



NZ AUTOMOTIVE INVESTMENTS LIMITED

**Interim financial statements
For the six months period ended
30 September 2022**



NZ AUTOMOTIVE INVESTMENTS LIMITED
Consolidated statement of profit or loss and other comprehensive income
For the 6 month period ended 30 September 2022

	Note	Unaudited SEP 2022 \$'000	Unaudited SEP 2021 \$'000
Revenue			
Revenue and income		40,146	30,846
Sundry income		23	390
Expenses			
Cost of sales		(32,760)	(23,932)
Administration expenses	5	(1,821)	(1,355)
Advertising expenses		(820)	(513)
Depreciation expenses		(1,021)	(931)
Employee benefits	5	(2,180)	(1,873)
Finance expenses		(477)	(247)
Property expenses		(326)	(415)
Profit before income tax	3	764	1,970
Income tax expense		(205)	(570)
Profit for the period		559	1,400
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Translation of foreign operations		36	(6)
Total other comprehensive income		36	(6)
Total comprehensive income for the period		595	1,394
Earnings per share			
Basic earnings per share		0.01	0.03
Diluted earnings per share		0.01	0.03

The accompanying notes form part of these interim consolidated financial statements

NZ AUTOMOTIVE INVESTMENTS LIMITED
Consolidated statement of changes in equity
For the 6 month period ended 30 September 2022


	Share Capital	Retained Earnings	Foreign Currency Translation Reserve	Amalgamation Reserve	Total attributable to equity holders of Parent	Non- Controlling Interests	Total Equity/ (Accumulated Losses)
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as 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 as at 31 March 2022	39,365	11,789	(85)	(35,956)	15,113	-	15,113
Balance as at 1 April 2022	39,365	11,789	(85)	(35,956)	15,113	-	15,113
Profit for the period	-	559	-	-	559	-	559
Translation of foreign operations	-	-	36	-	36	-	36
Total comprehensive income for the period	-	559	36	-	595	-	595
Share options recognised at fair value net of options lapsed	(21)	-	-	-	(21)	-	(21)
Dividends paid	-	(287)	-	-	(287)	-	(287)
Total transactions with owners of the Group	(21)	(287)	-	-	(308)	-	(308)
Balance as at 30 September 2022	39,344	12,060	(49)	(35,956)	15,399	-	15,399

The accompanying notes form part of these interim consolidated financial statements

NZ AUTOMOTIVE INVESTMENTS LIMITED
Interim consolidated statement of financial position
As at 30 September 2022

	Note	Unaudited SEP 2022 \$'000	Audited MAR 2022 \$'000
Equity			
Share capital		39,344	39,365
Amalgamation reserve		(35,956)	(35,956)
Foreign currency translation reserve		(49)	(85)
Retained earnings		12,060	11,789
Total equity		15,399	15,113
Current liabilities			
Trade and other payables		2,297	1,890
Employee benefit liabilities		679	933
Borrowings		10,600	11,800
Derivative financial assets		34	414
Deferred income		105	126
Related party payable		10	10
Lease liability		1,811	1,484
Other current liabilities		-	326
Total current liabilities		15,536	16,983
Non-current liabilities			
Lease liability		5,428	5,833
Total non-current liabilities		5,428	5,833
Total equity and liabilities		36,363	37,929
Current assets			
Cash and cash equivalents		6,154	3,790
Trade and other receivables		3,077	4,865
Income tax receivable		217	288
Loans receivable	4	3,103	2,954
Inventories		12,671	13,334
Total current assets		25,222	25,230
Non-current assets			
Plant, property and equipment		1,354	1,335
Intangible assets		5	5
Loans receivable	4	2,513	3,870
Deferred tax asset		456	433
Right-of-use assets		6,813	7,056
Total non-current assets		11,141	12,699
Total assets		36,363	37,929

Approved on behalf of the Board on 28th November 2022

Director 

Date 28/11/2022

Director 

Date 28/11/2022

The accompanying notes form part of these interim consolidated financial statements

NZ AUTOMOTIVE INVESTMENTS LIMITED
Interim consolidated statement of cash flows
For the six months ended 30 September 2022

	Unaudited SEP 2022 \$'000	Unaudited SEP 2021 \$'000
Cash flows from operating activities		
Cash receipts from customers	40,331	30,087
Government grants received	17	316
Cash paid to suppliers and employees	(35,994)	(27,684)
Loan receivables advanced	(1,362)	(2,471)
Proceeds from loan receivables	2,451	1,841
Interest received	52	8
Interest paid	(246)	(138)
Non-recurring costs	(461)	(45)
Tax paid	(157)	(736)
Net cash inflow from operating activities	4,631	1,178
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	87	-
Purchase of property, plant and equipment	(204)	(308)
Net cash outflow from investing activities	(117)	(308)
Cash flows from financing activities		
Dividend paid	(287)	(2,296)
Repayments from related parties	-	-
Interest paid	(194)	(81)
Principal elements of lease payments	(406)	(800)
Trade finance advance	(1,200)	1,030
Net cash outflow from financing activities	(2,087)	(2,147)
Net increase/(decrease) in cash and cash equivalents	2,427	(1,277)
Cash and cash equivalents at beginning of period	3,790	8,267
Effect of exchange rate	(63)	(6)
Cash and cash equivalents at end of period	6,154	6,984

The accompanying notes form part of these interim consolidated financial statements

Notes to the financial statements

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

These interim consolidated financial statements as at 30 September 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 unaudited interim 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 have been prepared in accordance with IAS 34 'Interim financial reporting'. They do not include all of the required information in annual financial statements in accordance with IFRS and should be read in conjunction with the consolidated financial statements for the year ended 31 March 2022.

(b) Basis of measurement

The interim 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
- Loans receivable (Note 4)

(c) Functional and presentation currency

These interim 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) COVID-19

General description of the current environment during the interim period

Globally, the ongoing impacts of COVID-19 and the uncertain geo-political environment in Eastern Europe continue to disrupt markets and supply chains. At the same time, New Zealand is experiencing growing inflationary pressure, rising costs, and increased interest

During the interim period, New Zealand moved from Red to Orange Covid-19 "traffic light" settings in mid-April 2022. The traffic light system was disestablished in mid-September 2022.

Specific description of the Company's current trading during the interim period

The first quarter of the interim period was impacted by the COVID-19 Omicron wave which resulted in fewer active retail customers. In the second quarter of the interim period demand for used motor vehicles in New Zealand improved. Overall, the used car market in New Zealand was down an estimated 7.5% to 30 September 2022.

(e) Going Concern

Specific description of the Company's current loan position

The Company's Retail Trade Finance Facility (\$8.0m) matures on 31 December 2022. As announced on 9 August 2022, the lender is unable to give any assurances it will extend the facility beyond this date.

Since the announcement, management has been discussing replacement facilities with alternate lenders.

As at the date of signing the financial statements, the position of the lender remains unchanged, and the Company has yet to secure a replacement facility.

The Directors have assessed the situation regarding the current status of the Retail Trade Finance Facility and have concluded that, for the 12 months from the date of signing the financial statements the Group will remain in a position to continue operating as a going concern.

The main drivers of this conclusion are based on the fact that in the event that a replacement facility cannot be secured, and full repayment of the Retail Trade Finance Facility is required, the Group:

As at 30 September 2022

- Has sufficient cash reserves \$6.2m and Inventory that could be liquidated (carrying amount \$12.7m) to immediately settle the trade finance facility.
- Has positive working capital of \$9.7m, and a working capital ratio of 1.63x.
- Has YTD operating cash inflows of \$4.6m.
- The Company is in compliance with all of its bank covenants.

As at the date of signing the financial statements (28 November 2022)

- Has sufficient cash reserves \$3.7m and Inventory that could be liquidated (estimated \$10.3m) to immediately settle the trade finance facility (expected to be \$5.0m).
- Has estimated positive working capital of \$9.6m, and a working capital ratio of 1.76x.
- Has estimated YTD operating cash inflows of \$6.1m.
- The Company is expected to be in compliance with all bank covenants.

Although economic conditions are likely to remain challenging, demand for used cars in the market segment that 2 Cheap Cars operates in are expected to remain solid. This is due to the fact that customers who buy a vehicle from 2 Cheap cars, generally do so out of necessity. The Government's clean car discount scheme, together with the fact that customers are looking to switch to vehicles with cheaper fuel costs are also expected to retain demand for the type of vehicles that 2 Cheap Cars sells.

(f) 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.

(g) Changes in accounting policies

There were no accounting policy changes during the period.

3. 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 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 30 September 2022	2 Cheap Cars Limited \$'000	NZ Motor Finance Limited \$'000	Others \$'000	Elimination - Inter-entity transactions \$'000	Total \$'000
Revenue including interest	39,714	594	1,057	(1,219)	40,146
Sundry Income	20	-	3	-	23
Cost of sale	(33,213)	-	(601)	1,053	(32,760)
Interest expense - finance	-	(115)	-	-	(115)
Operating expense	(4,032)	(349)	(1,788)	1	(6,168)
Operating profit	2,489	130	(1,329)	(165)	1,126
Dividend received	-	-	287	(287)	-
Interest expense - trading	(307)	(241)	-	186	(362)
Net profit before tax	2,182	(111)	(1,042)	(266)	764

As at 30 September 2021	2 Cheap Cars Limited \$'000	NZ Motor Finance Limited \$'000	Others \$'000	Elimination - Inter-entity transactions \$'000	Total \$'000
Revenue including interest	30,467	582	1,083	(1,286)	30,846
Sundry Income	350	16	24	-	390
Cost of sale	(24,415)	-	(600)	1,083	(23,932)
Interest expense - finance	-	(37)	-	-	(37)
Operating expense	(3,459)	(306)	(1,413)	92	(5,087)
Operating profit	2,943	255	(906)	(111)	2,180
Dividend received	-	-	2,296	(2,296)	-
Interest expense - trading	(182)	(236)	-	208	(210)
Net profit before tax	2,761	19	1,390	(2,199)	1,970

4. Loans Receivable

Determination of fair values

Loans and receivables – At amortised cost book value Book value
 Loans and receivables – At fair value through profit and loss Discounted cash flow

	<i>Amortised cost</i>	<i>Fair value through profit and loss</i>	Total
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)	-	8	8
Total movements	2,577	444	3,021
Gross carrying value	3,455	3,442	6,897
Less: Impairment allowance	(73)	-	(73)
Total loans receivable	3,382	3,442	6,824
Closing balance (31 Mar 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

	<i>Amortised Cost</i>	<i>Fair value through profit and loss</i>	Total
Opening balance (1 Apr 2022)			
Gross carrying value	3,455	3,442	6,897
Less: Impairment allowance	(73)	-	(73)
Total loans receivable	3,382	3,442	6,824
Movements during the period			
Advances of loans to customers	567	534	1,101
Repayments of loans by customers	(1,228)	(1,223)	(2,451)
Movement in accrued interest	261	-	261
Movement in impairment allowance	(10)	-	(10)
Fair value gain/(loss)	-	(109)	(109)
Total movements	(410)	(798)	(1,208)
Gross carrying value	3,055	2,644	5,699
Less: Impairment allowance	(83)	-	(83)
Total loans receivable	2,972	2,644	5,616
Closing balance (30 Sep 2022)			
Current portion	1,739	1,447	3,186
Non-current portion	1,316	1,197	2,513
Less: Impairment allowance	(83)	-	(83)
Total loans receivable	2,972	2,644	5,616

The effective interest rate on Loans receivable at Amortised cost are 9.95% - 17.95%

Loans receivable measured at amortised cost (financial assets which represent solely payments of principal and interest) have been impaired at 2.7%, 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 2.6% which is factored into the valuation inputs.

The Company acted to temporarily pause further lending in July 2022. The Board of Directors plan to review the strategic direction in NZMF lending in due course.

5. Operating expenses

During the period, the Group had a significant change in the Board of Directors and Management which resulted in restructuring costs (including terminal benefits) and other non recurring costs of \$654,086 being incurred during the period.

6. 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 \$1,480,178 (September 2021: \$658,055)

7. Subsequent events

2 Cheap Cars has renewed its North Shore lease in Wairau Valley effective 1 October 2022.

No other significant event have occurred subsequent to the balance date.

NZ AUTOMOTIVE INVESTMENTS LIMITED

Company directory

Nature of business

Used car retail and motor vehicle finance

Registered office

102 Mays Road
Onehunga
Auckland 1061

Head office

102 Mays Road
Onehunga
Auckland 1061

Directors

Michael Stiassny
Gordon Shaw
Yusuke (David) Sena
Samantha Sharif

Bankers

ASB Bank

Solicitors

Lowndes Jordan

Independent auditors

TBA

Share register

Computershare