



Supplementary Financial Information

**NZ Automotive
Investments Limited**

Dated 25 February 2021



A. ABOUT THIS DOCUMENT

The information contained in this document should be read in conjunction with the Listing Profile dated 25 February 2021 (“**Profile**”) prepared by NZ Automotive investments Limited (“**NZAI**”). The purpose of this document is to provide additional detail on NZAI’s historical financial information. Capitalised terms in this document have the same meaning as the terms defined in the Profile. The financial information in this document is presented in New Zealand dollars and is rounded, which may result in some discrepancies between the sum of the components and total within tables or charts, and certain percentage calculations.

This document contains the following information:

- A reconciliation between the NZ GAAP financial information presented in the Table of Selected Financial Information in Section 4 (The NZAI Group’s financial information) of the Profile and the separate audited financial statements, the separate unaudited special purpose financial statements, and the separate unaudited management accounts that are available on the NZAI website and on the Documents section of the NZX.
- A reconciliation between NZ GAAP financial information and non-NZ GAAP financial information presented in the Table of Selected Financial Information in Section 4 (The NZAI Group’s financial information) of the Profile.

B. NZ GAAP FINANCIAL INFORMATION

Introduction

NZAI has not historically prepared consolidated financial statements but rather prepared separate special purpose financial statements for NZAI (formally 2CC Holdings), 2CC International, 2CC Rentals and NZMF, and management accounts for Car Plus and 2CC Canada. The special purpose financial statements and management accounts are not audited and have not been prepared in accordance with NZ GAAP but rather prepared in accordance with the accounting policies of those entities which were recognised as appropriate given the companies being either non-trading/holding companies or having immaterial operations to the Group. 2CC, the largest subsidiary of the Group and the main trading entity, has historically prepared audited financial statements compliant with NZ GAAP.

For the purposes of compiling the NZ GAAP information presented in the Table of Selected Financial Information in Section 4 of the Profile, NZAI has adjusted the separate unaudited special purpose financial statements and unaudited management accounts to incorporate the only material exception from NZ GAAP requirements being accounting for leases (NZ IFRS 16) and the deferred tax obligations in relation to the lease adjustments.

NZAI considers that the calculations and principles used to prepare NZAI’s consolidated statutory financial information presented in the Table of Selected Financial Information in Section 4 of the Profile are consistent with NZ GAAP and any variation would be immaterial.

Basis of Preparation

This section contains a reconciliation between the NZ GAAP financial information presented in the Table of Selected Financial Information in Section 4 of the Profile and the separate audited financial statements, the separate unaudited special purpose financial statements, and the separate unaudited management accounts that are available on the NZAI website and on the Documents section of the NZX. The reconciliations contained within this section are as follows:

(1) Reconciliation of NZ GAAP information - FY18

- NZAI (previously named 2CC Holdings Limited) unaudited special purpose financial statements for the financial year ended 31 March 2018.
- 2CC audited financial statements for the financial year ended 31 March 2018.
- 2CC International unaudited special purpose financial statements for the financial year ended 31 March 2018.
- Car Plus unaudited management accounts for the financial year ended 31 March 2018.

(2) Reconciliation of NZ GAAP information - FY19

- NZAI (previously named 2CC Holdings Limited) unaudited special purpose financial statements for the financial year ended 31 March 2019.
- 2CC audited financial statements for the financial year ended 31 March 2019.
- NZMF unaudited special purpose financial statements for the financial year ended 31 March 2019.
- 2CC International unaudited special purpose financial statements for the financial year ended 31 March 2019.
- Car Plus unaudited management accounts for the financial year ended 31 March 2019.
- 2CC Rentals unaudited special purpose financial statements for the financial year ended 31 March 2019.
- 2CC Canada unaudited management accounts for the financial year ended 31 March 2019.

(3) Reconciliation of NZ GAAP information - FY20

- NZAI (previously named 2CC Holdings Limited) unaudited special purpose financial statements for the financial year ended 31 March 2020.
- 2CC audited financial statements for the financial year ended 31 March 2020.
- NZMF unaudited special purpose financial statements for the financial year ended 31 March 2020.
- 2CC International unaudited special purpose financial statements for the financial year 31 March 2020.
- Car Plus unaudited management accounts for the financial year ended 31 March 2020.
- 2CC Rentals unaudited special purpose financial statements for the financial year ended 31 March 2020.
- 2CC Canada unaudited management accounts for the financial year ended 31 March 2020.

(1) Reconciliation of NZ GAAP information – FY18

	Non-NZ GAAP	NZ GAAP	Non-NZ GAAP	Non-NZ GAAP		NZ GAAP
NZ\$000	2CC Holdings Ltd Unaudited Special Purpose Financial Statements	2 Cheap Cars Ltd Audited Financial Statements	2CC International Ltd Unaudited Special Purpose Financial Statements	Car Plus K.K. Unaudited Management Accounts	Intercompany Eliminations	NZAI Consolidated
Revenue	2,064	73,652	-	480	(2,544)	73,652
Expenses	-	(67,180)	-	(448)	481	(67,147)
EBITDA	2,064	6,472	-	32	(2,063)	6,506
Depreciation	-	(198)	-	(11)	-	(210)
Amortisation	-	-	-	(3)	-	(3)
Net Finance Costs	-	(103)	0	0	-	(103)
Profit Before Income Tax	2,064	6,171	0	18	(2,063)	6,191
Income Tax	-	(1,791)	(0)	(7)	-	(1,798)
Net Profit After Tax	2,064	4,380	0	11	(2,063)	4,392
Dividends on All Shares	2,064	2,085	-	-	(2,085)	2,064
Total Assets	35,457	15,369	0	174	(35,567)	15,434
Cash and Cash Equivalents	15	5,518	0	105	(15)	5,623
Total Liabilities	20,015	7,588	0	26	0	27,629
Total Debt	-	4,066	-	-	-	4,066
Net Cash Flows from Operating Activities	2,079	2,618	0	(9)	(2,035)	2,653

(1) Reconciliation of NZ GAAP information – FY18 Cont

1. Intercompany eliminations include the following:

- a. Elimination of intercompany receivables, payables, and funding balances. This is calculated as the balance owing at each reporting date.
- b. Elimination of share capital and investment by Holding companies in subsidiary company. These are eliminated at cost.
- c. Elimination of dividends paid within the group from 2CC to 2CC Holdings Ltd.
- d. Intercompany charges. The majority of these are the on charge of costs from Car Plus to 2CC. Car Plus charges 2CC each month for costs incurred. These charges were eliminated based on the NZD amount at each reporting period. This gives rise to a foreign exchange adjustment.
- e. Recording amalgamation reserve from the restructure of the Group and the introduction of 2CC Holdings Ltd as a holding company.

2. No NZ IFRS adjustments were made.

(2) Reconciliation of NZ GAAP information – FY19

	Non-NZ GAAP	NZ GAAP	Non-NZ GAAP	Non-NZ GAAP	Non-NZ GAAP	Non-NZ GAAP	Non-NZ GAAP		NZ GAAP
NZ\$000	2CC Holdings Ltd Unaudited Special Purpose Financial Statements	2 Cheap Cars Ltd Audited Financial Statements	2CC International Ltd Unaudited Special Purpose Financial Statements	NZ Motor Finance Ltd Unaudited Special Purpose Financial Statements	Car Plus K.K. Unaudited Management Accounts	2 Cheap Rental Cars Ltd Unaudited Special Purpose Financial Statements	2CC (Canada) Inc Unaudited Management Accounts	Intercompany Eliminations	NZAI Consolidated
Revenue	4,256	78,433	-	-	698	-	-	(4,953)	78,433
Expenses	-	(72,998)	-	(11)	(647)	(11)	(200)	702	(73,165)
EBITDA	4,256	5,435	-	(11)	51	(11)	(200)	(4,252)	5,268
Depreciation	-	(278)	-	-	(9)	-	(5)	-	(292)
Amortisation	-	-	-	-	(3)	-	-	-	(3)
Net Finance Costs	-	(148)	0	-	0	-	(10)	-	(159)
Profit Before Income Tax	4,256	5,009	0	(11)	39	(11)	(215)	(4,252)	4,815
Income Tax	-	(1,415)	(0)	-	(13)	-	-	-	(1,428)
Net Profit After Tax	4,256	3,594	0	(11)	26	(11)	(215)	(4,252)	3,386
Dividends on All Shares	4,256	4,299	-	-	-	-	-	(4,299)	4,256
Total Assets	35,516	19,028	125	1	213	1	141	(36,137)	18,889
Cash and Cash Equivalents	-	4,871	0	-	121	-	31	-	5,024
Total Liabilities	20,074	11,952	125	12	36	13	357	(570)	31,998
Total Debt	-	8,000	-	-	-	-	-	-	8,000
Net Cash Flows from Operating Activities	4,315	740	0	(6)	18	(3)	(300)	(4,296)	467

(2) Reconciliation of NZ GAAP information – FY19 *Cont*

1. Intercompany eliminations include the following:

- a. Elimination of intercompany receivables, payables, and funding balances. This is calculated as the balance owing at each reporting date.
- b. Elimination of share capital and investment by Holding companies in subsidiary company. These are eliminated at cost.
- c. Elimination of dividends paid within the group from 2CC to 2CC Holdings Ltd.
- d. Intercompany charges. The majority of these are the on charge of costs from Car Plus to 2CC. Car Plus charges 2CC each month for costs incurred. These charges were eliminated based on the NZD amount at each reporting period. This gives rise to a foreign exchange adjustment.
- e. Elimination of charges between NZMF and 2CC. This includes interest charged on funds advanced, and commissions paid from NZMF to 2CC.
- f. Recording amalgamation reserve from the restructure of the group and the introduction of 2CC Holdings Ltd as a holding company.

2. No NZ IFRS adjustments were made.

(3) Reconciliation of NZ GAAP information – FY20

	Non-NZ GAAP	NZ GAAP	Non-NZ GAAP	Non-NZ GAAP	Non-NZ GAAP	Non-NZ GAAP	Non-NZ GAAP			NZ GAAP
NZ\$000	2CC Holdings Ltd Unaudited Special Purpose Financial Statements	2 Cheap Cars Ltd Audited Financial Statements	NZ Motor Finance Ltd Unaudited Special Purpose Financial Statements	2CC International Ltd Unaudited Special Purpose Financial Statements	Car Plus K.K. Unaudited Management Accounts	2 Cheap Rental Cars Ltd Unaudited Special Purpose Financial Statements	2CC (Canada) Inc Unaudited Management Accounts	Intercompany Eliminations	NZ IFRS Adjustments	NZAI Consolidated
Revenue	2,727	75,715	6	-	1,017	529	969	(4,950)	-	76,012
Expenses	-	(67,368)	(417)	-	(932)	(530)	(645)	2,182	90	(67,620)
EBITDA	2,727	8,346	(411)	-	85	(1)	323	(2,768)	90	8,393
Depreciation	-	(1,884)	(28)	-	(20)	(8)	(3)	-	(85)	(2,028)
Amortisation	-	-	-	-	(3)	-	-	-	-	(3)
Net Finance Costs	5	(466)	299	0	1	0	0	-	(7)	(168)
Profit Before Income Tax	2,732	5,997	(141)	0	63	(9)	321	(2,768)	(2)	6,193
Income Tax	-	(1,951)	-	(0)	(26)	-	-	-	13	(1,964)
Net Profit After Tax	2,732	4,046	(141)	0	36	(9)	321	(2,768)	11	4,229
Dividends on All Shares	957	2,755	-	-	-	-	-	(2,755)	-	957
Total Assets	37,217	27,253	1,678	125	294	182	380	(37,996)	280	29,413
Cash and Cash Equivalents	-	1,496	31	0	136	37	75	-	-	1,776
Total Liabilities	20,000	18,886	1,830	125	60	202	270	(2,449)	270	39,194
Total Debt	-	8,000	-	-	-	-	-	-	-	8,000
Net Cash Flows from Operating Activities	2,658	2,338	(1,666)	0	102	(202)	(555)	(2,808)	77	(56)

(3) Reconciliation of NZ GAAP information – FY20 *Cont*

1. Intercompany eliminations include the following:

- a. Elimination of intercompany receivables, payables, and funding balances. This is calculated as the balance owing at each reporting date.
- b. Elimination of share capital and investment by holding companies in subsidiary company. These are eliminated at cost.
- c. Elimination of dividends paid within the group from 2CC to 2CC Holdings Ltd.
- d. Intercompany charges. The majority of these are the on charge of costs from Car Plus to 2CC. Car Plus charges 2CC each month for costs incurred. These charges were eliminated based on the NZD amount at each reporting period. This gives rise to a foreign exchange adjustment.
- e. Elimination of charges between NZMF and 2CC. This includes interest charged on funds advanced, and commissions paid from NZMF to 2CC.
- f. Recording amalgamation reserve from the restructure of the group and the introduction of 2CC Holdings Ltd as a holding company.

2. NZ IFRS Adjustments

Adjustments to align non-GAAP financial information (being management accounts and special purpose financial statements) with NZ GAAP requirements. The adjustments that have been made relate to:

- a. NZ IFRS 16 for leases that entities have entered; and
- b. Deferred tax obligations in relation to the lease adjustment above.

The adjustments were made in relation to Car Plus and 2CC Rentals.

C. RECONCILIATION OF NZ GAAP TO NON-NZ GAAP FINANCIAL INFORMATION

(1) Reconciliation of NZ GAAP to non-NZ GAAP financial information

NZ\$000	FY2018	FY2019	FY2020	1HY2020	1HY2021
Financial Period	12 months ending 31 March 2018	12 months ending 31 March 2019	12 months ending 31 March 2020	6 months ending 30 September 2019	6 months ending 30 September 2020
Statutory NPAT	4,392	3,386	4,229	1,884	1,867
Add: Depreciation and amortisation	212	295	2,031	977	1,011
Add: Net interest expense	103	159	168	237	(53)
Add: Current tax expense	1,798	1,428	1,964	1,135	897
Statutory EBITDA	6,506	5,268	8,393	4,233	3,722
Pro forma adjustments					
Professional fees	314	326	245	160	27
Fines / sales allocation	314	350	-	-	-
One-off listing costs	-	-	-	-	201
Pro forma EBITDA	7,133	5,943	8,637	4,393	3,950
Pre-NZ IFRS 16 operating lease expense	-	-	(1,761)	(848)	(772)
Pre-NZ IFRS 16 Pro forma EBITDA	7,133	5,943	6,876	3,545	3,178

NZ\$000	FY2018	FY2019	FY2020	1HY2020	1HY2021
Financial Period	12 months ending 31 March 2018	12 months ending 31 March 2019	12 months ending 31 March 2020	6 months ending 30 September 2019	6 months ending 30 September 2020
Statutory total liabilities	27,629	31,998	39,194	39,250	39,512
Pro forma adjustment					
Less: Shareholder loans	20,000	20,000	20,000	20,000	20,000
Pro forma total liabilities	7,629	11,998	19,194	19,250	19,512

(1) Reconciliation of NZ GAAP to non-NZ GAAP financial information *Cont*

Pro Forma Adjustments

The explanation of Pro forma adjustments set out below have been re-produced from (and is identical to) the corresponding information under the same header in Section 4 (The NZAI Group's financial information) in the Profile.

Explanation of Pro Forma Adjustments

NZAI believes that certain adjustments are required to enable a better comparison of the historical financial performance, and a comparison with that of other companies. The pro forma adjustments that NZAI considers appropriate, are explained below.

Non-recurring or infrequent items

1. Non-recurring costs: These relate to professional fees from lawyers and accountants previously incurred by NZAI relating to non-recurring events such as prior strategic reviews, merger and acquisition activity, and advisory costs in relation to regulatory investigations.
2. Historical fines¹: Removal of the \$438,000 fine charged by the Commerce Commission in relating to historic breaches in the Fair-Trading Act and Consumer Guarantees Act. The fine was paid in two tranches, \$150,000 paid in FY2018 and \$288,000 paid in FY2019.
3. Sales misappropriation: Removal of costs in relation to a sales misappropriation by a previous employee discovered during the external audit of 2 Cheap Cars Limited FY18 financial accounts. A gap in the internal controls identified fraudulent activity being carried out by a dishonest salesman in Tauranga. An issue relating to the reconciliation of sales recorded versus actual revenue collected was identified and further investigation identified theft as an employee including fraudulent documents.

Structural changes and other

1. Listing company costs: Removal of one-off transaction costs in relation to NZAI's Listing on the NZX Main Board.
2. Shareholder loans: Total liabilities for the Historical Periods have been adjusted to reflect the recent capitalisation of shareholder loans worth \$20m which occurred in 2HY2021.

¹ The Company was investigated and subsequently fined by the Labour Inspectorate and the Commerce Commission for employment law compliance issues, breaches of the Fair-Trading Act 1986 and the Consumer Guarantees Act 1993. These investigations related to activities primarily occurring from 2014 to 2017, when the Company was growing significantly but without the governance resources, rigour, and discipline it has now. For more information about the investigations, please see Section 2.7 (Historical Legal Breaches and Fines).