



NZ AUTOMOTIVE INVESTMENTS LIMITED

**INTERIM FINANCIAL STATEMENTS
FOR THE 6 MONTH PERIOD ENDED SEPTEMBER 2021**



NZ AUTOMOTIVE INVESTMENTS LIMITED**Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the 6 Month Period Ended September 2021**

	Note	Unaudited SEP 2021 \$'000	Unaudited SEP 2020 \$'000
Revenue			
Revenue and Income		30,846	29,855
Sundry Income		390	811
Expenses			
Cost of sales		(23,932)	(23,588)
Administration expenses		(1,355)	(1,098)
Advertising expenses		(513)	(485)
Depreciation expenses		(931)	(1,011)
Employee benefits		(1,873)	(1,169)
Finance expenses		(247)	(196)
Property expenses		(415)	(355)
Profit before Income Tax	3	1,970	2,764
Income Tax Expense		(570)	(897)
Profit for the period		1,400	1,867
Other Comprehensive Income			
Items that may be reclassified subsequently to profit or loss			
Translation of foreign operations		(6)	(28)
Total Other Comprehensive Income		(6)	(28)
Total Comprehensive income for the Period		1,394	1,839
Earnings per share			
Basic earnings per share	6	0.03	0.12
Diluted earnings per share	6	0.03	0.12

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 September 2021

	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 2020	15,442	10,061	91	(35,442)	(9,848)	67	(9,781)
Profit for the Period	-	3,199	-	-	3,199	-	3,199
Translation of Foreign Operations	-	-	(86)	-	(86)	-	(86)
Total Comprehensive Income for the Period	-	3,199	(86)	-	3,113	-	3,113
Transactions with owners of the Group in their capacity as owners							
Movement in NCI	-	24	-	-	24	(67)	(43)
Movement in Share Capital	23,902	-	-	-	23,902	-	23,902
Movement in Amalgamation	-	-	-	(514)	(514)	-	(514)
Dividends paid	-	(1,064)	-	-	(1,064)	-	(1,064)
Total transactions with owners of the Group	23,902	(1,040)	-	(514)	22,348	(67)	22,281
Balance as at 31 March 2021	39,344	12,220	5	(35,956)	15,613	-	15,613
Balance as at 1 April 2021	39,344	12,220	5	(35,956)	15,613	-	15,613
Profit for the Period	-	1,400	-	-	1,400	-	1,400
Translation of Foreign Operations	-	-	(6)	-	(6)	-	(6)
Total Comprehensive Income for the Period	-	1,400	(6)	-	1,394	-	1,394
Transactions with owners of the Group in their capacity as owners							
Dividends paid	-	(2,296)	-	-	(2,296)	-	(2,296)
Total transactions with owners of the Group	-	(2,296)	-	-	(2,296)	-	(2,296)
Balance as at 30 September 2021	39,344	11,324	(1)	(35,956)	14,711	-	14,711

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 2021

	Note	Unaudited SEP 2021 \$'000	Audited MAR 2021 \$'000
Equity			
Share Capital		39,344	39,344
Amalgamation Reserve		(35,956)	(35,956)
Foreign Currency Translation Reserve		(1)	5
Retained Earnings		11,324	12,220
Total Equity		14,711	15,613
Current Liabilities			
Trade and Other Payables		2,414	2,095
Employee Benefit liabilities		727	871
Borrowings		9,450	8,420
Income tax Payable		589	724
Derivative financial liabilities		-	43
Related Party Payable		10	20
Lease liability		1,453	1,600
Other Current Liabilities		58	35
Total Current Liabilities		14,701	13,808
Non-Current Liabilities			
Lease Liability		4,596	5,003
Total Non-Current Liabilities		4,596	5,003
Total equity and liabilities		34,008	34,424
Current assets			
Cash and cash equivalents		6,984	8,267
Trade and other receivables		941	2,559
Derivative financial assets		20	-
Loans receivable	4	2,242	1,591
Inventories		13,631	11,892
Total current assets		23,818	24,309
Non-current assets			
Plant, property and equipment	5	1,346	1,176
Intangible assets		5	4
Loans receivable	4	2,634	2,212
Deferred tax asset		508	477
Right-of-use assets		5,697	6,246
Total non-current assets		10,190	10,115
Total assets		34,008	34,424

Approved on behalf of the Board on 26th November 2021

Director  Date 26/11/2021

Director  Date 26/11/2021

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 2021

	Unaudited SEP 2021 \$'000	Unaudited SEP 2020 \$'000
Cash flows from operating activities		
Cash receipts from customers	30,087	29,979
Government Grants Received	316	588
Cash paid to suppliers and employees	(27,684)	(21,318)
Loan receivables advanced	(2,471)	(1,011)
Proceeds from loan receivables	1,841	580
Interest received	8	143
Interest paid	(138)	(120)
Extraordinary items	(45)	-
Tax paid	(736)	(264)
Net cash inflow from operating activities	1,178	8,577
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	-	44
Purchase of property, plant and equipment	(308)	(108)
Net cash outflow from investing activities	(308)	(64)
Cash flows from financing activities		
Dividend paid	(2,296)	(1,077)
Repayments from related parties	-	3
Interest paid	(81)	(77)
Principal elements of lease payments	(800)	(717)
Trade finance advance	1,030	(129)
Net cash outflow from financing activities	(2,147)	(1,997)
Net increase/(decrease) in cash and cash equivalents	(1,277)	6,516
Cash and cash equivalents at beginning of period	8,267	1,775
Effect of exchange rate	(6)	13
Cash and cash equivalents at end of period	6,984	8,304

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 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).

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 2021.

(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 3)

(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) Going Concern and COVID-19

The COVID-19 pandemic has continued to disrupt economic activity in New Zealand due to Government introduced restrictions, put in place to reduce the spread of the virus. As a result, there remains a level of uncertainty of the on-going impact of COVID-19.

Demand for used cars in New Zealand was strong in the lead up to 17th August 2021. The business was performing solidly to this point and ahead of the same Covid-affected period last year. On 17 August 2021 due to the Covid-19 alert system in New Zealand having moved to level 4, all twelve 2 Cheap Cars dealerships and the company's car processing hub in Auckland closed for a period of time. The business was able to trade, but only on a limited basis through online channels during any move to alert level 3 and then on a more complete basis when regions out of Auckland moved to level 2.

During the six month period, 2 Cheap Cars could not fully trade for 45 days in Auckland and 22 days in the rest of New Zealand. The New Zealand Government made available a wage subsidy and COVID resurgence support payments to affected eligible businesses. The Group was eligible for these subsidies for a number of weeks during August and September 2021, which was duly claimed to offset expenses during the period where the group was unable to trade to its normal capacity.

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

The Directors have assessed the likely impact of COVID-19 on the Group and have concluded that, for the 12 months from the date of signing the financial statements, COVID-19 is not expected to impact the Group's ability to continue operating as a going concern. The main drivers of this conclusion are due to the business' past performance of navigating COVID disruptions and due to the fact, the Government is implementing the new COVID response plan, with high population vaccination rates and the introduction of the traffic light system is expected to see retail business less affected by restrictive lockdowns moving forward. Trading in October has also increased with Auckland at alert level 3 and the regions at level 2 and the company is maintaining a conservative cash balance to assist in the event of further restrictive lockdowns.

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

(e) Critical accounting estimates and judgements

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

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

(f) 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 chief operating decision maker has been identified as the Board of Directors. The Board of Directors makes decisions about how resources are allocated to the segments and assesses their performance. Geographically the Group's business activities are located in New Zealand.

Reportable segments have been identified as follows:

Operating Segments

As at 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)	(307)	(1,413)	92	(5,087)
Operating profit	2,943	254	(906)	(111)	2,180
Dividend received	-	-	2,296	(2,296)	-
Interest expense - trading	(182)	(236)	-	208	(210)
Net profit before tax	2,761	18	1,390	(2,199)	1,970

As at 30 September 2020	2 Cheap Cars Limited \$'000	NZ Motor Finance Limited \$'000	Others \$'000	Elimination - Inter-entity transactions \$'000	Total \$'000
Revenue including interest	29,472	410	659	(653)	29,888
Sundry Income	711	-	67	-	778
Cost of sale	(23,974)	-	(159)	545	(23,588)
Interest expense - finance	-	-	-	-	-
Operating expense	(3,156)	(198)	(659)	(105)	(4,118)
Operating profit	3,053	212	(92)	(213)	2,960
Dividend received	-	-	1,435	(1,435)	-
Interest expense - trading	(192)	(179)	(4)	179	(196)
Net profit before tax	2,861	33	1,339	(1,469)	2,764

4. Loans Receivable

Determination of fair values

Loans and receivables – At Amortised cost	Book value
Loans and receivables – At Fair Value through	Discounted cash flow

	<i>Amortised Cost</i>	<i>Fair value through profit and loss</i>	<i>Total</i>
Opening balance (1 Apr 2020)			
Gross carrying value	463	1,148	1,611
Less: Impairment allowance	(9)	-	(9)
Total Loans receivable	454	1,148	1,602
Movements during the period			
Advances of loans to customers	711	2,374	3,085
Repayments of loans by customers	(431)	(1,059)	(1,490)
Movement in accrued interest	86	-	86
Movement in Impairment Allowance	(15)	-	(15)
Fair value gain/(loss)	-	535	535
Total Movements	351	1,850	2,201
Closing balance (31 Mar 2021)			
Current portion	406	1,209	1,615
Non-current portion	423	1,789	2,212
Less: Impairment allowance	(24)	-	(24)
Total Loans receivable	805	2,998	3,803
	<i>Amortised Cost</i>	<i>Fair value through profit and loss</i>	<i>Total</i>
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	1,003	988	1,991
Repayments of loans by customers	(425)	(1,030)	(1,455)
Movement in accrued interest	93	-	93
Movement in Impairment Allowance	(11)	-	(11)
Fair value gain/(loss)	-	455	455
Total Movements	660	413	1,084
Gross carrying value	1,500	3,411	4,911
Less: Impairment allowance	(35)	-	(35)
Total Loans receivable	1,465	3,411	4,876
Closing balance (30 Sep 2021)			
Current portion	723	1,554	2,277
Non-current portion	777	1,857	2,634
Less: Impairment allowance	(35)	-	(35)
Total Loans receivable	1,465	3,411	4,876

The effective interest rate on Loans receivable at Amortised cost are 10.9% - 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.

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 nil at 30 September 2021 (12 months to March 2021: 0.11%). Consideration was made with reference to additional default risks that could be caused from the effects that COVID-19 could have on borrowers ability to repay debt and was taken into account when determining the impairment rate.

5. Property, plant and equipment

During the period, 2 Cheap Cars purchased a Vehicle Transporter for \$239,600, making up the majority of the additions to Property Plant and Equipment during the period.

There were no other significant changes to PPE.

6. Earnings Per Share

The number of Shares on Issue at 30 September 2021 is 45,554,500 (30 September 2020: 15,000,000)

The new shares were issued in February 2021.

	SEP 2021	SEP 2020
Basic earnings per share:	0.03	0.12
Diluted earnings per share:	0.03	0.12

The normalised EPS for the prior period is 4.1 cps when adjusted for equity movements between the periods. Please note this is a Non-IFRS measure and is included as a relevant comparison.

7. 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 \$658,055 (March 2021: \$541,145)

8. Subsequent events

2 Cheap Cars plans to relocate to a new vehicle processing Hub in Auckland. There is a non recurring pre-tax gain expected of approximately \$0.8m in FY22 as a result of the rearrangement of the Company's leases. The Financial Impact has not materialised at 30 September 2021.

The Group has implemented a long-term incentive plan for its Chief Executive Officer, David Page. Under the terms of the Plan David has been issued with 419,230 options on the 1st of October 2021.

No other significant event have occurred subsequent to Balance date.

Independent Review Report

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To the shareholders of NZ Automotive Investments Limited

Report on the Consolidated Interim Financial Statements

We reviewed the accompanying consolidated interim financial statements of NZ Automotive Investments Limited on pages 2 to 9 which comprise the consolidated interim statement of financial position as at 30 September 2021, and the consolidated interim statement of comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the period then ended, and notes to the consolidated interim financial statements, including a summary of significant accounting policies.

Director's Responsibility for the Consolidated Interim Financial Statements

The Directors are responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards issued in New Zealand by the New Zealand Accounting Standards Board, and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express a conclusion on the consolidated interim financial statements. We conducted our review in accordance NZ SRE 2410, *Review of Historical Financial Statements Performed by the Independent Auditor of the Entity*. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the consolidated interim financial statements, taken as a whole, are not prepared in all material respects in accordance with New Zealand equivalents to International Financial Reporting Standards issued in New Zealand by the New Zealand Accounting Standards Board. As the auditor of NZ Automotive Investments NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the consolidated interim financial statements.

A review of consolidated interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries of management and others within the entity, as appropriate and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly, we do not express an audit opinion on these consolidated interim financial statements.

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these consolidated interim financial statements on pages 2 to 9 do not present fairly, in all material respects, the consolidated interim financial position of NZ Automotive Investments Limited as at 30 September 2021, and its consolidated interim financial performance and consolidated interim cash flows for the period then ended, in accordance with *New Zealand equivalents to International Financial Reporting Standards* issued in New Zealand by the New Zealand Accounting Standards Board.

Restriction on use of our report

This report on the consolidated interim financial statements is made solely to the shareholders. Our limited assurance work has been undertaken so that we might state to the shareholders those matters which we are required to state to them in an independent review 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 NZ Automotive Investments and the shareholders for our work, for this report or for the opinion we have formed.

Grant Thornton New Zealand Audit Limited**VJ Black****Partner****Auckland****26 November 2021**

NZ AUTOMOTIVE INVESTMENTS LIMITED

Company Directory

Nature of Business

Used car retail and motor vehicle finance

Registered Office

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

Head Office

17 Levene Place
Mt Wellington
Auckland 1060

Directors

Karl Smith
Eugene Williams
Yusuke Sena
Michele Margaret Kernahan
Charles Bolt
Tracy Rowsell

Bankers

ASB Bank

Solicitors

Lowndes Jordan

Advisors

BDO Auckland

Independent Auditors

Grant Thornton New Zealand Limited
Auckland

Share Register

Computershare

