



NZ AUTOMOTIVE INVESTMENTS LIMITED

(FORMERLY 2CC HOLDINGS LIMITED)

FINANCIAL STATEMENTS
31 MARCH 2021



NZ AUTOMOTIVE INVESTMENTS LIMITED (FORMERLY 2CC HOLDINGS LIMITED)

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NZ AUTOMOTIVE INVESTMENTS LIMITED (FORMERLY 2CC HOLDINGS LIMITED)

Company Directory
As at 31 March 2021

Nature of Business

Used car retail and motor vehicle finance

Registered Office

BDO Auckland
Level 4
4 Graham Street
Auckland

Directors

Yusuke Sena
Eugene Williams
Karl Smith (appointed 10 September 2020)
Francis Charles Wingfield Bolt (appointed 17 December 2020)
Tracy Leanne Rowsell (appointed 01 December 2020)
David Page (appointed 28 September 2020, resigned 11 December 2020)
Michele Margaret Kernahan (appointed 15 February 2021)

Share Capital

45,554,500 Ordinary Shares

Bankers

ASB Bank

Accountants

BDO Auckland
Level 4
4 Graham Street
Auckland

Independent Auditor

Grant Thornton New Zealand Limited
Auckland

Solicitors

Lowndes Jordan

NZ AUTOMOTIVE INVESTMENTS LIMITED (FORMERLY 2CC HOLDINGS LIMITED)

Directors' Report
For the Year Ended 31 March 2021

The Board of Directors of NZ Automotive Investments Limited (formerly 2CC Holdings Limited) present their Annual Report including the consolidated financial statements of the Group for the year ended 31 March 2021.

The Board of Directors of NZ Automotive Investments Limited (formerly 2CC Holdings Limited) authorised the issue of these consolidated financial statements on this 27 day of May 2021:

Approved for and on behalf of the Board of Directors



Director



Director

27/05/2021

Date

Independent Auditor's Report

Grant Thornton New Zealand Audit Limited

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To the Shareholders of NZ Automotive Investments Limited (formerly 2CC Holdings 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 7 to 33 which comprise the consolidated statement of financial position as at 31 March 2021, 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 NZ Automotive Investments Limited as at 31 March 2021 and its financial performance and 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</p> <p>The Group has recognised revenue of \$65m (FY 2020: \$ 76m) (Note 7). 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>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

Why the audit matter is significant	How our audit addressed the key audit matter
<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>criteria related to revenue recognition has been met before being recognised as revenue.</p> <ul style="list-style-type: none"> 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.

Other Matter

The consolidated financial statements of the Group previously called 2CC Holdings Limited were unaudited. However the subsidiary (2 Cheap Cars Limited) which made up the majority of the Group (refer to Segment Reporting note 6) for the year ended 31 March 2020 was audited by another auditor who expressed an unmodified opinion on those statements on 7 August 2020.

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 Group's shareholders, as a body. Our audit work has been undertaken so that we might state to the Group'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 Group and the Group'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



VJ Black
Auckland

27 May 2021

NZ AUTOMOTIVE INVESTMENTS LIMITED (FORMERLY 2CC HOLDINGS LIMITED)

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 March 2021

	Note	MAR 2021 \$'000	MAR 2020 \$'000
Revenue			
Revenue and income	7	65,366	76,316
Sundry income	8	759	58
Expenses			
Cost of sales		(51,688)	(59,412)
Administration expenses		(2,032)	(2,527)
Advertising expenses		(1,201)	(1,710)
Depreciation expenses		(1,972)	(2,029)
Employee benefits (short term)		(2,806)	(3,039)
Finance expenses	10	(413)	(529)
Listing cost		(695)	-
Property and related expenses		(627)	(935)
Profit before income tax	9	<u>4,691</u>	<u>6,193</u>
Income tax expense	11	(1,492)	(1,964)
Profit for the period		<u><u>3,199</u></u>	<u><u>4,229</u></u>
Other Comprehensive Income			
Items that may be reclassified subsequently to profit or loss			
Translation of foreign operations		86	84
Total other comprehensive income		<u>86</u>	<u>84</u>
Total comprehensive income for the period		<u><u>3,285</u></u>	<u><u>4,313</u></u>
Profit for the year attributable to:			
Owners of the Company		3,199	4,204
Non-controlling interest		-	25
		<u>3,199</u>	<u>4,229</u>
Total comprehensive income attributable to:			
Owners of the Company		3,285	4,288
Non-controlling interest		-	25
		<u>3,285</u>	<u>4,313</u>
		\$	\$
Earnings per share			
Basic earnings per share	24	0.07	0.28
Diluted earnings per share	24	0.12	0.28

The accompanying notes form part of these consolidated financial statements

NZ AUTOMOTIVE INVESTMENTS LIMITED (FORMERLY 2CC HOLDINGS LIMITED)

Consolidated Statement of Changes in Equity
For the Year Ended 31 March 2021

	Note	Attributable to the Owners of the Company					Non-Controlling Interests	Total Equity/ (Accumulated Losses)
		Share Capital	Retained Earnings	Foreign Currency Translation Reserve	Amalgamation Reserve	Total attributable to equity holders of parent		
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Balance at 1 April 2019	16	15,442	6,815	7	(35,442)	(13,178)	70	(13,108)
Profit for the period		-	4,204	-	-	4,204	25	4,229
Translation of foreign operations		-	-	84	-	84	-	84
Total comprehensive income for the period		-	4,204	84	-	4,288	25	4,313
Transactions with owners of the Group in their capacity as owners								
Dividends paid		-	(958)	-	-	(958)	(28)	(986)
Total transactions with owners of the Group		-	(958)	-	-	(958)	(28)	(986)
Balance at 31 March 2020		<u>15,442</u>	<u>10,061</u>	<u>91</u>	<u>(35,442)</u>	<u>(9,848)</u>	<u>67</u>	<u>(9,781)</u>
Balance at 1 April 2020	16	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		<u>39,344</u>	<u>12,220</u>	<u>5</u>	<u>(35,956)</u>	<u>15,613</u>	<u>-</u>	<u>15,613</u>

The accompanying notes form part of these consolidated financial statements

NZ AUTOMOTIVE INVESTMENTS LIMITED (FORMERLY 2CC HOLDINGS LIMITED)

Consolidated Statement of Financial Position
As at 31 March 2021

	Note	MAR 2021 \$'000	MAR 2020 \$'000
Equity			
Share capital	16	39,344	15,442
Amalgamation reserve	3(k)	(35,956)	(35,442)
Foreign currency translation reserve		5	91
Retained earnings		12,220	10,061
Equity attributable to owners of the parent		<u>15,613</u>	<u>(9,848)</u>
Non-controlling interest		-	67
Total equity		<u>15,613</u>	<u>(9,781)</u>
Current liabilities			
Trade and other payables	18	2,095	1,763
Employee benefit liabilities	19	871	699
Borrowings	20	8,420	8,000
Other current liabilities		35	19
Income tax payable		724	817
Derivative financial liabilities	25	43	-
Related party payable	22	20	20,017
Lease liability	23	1,600	1,575
Total current liabilities		<u>13,808</u>	<u>32,890</u>
Non-current liabilities			
Lease liability	23	5,003	6,308
Total non-current liabilities		<u>5,003</u>	<u>6,308</u>
Total liabilities		<u>18,811</u>	<u>39,198</u>
Total equity and liabilities		<u>34,424</u>	<u>29,417</u>

The accompanying notes form part of these consolidated financial statements

NZ AUTOMOTIVE INVESTMENTS LIMITED (FORMERLY 2CC HOLDINGS LIMITED)

Consolidated Statement of Financial Position (continued)
As at 31 March 2021

	Note	MAR 2021 \$'000	MAR 2020 \$'000
Current assets			
Cash and cash equivalents	13	8,267	1,775
Trade and other receivables	15	2,559	1,001
Derivative financial assets	25	-	294
Loans receivable	21	1,591	676
Inventories	14	11,892	15,246
Total current assets		<u>24,309</u>	<u>18,992</u>
Non-current assets			
Plant, property and equipment	12	1,176	1,418
Intangible assets		4	2
Loans receivable	21	2,212	926
Deferred tax asset	11	477	428
Right-of-use assets	23	6,246	7,651
Total non-current assets		<u>10,115</u>	<u>10,425</u>
Total assets		<u><u>34,424</u></u>	<u><u>29,417</u></u>

Approved for and on behalf of the Board of Directors.



Director

27/05/2021

Date



Director

27/05/2021

Date

The accompanying notes form part of these consolidated financial statements

NZ AUTOMOTIVE INVESTMENTS LIMITED (FORMERLY 2CC HOLDINGS LIMITED)

Consolidated Statement of Cash Flows For the Year Ended 31 March 2021

	Note	MAR 2021 \$'000	MAR 2020 \$'000
Cash Flows from Operating Activities			
Proceeds from sale of goods		64,471	75,884
Cash payments to suppliers and employees		(55,309)	(71,535)
Government grants received		600	-
Loans receivable advanced		2,123	(1,764)
Proceeds from loans receivable		(3,589)	231
Interest received		14	159
Interest paid - retail operations		(247)	(289)
GST paid		(1,671)	(630)
Income tax paid		(695)	(2,111)
Net Cash Inflow from Operating Activities		<u>5,697</u>	<u>(55)</u>
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(176)	(1,352)
Proceeds from sale of property, plant and equipment		19	735
Net Cash Outflow from Investing Activities		<u>(157)</u>	<u>(617)</u>
Cash Flows from Financing Activities			
Dividends paid	26	(1,078)	(985)
Principal elements of lease liability payments	23	(1,529)	(1,480)
Advance to related party		-	-
Interest paid - finance operations		(165)	(257)
Repayments from related parties		4	17
Finance Facility Advance		420	-
Proceeds from capital raised	16	3,555	-
Cost of capital raised	16	(243)	-
Net Cash Outflow from Financing Activities		<u>964</u>	<u>(2,705)</u>
Net Increase in cash and cash equivalents		6,504	(3,377)
Cash and Cash Equivalents at Beginning of Period		1,775	5,024
Effect of exchange rate fluctuations		(12)	128
Cash and Cash Equivalents at End of Period	13	<u>8,267</u>	<u>1,775</u>

The accompanying notes form part of these consolidated financial statements

NZ AUTOMOTIVE INVESTMENTS LIMITED (FORMERLY 2CC HOLDINGS LIMITED)

Notes to and forming part of the Consolidated Financial Statements
For the Year Ended 31 March 2021

1. Reporting entity

NZ Automotive Investments Limited (formerly 2CC Holdings 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 2021 comprise the Company and its subsidiaries: 2 Cheap Cars Limited, NZ Motor Finance Limited, 2CC International Limited, 2 Cheap Rental Cars Limited, 2CC (Canada) Inc. and Car Plus K.K. (collectively, the Group).

2CC (Canada) Inc. has ceased trading and was liquidated by 31 March 2021. 2 Cheap Rental Cars Limited has ceased trading and as at 31 March 2021 only holds a lease on a property which is utilised by the Group.

The Group is primarily involved in used car retail and motor vehicle finance.

The consolidated financial statements were authorised for issue by the Board of Directors on 27 May 2021.

2. Basis of preparation

(a) Statement of compliance

The 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. They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for Tier 1 for-profit entities. The consolidated financial statements 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 25)
- Loans receivable (Note 21)

(c) Functional and presentation currency

These consolidated financial statements for the Group are presented in New Zealand dollars (\$), which is the Company'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

As a result of the COVID-19 pandemic, there was a substantial reduction in economic activity throughout the world as governments have introduced measures in a bid to slow transmission of the virus.

The impact of COVID-19 and outlook like other retail businesses, the Group and the general automotive sector were significantly impacted by the shutdowns relating to COVID-19 which occurred from 23 March 2020 to 13 May 2020 and 12 August 2020 to 23 September 2020. The first lockdown applied to all sites of the Group and affected the business significantly, with cars sold in April 2020 being down 99% (compared to April 2019). The second lockdown primarily only affected Auckland sites but still had a significant impact on the business. Car sales in August 2020 were down 43% compared to August 2019. After each lockdown, trading recovered strongly back to normal levels, reflecting the nature of the Group's car sales as necessary purchases for its customers. During the period the Group received government grants in the form of COVID-19 related wage subsidies from the New Zealand Government.

The ongoing pandemic has increased the estimation uncertainty in the preparation of these consolidated financial statements. The Group has developed accounting estimates based on forecasts of economic conditions which reflect expectations and assumptions as at March 2021 about future events that are reasonable in the circumstances. There is a significant degree of judgement involved with these assumptions. The accounting estimates impacts by the pandemic are detailed under Note 21 Loans Receivable.

Based on the impact of COVID-19, automotive retail profit before tax for FY21 is lower than FY20. However, the Group also expects that sales numbers in FY22 will return to FY20 levels, barring any further disruptions related to COVID-19. In the longer term, the Company believes that health concerns relating to COVID-19 may support greater demand for private vehicles, as opposed to public transport or other shared transport options. Also, given the nature of the Group's cars as necessities for its customers, the Company believes it will be well positioned to weather any extended economic downturn.

As a result of the COVID-19 pandemic, there has been a substantial reduction in economic activity throughout the world, as governments have introduced measures (such as the closure of all non-essential businesses and the cancellation of all public events) in a bid to halt, or at least slow, transmission of the virus. At the time of signing the financial statements, there is uncertainty about how much further economic activity will fall and how long the period of reduced economic activity will last.

NZ AUTOMOTIVE INVESTMENTS LIMITED (FORMERLY 2CC HOLDINGS LIMITED)

Notes to and forming part of the Consolidated Financial Statements
For the Year Ended 31 March 2021

(d) Going Concern and COVID-19 - continued

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 will not impact the ability of the Group to continue operating, because:

- Profit before tax for the period ended 31 March 2021 was \$4,691k (March 2020: \$6,193k);
- Operating cashflows for the period ended 31 March 2021 were a net inflow of \$5,697k (March 2020: a net outflow of \$55k) (Note 17).

Based on these factors, the Directors consider that the Group is a going concern and the 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.

In particular, information about the sources of estimation uncertainty that have the most significant effect on the amounts recognised in the consolidated financial statements are described below.

- Measurement of loss allowance on the loans receivable (Note 3(i))
- Measurement of the inventory provision (Note 3(h))
- Measurement of contract liability on commission income (Note 3(c))
- Measurement of useful life on property, plant and equipment (Note 3(g))
- Measurement of lease term - lease liability and right of use assets (Note 3(m))

Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs
- Level 3: Unobservable inputs (i.e. not derived from market data)

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures the following item at fair value.

- Financial instruments (notes 3(i))

(f) Changes in accounting policies

New standards, interpretations and amendments adopted during the period

New standards impacting the Group that have been adopted in the consolidated financial statements for the year ended 31 March 2021, and which have given rise to the changes in the Group's accounting policies are as follows:

NZ IFRS 8 Segment Reporting, and NZ IAS 33 Earnings per share

The Group has applied NZ IFRS 8 and NZ IAS 33 to these financial statements.

Amendments to NZ IFRS 16: COVID-19-Related Rent Concessions

The amendment becomes effective for annual reporting periods commencing on or after 1 June 2020.

The Group has elected to early adopt the amendment in the period.

Following the amendment, the Group is not required to account for the rent concessions as lease modifications, subject to meeting certain criteria.

Accordingly, COVID-19-related rent concessions received by the Group as lessee are recognised in profit or loss as a variable lease payments.

NZ AUTOMOTIVE INVESTMENTS LIMITED (FORMERLY 2CC HOLDINGS LIMITED)

Notes to and forming part of the Consolidated Financial Statements
For the Year Ended 31 March 2021

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(e) 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 (formerly 2CC Holdings 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		Non-Controlling interests Ownership/voting interest	
		Mar 2021	Mar 2020	Mar 2021	Mar 2020
2 Cheap Cars Limited	New Zealand	100%	99%	0%	1%
NZ Motor Finance Limited	New Zealand	100%	89%	0%	11%
2CC International Limited	New Zealand	100%	100%	0%	0%
2 Cheap Rental Cars Limited	New Zealand	100%	100%	0%	0%
2 Cheap Cars (Canada) Inc.	Canada	0%	100%	0%	0%
Car Plus K.K.	Japan	100%	100%	0%	0%

2CC (Canada) Inc. has ceased trading and was liquidated by 31 March 2021. 2 Cheap Rental Cars Limited has ceased trading and as at 31 March 2021 only holds a lease on a property which is utilised by the Group.

(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 at fair value are translated to the functional currency at exchange rates at the date the fair value was determined. Any foreign currency arising difference due to translating to functional currency are recognised in profit or loss.

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.

NZ AUTOMOTIVE INVESTMENTS LIMITED (FORMERLY 2CC HOLDINGS LIMITED)

Notes to and forming part of the Consolidated Financial Statements
For the Year Ended 31 March 2021

3. Significant accounting policies - continued

(c) Revenue

The specific revenue recognition policies associated with the Group's distinct performance obligations (as presented in Note 7) 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 as the point the end customer enters into a signed life 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 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 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 "Contract asset" in the 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.

(d) Insurance contracts

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

NZ IFRS 17 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.

NZ AUTOMOTIVE INVESTMENTS LIMITED (FORMERLY 2CC HOLDINGS LIMITED)

Notes to and forming part of the Consolidated Financial Statements
For the Year Ended 31 March 2021

3. Significant accounting policies - continued

(d) Insurance contracts - continued

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 4.

- 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.

NZ AUTOMOTIVE INVESTMENTS LIMITED (FORMERLY 2CC HOLDINGS LIMITED)

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For the Year Ended 31 March 2021

3. Significant accounting policies - continued

(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 diminishing value 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	4.0% - 30.0% DV
Furniture and fittings	8.0% - 67.0% DV
Motor vehicles	10.0% - 40.0% DV
Computer equipment	20.0% - 67.0% DV
Workshop equipment	10.0% - 67.0% DV

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).

These financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment (as detailed below).

NZ AUTOMOTIVE INVESTMENTS LIMITED (FORMERLY 2CC HOLDINGS LIMITED)

Notes to and forming part of the Consolidated Financial Statements
For the Year Ended 31 March 2021

3. Significant accounting policies - continued

(i) Financial instruments - 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 Company.

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.

NZ AUTOMOTIVE INVESTMENTS LIMITED (FORMERLY 2CC HOLDINGS LIMITED)

Notes to and forming part of the Consolidated Financial Statements
For the Year Ended 31 March 2021

3. Significant accounting policies - continued

(i) Financial instruments - continued

At Amortised cost

The include: 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

Financial assets

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.

NZ AUTOMOTIVE INVESTMENTS LIMITED (FORMERLY 2CC HOLDINGS LIMITED)

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For the Year Ended 31 March 2021

3. Significant accounting policies - continued

(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.

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 option;
- 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.

NZ AUTOMOTIVE INVESTMENTS LIMITED (FORMERLY 2CC HOLDINGS LIMITED)

Notes to and forming part of the Consolidated Financial Statements
For the Year Ended 31 March 2021

3. Significant accounting policies - continued

(m) Leases - continued

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 of 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

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.

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

Trademarks	10 years
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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 balance sheet.

NZ AUTOMOTIVE INVESTMENTS LIMITED (FORMERLY 2CC HOLDINGS LIMITED)

Notes to and forming part of the Consolidated Financial Statements
For the Year Ended 31 March 2021

4. Determination of fair values

The following table shows the valuation techniques used as well as the significant unobservable inputs used.

Item	Valuation technique	Significant unobservable inputs
Loans and receivables - At Amortised cost (Level 3: disclosure only, refer Note 21)	Book value	Interest rate - 15.95% - 17.95% Provision for default 2%
Loans and receivables - At Fair Value through profit and loss (Level 3: refer Note 21)	Discounted cash flow	<ul style="list-style-type: none"> • Timing and amount of future cash flows • Effect of eligible loan waiver features
Borrowings (Level 3: disclosure only, refer Note 20)	Book value	Interest rate - 2.75%
Derivatives - At Fair Value through profit and loss (Level 3: disclosure only, refer Note 25)	Market to market	Year end foreign exchange rate NZD \$1: JPY 77.3677 Average foreign exchange rate on derivative liabilities NZD \$1: JPY 76.83

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 2021	Note	Carrying Amount \$'000	Fair value (level 3) \$'000
Assets			
Cash and cash equivalents	13	8,267	8,267
Trade and other receivables	15	2,559	2,559
Loans receivable - At Amortised cost	21	829	876
Loans receivable - At Fair value through profit or loss	21	2,998	2,998
Total assets		14,653	14,700
Liabilities			
Trade and other payables	18	2,095	2,095
Borrowings	20	8,420	8,420
Derivative financial liabilities	25	43	43
Related party payable	22	20	20
Total liabilities		10,578	10,578
31 March 2020			
	Note	Carrying Amount \$'000	Fair value \$'000
Assets			
Cash and cash equivalents	13	1,775	1,775
Trade and other receivables	15	1,001	1,001
Derivative financial assets	25	294	294
Loans receivable - At Amortised cost	21	463	494
Loans receivable - At Fair value through profit or loss	21	1,148	1,148
Total assets		4,681	4,712
Liabilities			
Trade and other payables	18	1,763	1,763
Borrowings	20	8,000	8,000
Related party payable	22	20,017	20,017
Total liabilities		29,780	29,780

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 21 for fair value measurement information regarding Loans receivable .

NZ AUTOMOTIVE INVESTMENTS LIMITED (FORMERLY 2CC HOLDINGS LIMITED)

Notes to and forming part of the Consolidated Financial Statements
For the Year Ended 31 March 2021

4. 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:

31 March 2021	Profit or loss		Other comprehensive income (net of tax)	
	Increases \$'000	Decreases \$'000	Increases \$'000	Decreases \$'000
Significant unobservable inputs				
Discount rate used (+/- 5%)	231	(256)	166	(184)
Default provision used (+/- 5%)	201	(201)	145	(145)
Waiver provision rate used (+/- 5%)	157	(157)	113	(113)

5. 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 2021	Credit rating *	Cash and cash equivalents	Investments	Total
		\$'000	\$'000	\$'000
ASB Bank	AA-	7,959	-	7,959
Mitsui Bank	A-1	308	-	308
		<u>8,267</u>	<u>-</u>	<u>8,267</u>
31 March 2020	Credit rating *	Cash and cash equivalents	Investments	Total
		\$'000	\$'000	\$'000
ASB Bank	AA-	1,565	-	1,565
Mitsui Bank	A-1	135	-	135
TD Canada Trust	A-1+	-	75	75
		<u>1,700</u>	<u>75</u>	<u>1,775</u>

* Standard & Poor's

Interest rates on interest bearing cash and cash equivalents and investments range between 0.11% - 0.20% (2020: 0.11% - 0.20%).

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5. 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 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% (2020: 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 plant and equipment 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 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 \$6.4m at the end of the reporting period (2020: \$6.6m).

The net foreign exchange loss recognised for the year was \$0.97m (2020: \$0.77m gain).

(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:

As at 31 March 2021

	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
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

As at 31 March 2020

Trade and other payables	1,569	194	-	-	-	1,763
Borrowings	8,000	-	-	-	-	8,000
Lease liabilities	377	1,199	1,590	4,717	-	7,883
Total	9,946	1,393	1,590	4,717	-	17,646

(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.

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For the Year Ended 31 March 2021

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:

Automotive retail
Finance
Other

Operating Segments

As at 31 March 2021	2 Cheap Cars Limited \$'000	NZ Motor Finance Limited \$'000	Others \$'000	Elimination - Inter-entity transactions \$'000	Total \$'000
Revenue including interest	65,515	1,004	2,158	(2,551)	66,126
Cost of sale	(52,656)	-	(1,058)	2,026	(51,688)
Interest expense - finance	(9)	(586)	89	493	(13)
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	-	-	1,435	(1,435)	-
Interest expense - trading	(383)	-	(17)	-	(400)
Net profit before tax	5,156	21	981	(1,467)	4,691

As at 31 March 2020	2 Cheap Cars Limited \$'000	NZ Motor Finance Limited \$'000	Others \$'000	Elimination - Inter-entity transactions \$'000	Total \$'000
Revenue including interest	75,771	326	5,248	(4,972)	76,373
Cost of sale	(60,390)	(2)	(364)	1,375	(59,381)
Interest expense - finance	-	(22)	-	15	(7)
Operating expense	(8,862)	(443)	(1,772)	807	(10,270)
Operating profit	6,519	(141)	3,112	(2,775)	6,715
Dividend received	-	-	(2,727)	2,727	-
Interest expense - trading	(522)	-	-	-	(522)
Net profit before tax	5,997	(141)	385	(48)	6,193

The Group operates in a single Geographic segment, New Zealand.

7. Revenue from contracts with customers

	MAR 2021 \$'000	MAR 2020 \$'000
Sale of cars	58,105	70,022
Sale of other goods	-	36
Fair value gain on Loans	742	271
Interest on bank accounts, short term deposits and investments	144	66
Agent commissions received	-	-
- Insurance agent commissions	4,228	58
- Interest agent commissions	2,147	5,213
- Other agent commissions	-	649
Total revenue from contracts with customers	<u>65,366</u>	<u>76,316</u>
Timing of transfer of goods and services		
Point of sale income	65,223	76,250
Over time income	144	66
	<u>65,366</u>	<u>76,316</u>

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8. Sundry income		MAR 2021 \$'000	MAR 2020 \$'000
Gain on sale of property, plant and equipment		-	15
Government grants received ¹		599	-
Other		160	43
Total sundry income		<u>759</u>	<u>58</u>

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

Revenue from motor vehicle finance operations is included in finance income detailed in Note 7.

9. Profit before income tax	Note	MAR 2021 \$'000	MAR 2020 \$'000
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Profit before income tax includes the following:

Audit fees		(60)	(38)
Depreciation - property, plant and equipment	12	(304)	(313)
Depreciation - right-of-use assets	23	(1,669)	(1,714)
Employee benefit expenses - excluding direct wages included in cost of sale			
Wages and salaries		2,687	2,977
KiwiSaver - including direct wages		167	136

10. Finance expenses	Note	MAR 2021 \$'000	MAR 2020 \$'000
Interest expense on financial liabilities measured at amortised cost		(166)	(250)
Interest expense on lease liabilities	23	(234)	(279)
Other		(13)	-
Finance expenses		<u>(413)</u>	<u>(529)</u>

11. Income tax

(a) Income tax recognised in profit or loss and other comprehensive income		MAR 2021 \$'000	MAR 2020 \$'000
Income tax recognised in profit or loss			
Current tax		1,541	2,015
Deferred tax		(49)	(51)
Total income tax expense		<u>1,492</u>	<u>1,964</u>

(b) Reconciliation of income tax expense		MAR 2021 \$'000	MAR 2020 \$'000
Profit before income tax expense		4,691	6,193
Tax expense at the domestic tax rate (28%)		1,313	1,734
Permanent differences		284	(602)
Timing differences		45	95
Intergroup eliminations		(115)	776
Recognition of tax losses		-	3
Effects of tax rate in foreign jurisdictions		14	9
Income tax expense		<u>1,541</u>	<u>2,015</u>

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11. Income tax - continued

(c) Deferred tax

	MAR 2021 \$'000	MAR 2020 \$'000
Balance at the beginning of the period	428	377
Current period movement	49	51
Deferred tax asset	<u>477</u>	<u>428</u>

Made up of:

Deferred tax asset	2,230	2,571
Deferred tax liability	<u>(1,753)</u>	<u>(2,143)</u>
Net balance as per above	<u>477</u>	<u>428</u>

Deferred tax assets are attributable to the following:

Inventory provision	127	116
Employee benefits	160	140
Bad debt	13	19
Others	12	9
Contract liabilities	64	80
Lease liabilities	1,854	2,207
Right-of-use asset	<u>(1,753)</u>	<u>(2,143)</u>
	<u>477</u>	<u>428</u>

12. Property, plant and equipment

	Leasehold improvements \$'000	Motor vehicles \$'000	Furniture and fittings \$'000	Computer equipment \$'000	Workshop equipment \$'000	Total \$'000
Cost						
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	<u>706</u>	<u>349</u>	<u>602</u>	<u>519</u>	<u>62</u>	<u>2,238</u>
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	<u>(212)</u>	<u>(181)</u>	<u>(273)</u>	<u>(382)</u>	<u>(14)</u>	<u>(1,062)</u>
Net book value At 31 March 2021	494	168	329	137	48	1,176

The Group has reviewed each items of property, plant and equipment and no impairment charge was recognised for the year ended 31 March 2021 (March 2020: Nil).

	Leasehold improvements \$'000	Motor vehicles \$'000	Furniture and fittings \$'000	Computer equipment \$'000	Workshop equipment \$'000	Total \$'000
Cost						
Balance at 1 April 2019	666	280	656	346	15	1,963
Additions	90	39	85	160	37	411
Disposals	(32)	-	(86)	(9)	(3)	(130)
Balance at 31 March 2020	<u>724</u>	<u>319</u>	<u>655</u>	<u>497</u>	<u>49</u>	<u>2,244</u>
Accumulated depreciation						
Balance at 1 April 2019	(116)	(113)	(197)	(193)	(2)	(621)
Depreciation	(58)	(54)	(70)	(124)	(7)	(313)
Disposals	2	77	21	8	-	108
Effect of exchange rate	-	-	-	-	-	-
Balance at 31 March 2020	<u>(172)</u>	<u>(90)</u>	<u>(246)</u>	<u>(309)</u>	<u>(9)</u>	<u>(826)</u>
Net book value At 31 March 2020	552	229	409	188	40	1,418

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13. Cash and cash equivalents

Cash and cash equivalents

Cash and cash equivalents in the Interim 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	Credit Rating	Interest	Interest	MAR 2021	MAR 2020
		31 Mar 2021	31 Mar 2020	31 Mar 2021	31 Mar 2020	\$'000	\$'000
Cash at bank	ASB Bank & Mitsui Bank		AA- & A-1	0.11%	0.11%	8,267	1,764
Term deposits	TD Canada Trust		A-1+	0.20%	0.20%	-	11
Total cash and cash equivalents						8,267	1,775

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(p) for the group's other accounting policies on cash and cash equivalents.

14. Inventories

	MAR 2021	MAR 2020
	\$'000	\$'000
Gross stock on hand	12,350	15,680
Inventory provision	(458)	(435)
Merchandise	-	1
Total inventories	11,892	15,246

15. Trade and other receivables

	MAR 2021	MAR 2020
	\$'000	\$'000
Trade receivables	215	85
Less: Impairment allowance	(17)	(67)
Net trade receivables	198	18
Lease deposits and bonds	217	216
Financial assets At Amortised cost	415	234
Prepayments	2,069	295
GST receivable	-	467
Other current assets	75	5
Total trade and other receivables	2,559	1,001

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

16. Share capital

	MAR 2021	MAR 2020
Number of Ordinary Shares		
Opening balance	15,000,000	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	15,000,000
Dollar value of Ordinary Shares		
Opening balance	15,442	15,442
Shares issued capital raise	3,510	-
Cost of capital raise	(243)	-
Shares issued staff incentives	45	-
Shares issued buy back of Non controlling interests	590	-
Shares issued conversion shareholder loans to shares	20,000	-
Share split	-	-
Total issued and authorised capital	39,344	15,442

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.

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17. Notes supporting statement of cash flows

(i) Reconciliation of the net cash flow from operating activities to profit	MAR 2021 \$'000	MAR 2020 \$'000
Net Profit for the year	3,199	4,229
Adjustments for non-cash and other items:		
Depreciation of property, plant and equipment	1,973	2,027
Amortisation of intangible fixed assets	-	-
Loss/(gain) on sale of property, plant and equipment	85	150
Foreign exchange	(235)	(393)
Income tax expense	1,492	1,964
Finance expense	166	250
Impairment of related parties	47	-
	<u>3,528</u>	<u>3,998</u>
Adjustments for movements in working capital:		
(Increase)/decrease in trade and other receivables	(2,181)	(1,341)
Increase/(decrease) in trade and other payables	(566)	(285)
(Increase)/decrease in Inventory	3,355	(4,004)
	<u>608</u>	<u>(5,630)</u>
Cash generated from operations	7,335	2,597
Income taxes paid	(1,638)	(2,652)
Net cash flows from operating activities	<u><u>5,697</u></u>	<u><u>(55)</u></u>

(ii) Changes in liabilities arising from financing activities

18. Trade and other payables

	MAR 2021 \$'000	MAR 2020 \$'000
Trade payables	1,577	1,432
Financial liabilities At Amortised cost	<u>1,577</u>	<u>1,432</u>
Contract liabilities	228	284
GST payable	(153)	-
Deferred wage subsidy received	-	28
Other payables	443	19
Total trade and other payables	<u><u>2,095</u></u>	<u><u>1,763</u></u>

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

19. Employee benefit liabilities

	MAR 2021 \$'000	MAR 2020 \$'000
Liability for annual leave	613	444
Wages payables	258	255
	<u><u>871</u></u>	<u><u>699</u></u>

20. Borrowings

	MAR 2021 \$'000	MAR 2020 \$'000
Trade finance facility	8,420	8,000
The interest rates at 31 March 2021 varied from 1.98% to 2.76% (March 2020 : 2.27% to 2.88%).		

The loan facilities are up for review on expire on 31 December 2021.

All covenants on facilities were met throughout the year.

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21. Loans receivable

	At Amortised Cost	At Fair value through profit and loss	Total
Opening balance (1 Apr 2019)			
Gross carrying value	-	-	-
Less: Impairment allowance	-	-	-
Total Loans receivable	-	-	-
Movements during the period			
Advances of loans to customers	524	1,018	1,542
Repayments of loans by customers	(87)	(141)	(228)
Movement in accrued interest	26	-	26
Fair value gain/(loss)	-	271	271
Closing balance (31 Mar 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	2,374	3,085
Repayments of loans by customers	(431)	(1,059)	(1,490)
Movement in accrued interest	86	-	86
Fair value gain/(loss)	-	535	535
Closing balance (31 Mar 2021)			
Gross carrying value	829	2,998	3,827
Less: Impairment allowance	(24)	-	(24)
Total Loans receivable	805	2,998	3,803
Current portion	406	1,209	1,615
Less: Impairment allowance	(24)	-	(24)
Non-current portion	423	1,789	2,212
Total Loans receivable	805	2,998	3,803

The effective interest rate on Loans receivable at Amortised cost are 15.95% - 17.95% (31 Mar 2020: 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%, using the expected credit loss model. See note 3(h)i for further details.

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% 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 0.11% to Mar-21 (Mar 20: Nil). 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.

	Expected loss rate	Gross finance receivables	Collective impairment provision	Net finance receivables
	%	\$'000	\$'000	\$'000
31 March 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		-	-	-
in default		-	-	-
	2%	3,827	(24)	3,803
31 March 2020				
Current	2%	1,611	(9)	1,602
Past due up to 30 days	2%	-	-	-
Past due 30 - 60 days		-	-	-
Past due 60 - 90 days		-	-	-
in default		-	-	-
	2%	1,611	(9)	1,602

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21. Loans receivable - continued

	2021 \$'000	2020 \$'000
Movement in the impairment provisions:		
Specific impairment provision		
Opening balance	(9)	-
Impairment release through profit or loss	(11)	(9)
Amounts written off	(4)	-
	<u>(24)</u>	<u>(9)</u>

22. Related parties

Identity of related parties

The Company 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 2021 \$'000	MAR 2020 \$'000
Short-term employee benefits	1,076	992
Defined contribution plans	30	29
Total key management personnel remuneration	<u>1,106</u>	<u>1,021</u>

Transactions with related parties

	Transactions for the period		Balance outstanding at balance date	
	MAR 2021 \$'000	MAR 2020 \$'000	MAR 2021 \$'000	MAR 2020 \$'000
E & Co Trust	-	-	-	10,000
Sena Family Trust	-	-	-	10,000
Eugene Williams	10	9	10	9
Yusuke Sena	10	8	10	8
	<u>20</u>	<u>17</u>	<u>20</u>	<u>20,017</u>

The loans of \$20m from E & Co Trust and Sena Family Trust were capitalised on 2 November 2020 (Note 16). 14,012,144 new shares were issued at a value of \$20,000,000

23. Leases

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

(i) Right of use Assets

	MAR 2021 \$'000	MAR 2020 \$'000
Opening Balance	7,651	-
Additions	560	9,365
Less:		
Depreciation	(1,669)	(1,714)
Disposals	(296)	-
Closing Balance	<u>6,246</u>	<u>7,651</u>

(ii) Lease Liabilities

	MAR 2021 \$'000	MAR 2020 \$'000
Opening Balance	7,883	-
Additions	563	9,363
Interest	234	279
Gain on changes to leases	17	-
Less:		
Disposals	(278)	-
Repayments	(1,682)	(1,751)
COVID Relief	(120)	-
Effects of movements in exchange rates	(14)	(8)
Closing Balance	<u>6,603</u>	<u>7,883</u>
Current portion	1,600	1,575
Non-current portion	5,003	6,308
Total lease liabilities	<u>6,603</u>	<u>7,883</u>

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23. Leases - continued

(ii) Balance sheet and cash flow statement	MAR 2021 \$'000	MAR 2020 \$'000
Carrying amount of RoU asset (by asset class)		
• Premises	6,246	7,651
• Equipment	-	-
Total cash outflow related to leases (principal repayments)	(1,682)	(1,751)
Total cash outflow related to leases (interest)	(234)	(279)

(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 \$8,453 cash outflow compared to the current period's cash outflow.

(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 2021, there are 3 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:

- Period: 2 - 10 years
- Annual payments: \$159,613 (based on current lease payment amounts).

(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 and have not been capitalised as a result.

24. 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.

	MAR 2021 \$'000	MAR 2020 \$'000
Numerator		
Profit for the year and earnings (basic and diluted EPS)	3,197	4,229
	MAR 2021 No. shares	MAR 2020 No. shares
Denominator		
Number of shares (basic EPS)	45,554,500	15,000,000
Weighted average number of shares (diluted EPS)	27,731,042	15,000,000
EPS Basic	0.07	0.28
EPS diluted	0.12	0.28

25. 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 \$43,237 as at 31 March 2021 (March 2020: Foreign exchange gain of \$293,550).

26. Dividends

	MAR 2021 \$'000	MAR 2020 \$'000
Final dividend of 7.19 cents (Last year: Nil cents) per Ordinary share proposed and paid during the year relating to the previous year's results	1,078	-
Interim dividend of Nil cents (Last year: 6.57 cents) per Ordinary share paid during the year	-	985
	<u>1,078</u>	<u>985</u>

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27. Imputation Credits	MAR 2021 \$'000	MAR 2020 \$'000
Imputation credits at 1 April	(2,091)	(376)
New Zealand Tax payments, net of refunds	(1,788)	(2,097)
Imputation credits attached to dividends received	(559)	371
Imputation credits attached to dividends paid	977	11
	<u>(3,461)</u>	<u>(2,091)</u>

Imputation Credits at 31 March available

The imputation credits are available to shareholders of the company:

- Through the company
- Through subsidiaries

28. Contingent liabilities

ASB Bank Limited has given a guarantee to the landlord on behalf of the Company to secure premises. The maximum guarantee is for \$541,145 (March 2020: \$537,442). This is secured by the arrangements detailed in note 18.

There are no other known contingent liabilities.

29. Subsequent events

No significant event have occurred subsequent to balance date (2020: None).

