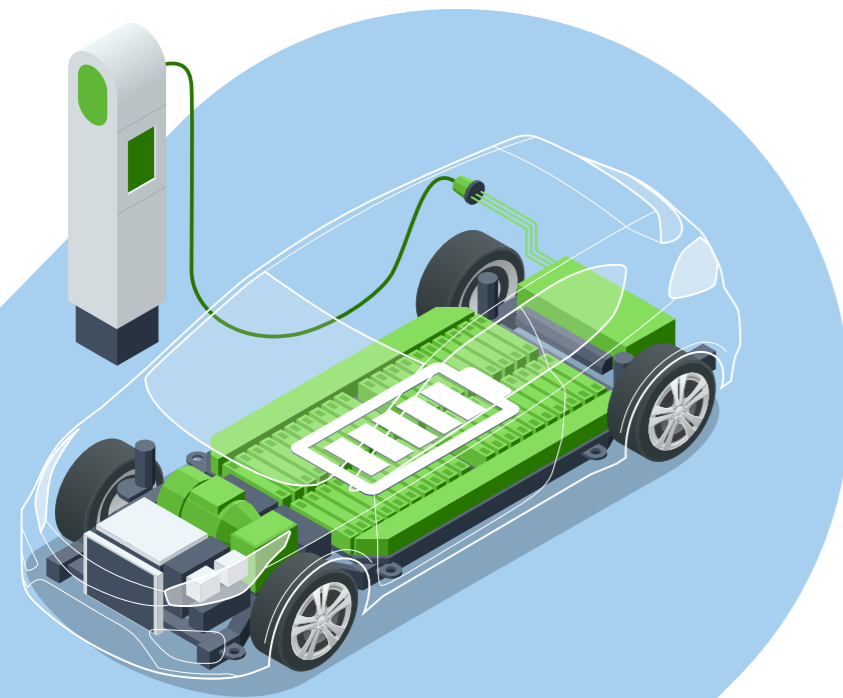
Social

Staff welfare is important. The Company provides employees with a safe environment and flexible working conditions such as hybrid work from home policies for office staff and flexible shift working hours for production staff.

The Company has a diverse employee base, with people from a range of different cultures and backgrounds and is committed to providing equal opportunities to all staff. The business runs conferences and team building events with staff and suppliers to enhance employee engagement and relationships.

Our purpose is help Kiwis afford great cars. This means sourcing a wide range of quality cars through the Group's vertically integrated business and selling them to Kiwi's for the best value possible.

The Finance business NZMF is signed up to the FMA responsible lending code. The business assesses the needs and means of each individual customer and tailors the appropriate financial products on offer to suit their needs.



STATUTORY DISCLOSURES

STATUTORY DISCLOSURES

Top 20 Shareholders

The names and holdings of the twenty largest of the registered shareholders in the Company as at 30 April 2022 were:

	Name	Number of shares held	% of issued capital
1	YUSUKE SENA & TLR (SENA) TRUSTEE SERVICE NO 2 LIMITED	20,906,993	45.9%
2	EUGENE WILLIAMS & TLR WILLIAMS TRUSTEE COMPANY LIMITED	15,703,990	34.5%
3	CITIBANK NOMINEES (NEW ZEALAND) LIMITED - NZCSD	1,017,491	2.2%
4	DOUGLAS CULMER HURST	1,000,000	2.2%
5	ACCIDENT COMPENSATION CORPORATION - NZCSD	537,500	1.2%
6	NICOLAS CARL PURCELL	500,000	1.1%
7	LEVERAGED EQUITIES FINANCE LIMITED	468,249	1.0%
8	FORSYTH BARR CUSTODIANS LIMITED	389,384	0.9%
9	FORSYTH BARR CUSTODIANS LIMITED	278,000	0.6%
10	HUMI SENA	250,000	0.5%
10	IAN ARCHIBALD HURST & GLORIA FAYE HURST	250,000	0.5%
12	ACE FINANCE LIMITED	240,000	0.5%
13	JONATHAN MICHAEL ALAN PURDEY & MARTIN JAMES BLOCKLEY & WITHERS TSANG AND CO TRUSTEES LIMITED	170,000	0.4%
14	NICHOLAS DAVID SANDLANT	150,000	0.3%
15	NATIONAL NOMINEES LIMITED - NZCSD	111,452	0.2%
16	DESMOND ANTHONY PENDER & KATHLEEN MARIE PENDER	100,000	0.2%
16	GREG ANTONY ANDERSON & NICOLA MARIE ANDERSON	100,000	0.2%
16	PHILIP BOWMAN	100,000	0.2%
16	SIMON WILLIAM PERVAN & JANE PERVAN	100,000	0.2%
16	XU XIAO	100,000	0.2%
	Total top 20 Holders	42,473,059	93.2%
	Remaining Holders	3,081,441	6.8%
	Total Shares on Issue	45,554,500	100%

Forsyth Barr Custodians holds 1,063,490 shares on behalf of Eugene Williams. For the purposes of this disclosure these shares have been included in the holdings of Eugene Williams and TLR Williams Trustee Company Limited set out in the table above. New Zealand Central Depository Limited's holding of 1,515,421 shares has been excluded from the above list in accordance with NZX listing rule 3.7.1 (c).

Spread of NZAI Security Holders

As at 30 April 2022 the spread of shareholders was as set out below:

Size of Shareholding	Number of holders	Total Shares held	% of Holders	% of Shares
1 to 1000	22	16,223	14%	<1%
1001 to 5000	47	150,917	30%	<1%
5001 to 10,000	27	240,411	17%	1%
10,001 to 100,000	43	1,658,469	28%	4%
100,001 and over	16	43,488,480	10%	95%
Totals	155	45,554,500	100%	100%

Substantial Product Holders

The following substantial product holder information is given pursuant to section 293 of the Financial Markets Conduct Act 2013. The table below sets out the names of the persons who as at 31 March 2022 were registered as substantial product holders in the Company. The total number of voting securities (fully paid ordinary shares) of the Company as at 31 March 2022 was 45,554,500.

Substantial product holder	Number of ordinary shares in which relevant interest is held
Yusuke Sena	20,906,993
Eugene Williams	15,703,990
NZ Automotive Investments Limited*	29,451,000

On 9 June 2021 NZAI filed a substantial product holder notice disclosing that it has a relevant interest in 29,281,000 shares registered in the names of interests associated with Yusuke Sena and Eugene Williams and in respect of 170,000 shares registered in the name of interests associated with Martin Blockley, an employee of NZAI.

Directors' shareholding interests

As at 31 March 2022 the Directors of the Company had the following relevant interests in the Company's shares:

Director	Number of shares
Yusuke Sena	20,906,993 *
Eugene Williams	15,703,990 *
	36,610,983

STATUTORY DISCLOSURES (CONTINUED)

* Tracy Rowsell is the sole Director and shareholder of TLR Williams Trustee Company Limited and TLR (Sena) Trustee Service No.2 Limited (both of which are independent trustee companies with no beneficial interest) and has the power to exercise, or to control the exercise of, a right to vote attached to 20% or more of the voting products in TLR Williams Trustee Company Limited and TLR (Sena) Trustee Service No.2 Limited. As a result, Tracy Rowsell has a relevant interest in TLR Williams Trustee Company Limited's and TLR (Sena) Trustee Service No.2's jointly held NZAI Shares (36,610,983 Shares or 80.4%)

The Williams Trustees and the Sena Trustees have reached an understanding in respect of the potential sell down of Shares which each of them respectively hold and which are not subject to, or are to be released from, the escrow obligations referred to below. As a result, Eugene Williams and TLR Williams Trustee Company Limited as trustees of the E & Co Trust have a relevant interest in 55% of the shares (11,498,846) held by David (Yusaka) Sena TLR (Sena) Trustee Service No.2 limited, and the David Sena and TLR (Sena) Trustee Service No.2 Limited as Trustees of the Sena Family Trust have a relevant interest in 55% (8,637,195 Shares) of the shares held by the Eugene Williams and TLR Williams Trustee Company Limited.

Escrow Arrangements

As at 30 April 2022 Yusuke Sena and Eugene Williams held a total of 18,823,500 shares in escrow (9,411,750 each), representing 45% of their respective initial shareholding. The remaining shares are to be released from escrow on 31 March 2023.

Disclosures of Directors' interests

The Company maintains an interests register in accordance with the Companies Act 1993 in which Directors interests are recorded. The following are particulars of general disclosures of interest by Directors holding office as at 31 March 2022 under section 140 (2) of the Companies Act 1993. The Director will be regarded as interested in any and all transactions between the Company or and any of its subsidiaries with the disclosed entity. Particulars of entries made during the year are noted in brackets for the purposes of section 211(1) (e) of the Companies Act 1993. In addition to the information set out below, the following other interests were disclosed in the Company's interest register: the authorisation of Directors' remuneration; and the entry into the Directors and officers liability insurance policies.

Director / Entity	Relationship	Notes
Charles Bolt		
Whanganui College Board of Trustees	Trustee	
Whanganui Collegiate School Museum Trust (Setek Limited)	Trustee (Shareholder)	
Eugene Williams		
NZ Motor Finance Limited	Director	
2 Cheap Rental Cars Limited	Director	
2 Cheap Cars Limited	Director	
2CC International Limited	Director	
Vista View Developments Limited	Director/Shareholder	
Yusuke Sena		
NZ Motor Finance Limited	Director	
2 Cheap Rental Cars Limited	Director	
2 Cheap Cars Limited	Director	
2CC International Limited	Director	
Car Plus KK	Director	
Lan Limited	Beneficiary	
Tracy Rowsell		
BDO Auckland	Partner	Provides services to NZAI
BDO Auckland Limited	Director	Corporate Trustee Company
A Horrocks Trustee Company Limited	Director	Corporate Trustee Company
(ADW Fraser Trustee Co Limited)	(Director)	Corporate Trustee Company
(ADW Grove Trustee Limited)	(Director)	Corporate Trustee Company
ADW Nakedbus Trustee Limited	Director	Corporate Trustee Company
(ADW Trustee Coy No.1 Limited)	(Director)	Corporate Trustee Company
(Foxy Enterprises Limited)	(Director)	Corporate Trustee Company
NEBL Trustee Limited	Director	Corporate Trustee Company
R Bradshaw Trustee Company Limited	Director	Corporate Trustee Company
RJ Horrocks Trustee Company Limited	Director	Corporate Trustee Company

TLR (Sena) Trustee Service No. 1 Limited	Director	Corporate Trustee Company
TLR (Sena) Trustee Service No. 2 Limited	Director	Corporate Trustee Company
TLR Anderson Trustee Company Limited	Director	Corporate Trustee Company
TLR Chhana Trustee Company Limited	Director	Corporate Trustee Company
TLR Hemingford Trustee Co Limited	Director	Corporate Trustee Company
TLR JA Trustee Company Limited	Director	Corporate Trustee Company
TLR Lyndon Trustee Company Limited	Director	Corporate Trustee Company
TLR Moore Trustee Company Limited	Director	Corporate Trustee Company
TLR Robertson Trustee Company Limited	Director	Corporate Trustee Company
TLR Thirty-One Trustee Company Limited	Director	Corporate Trustee Company
(TLR Trinity Trustee Company Limited)	(Director)	Corporate Trustee Company
TLR Skilton Trustee Company Limited	Director	Corporate Trustee Company
TLR Wallace Bremner Trustee Company Limited	Director	Corporate Trustee Company
TLR Wallace Trustee Company Limited	Director	Corporate Trustee Company
TLR Williams Trustee Company Limited	Director	Corporate Trustee Company
Two Lamps Trustee Limited	Director	Corporate Trustee Company
TLR Stacs Trustee Limited	Director	Corporate Trustee Company
TLR Tohill Trustee Company Limited	Director	Corporate Trustee Company
TLR Peat Trustee Company Limited	Director	Corporate Trustee Company
(TLR Janie Trustee Company Limited)	(Director)	Corporate Trustee Company
(TLR Maxwell Trustee Company Limited)	(Director)	Corporate Trustee Company
(TLR Farquharson Estate Trustee Company Limited)	(Director)	Corporate Trustee Company
(TR Robertson Trustee Company Limited)	(Director)	Corporate Trustee Company

Michele Kernahan

Timmich Trustees Limited	Shareholder/Director
Timmich Limited	Director
Glenveagh Limited	Director/Shareholder

Karl Smith

H4G Group Limited (T/A VetNZ)	Director
CWF Hamilton & Co Limited (T/A HamiltonJet)	Director
Forthill Property Limited	Director
Trilogy Property Partners Limited	Director
Atlantic Marriner Limited	Director
Trilogy Trust	Trustee
The Voyager Trust	Trustee

Share dealings of Directors during the financial period.

Directors disclosed under section 148(2) of the Companies Act 1993 the following acquisitions or disposals of relevant interests in the Company's shares during FY22 and details of share transactions were entered in the Company's interests register.

Registered holder	Date of Disposal	Consideration per share (NZD)	Number of shares	
Eugene Williams & TLR Williams Trustee Company Limited	01 June 2022	1.14	7,715	
	02 June 2022	1.11	6,489	
	03 June 2022	1.1	23,429	
	04 June 2022	1.1	2,367	
	06 July 2022	1.1	25,083	
	17 September 2022	0.93	4,233,230	
	10 February 2022	0.9	704,691	
	11 February 2022	0.93	200,000	
				5,203,004

STATUTORY DISCLOSURES (CONTINUED)

Directors' remuneration

The total pool of Directors fees available to Non-Executive Directors for the year ended 31 March 2022 was \$650,000, which was approved by shareholders prior to listing on the NZX. Of this, \$377,600 was paid to Non-Executive Directors in FY22. The table below sets out the total of the remuneration and the value of other benefits received by each Director during the year.

Board Remuneration per annum

Board Chair	\$150,000
Non-Executive Director	\$60,000
Board Committee Chair	\$12,000
Board Committee Member	\$6,000

Board Remuneration in FY22:

Director	Director's fees	Salary	Other Benefits	Subtotal
Karl Smith	147,500			147,500
Yusuke Sena		295,385	19,485	314,870
Eugene Williams		296,538	69,776	366,314
Charles Bolt	76,700			76,700
Tracy Rowsell	76,700			76,700
Michele Kernahan	76,700			76,700
Total	377,600	591,923	89,261	1,058,784

Tracy Rowsell is a Partner in the advisory firm BDO. During FY22 BDO received \$112,415 in fees for consultancy services provided to the Company.

Directors' Insurance

In accordance with the Companies Act 1993, NZAI has taken out an insurance policy to insure its Directors and officers against potential liabilities and costs incurred in any proceeding, except to the extent prohibited by law.

Employee Remuneration

The following table shows the number of current and former employees of the Company (not being Directors the Company) who received remuneration and other benefits in their capacity as employees during FY22 the value of which exceeded \$100,000. The remuneration amounts include all monetary amounts and benefits actually paid during the year, including the face value of any long term incentives vested during the year (which for FY22 was nil).

Remuneration Range	FY22	FY21
	Number Of Employees	Number Of Employees
100,000 to 109,999	2	5
110,000 to 119,999	3	0
120,000 to 129,999	1	3
130,000 to 139,999	2	1
140,000 to 149,999	1	0
150,000 to 159,999	1	0
160,000 to 169,999	0	1
200,000 to 209,999	0	1
210,000 to 219,999	1	0
250,000 to 260,000	1	0
430,000 to 440,000	1	0
	13	11

CEO Remuneration

The CEO's remuneration as at 31 March 2022 consisted of a base salary, a Short Term Incentive (STI) and Long Term Incentive (LTI). The CEO's remuneration is reviewed annually by the Remuneration Committee and approved by the Board.

David Page's remuneration during the FY22 year was a mix of base salary, allowances and short and long term incentives. The base salary was \$350,000. Other benefits amounted to \$35,000 comprising of a vehicle allowance and healthcare insurance. During the year David received a short term incentive payment on a pro rata basis in respect of FY21. This amounted to 100% of his potential short term incentive for FY21. The target for payment of this incentive was associated with successfully listing of the Company on the NZX.

In respect of David Page's FY22 short term incentive, his total potential short term incentive plan payment was 30% of base salary, or \$105,000. The targets that needed to be met to achieve this incentive were:

- Financial metric (80% weighting) - achievement of net profit after tax target.
- Non financial metrics (20% weighting) - development of group strategic plan and successful relocation of the Hub.

Long Term Incentive Plan

In October 2021 the Company implemented a long term incentive plan for the CEO, David Page with the objective of providing a reward for long term performance and to align his interests with those of the Company's shareholders.

Under the terms of the plan, David was issued with 419,230 options for no monetary consideration. Each option entitles him to subscribe for one ordinary share in the Company, for nil consideration, in the event that certain performance hurdles are met and he remains employed by the Company at the end of the performance period.

There are three tranches of options:

- Tranche A – 175,000 options
- Tranche B – 150,000 options
- Tranche C – 94,230 options.

The performance period for all of the tranches is the three-year period from 1 October 2021 to 30 September 2024

STATUTORY DISCLOSURES (CONTINUED)

Performance hurdles

Tranche A – 175,000 options

Vesting of the 175,000 Tranche A options is related to the Company's share price in the ten trading days prior to 30 September 2024 ("VWAP"). If the VWAP is \$2.00 or higher, then all of the options will vest. If the VWAP is less than \$0.9338, none of these options will vest. If the VWAP is between \$0.9338 and \$2.00, the options will vest on a linear, pro rata basis.

Tranche B – 150,000 options

Vesting of the 150,000 Tranche B options is dependent on the VWAP being \$2.25 or higher, in which case all of the Tranche B options will vest. None of the Tranche B options will vest if the VWAP is less than \$2.25.

Tranche C

Vesting of the 94,230 Tranche C options depends upon the Company generating sufficient liquidity in the shareholder base by 30 September 2024. If at 30 September 2024 the Company has 100 or more non-affiliated shareholders holding:

- (a) 30 per cent or more of the Company's shares, then all of the Tranche C options will vest;
- (b) Between 20 per cent and 30 per cent of the Company's shares then the Tranche C options will vest on a linear pro rata basis.

If at 30 September 2024 the Company has less than 100 non-affiliated shareholders or less than 20 per cent of the Company's shares are held by non-affiliated shareholders, then none of the Tranche C options will vest.

The options will not vest where the performance hurdles are not satisfied (but subject to a Board discretion to determine that options nonetheless vest in order to give effect to the intent and purpose of the Plan). The options will lapse where David leaves the Company's employment before 30 September 2024 (subject to certain limited exceptions).

Subsidiaries of NZAI

The following persons listed below held office as Directors of the Company's six subsidiaries as at 31 March 2022

Subsidiary	Jurisdiction	Directors
2 Cheap Cars Limited	New Zealand	Yusuke Sena Eugene Williams
NZ Motor Finance Limited	New Zealand	Martin Blockley Yusuke Sena Eugene Williams
2CC International Limited	New Zealand	Yusuke Sena Eugene Williams
Car Plus KK	Japan	Yusuke Sena Humi Sena
2 Cheap Rental Cars Limited (Ceased Trading)	New Zealand	Yusuke Sena Eugene Williams

Other Information

Directors

As at 31 March 2022 the Company's Board comprised the following Directors: Karl Smith, Michele Kernahan, Charles Bolt, Tracy Rowsell, David Sena and Eugene Williams. Michelle Kernahan resigned from the Board on 8 April 2022. Karl Smith resigned from the Board on 22 April 2022. As at 31 March 2022 Karl Smith, Michelle Kernahan and Charles Bolt were considered by the Board to be Independent Directors. The factors relevant to the determination of independence are set out on page 68 of the Company's 2022 Annual Report.

NZX Waivers

No waivers were granted by NZX or relied on by the Company during FY22.

Exercise Of NZX Disciplinary Powers

The NZX did not take any disciplinary action against the Company during FY22. In particular, there was no exercise of powers by NZX under NZX Listing Rule 9.9.3 (relating to powers to cancel, suspend or censure an issuer) with respect to the Company.

Donations

During the financial year the group donated \$200.24 to the Movember Foundation in support of its campaign to raise awareness of mens health.

Credit Rating

NZAI does not have a credit rating.

Auditor Remuneration

Grant Thornton has continued to act as the auditor of the Company. During the year ended 31 March 2022 the amount paid by the Company to Grant Thornton as audit fees was \$87,000. Grant Thornton was not paid any amounts during FY22 other than these audit related fees.

CORPORATE DIRECTORY

Registered Office

BDO Auckland
Level 4, 4 Graham Street
Auckland, 1010, New Zealand

Head Office

102 Mays Road
Onehunga
Auckland 1061

Bankers

ASB Bank
Auckland

Solicitors

Lowndes Jordan
Auckland

Auditors

Grant Thornton New Zealand Audit Limited
Auckland

Share Register

Computershare
Auckland



Helping
Kiwis Afford
Great Cars



New Zealand Automotive Investments Limited
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