

SG Fleet NZ Limited

Company Number 1920318

Annual Report - 30 June 2020

The Directors present their report, together with the financial statements, on the Company for the year ended 30 June 2020.

With the unanimous agreement of all shareholders, the Company has taken advantage of the reporting concessions available to it under section 211(3) of the Companies Act 1993.

The Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of the Company as at 30 June 2020 and its financial performance for the year ended on that date.

The Directors consider that the financial statements of the Company have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting standards have been followed.

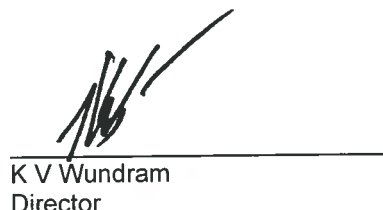
The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The Directors have responsibility for the maintenance of a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The Directors consider they have taken adequate steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

This report is made in accordance with a resolution of Directors, pursuant to section 211(1)(k) of the Companies Act 1993.

On behalf of the Directors


R P Blau
Director


K V Wundram
Director

23 September 2020

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SG Fleet NZ Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2020

SG Fleet Group

	Note	2020 \$	2019 \$
Revenue	4	12,504,075	17,075,825
Interest revenue calculated using the effective interest method		2,850	8,264
Total revenue		<u>12,506,925</u>	<u>17,084,089</u>
Expenses			
Fleet management costs		(1,378,979)	(1,318,981)
End of lease cost of sale		(4,073,956)	(8,248,190)
Employee benefits expense		(2,021,662)	(2,099,453)
Occupancy costs		(144,881)	(180,188)
Depreciation expense		(3,135,136)	(3,401,059)
Technology costs		(66,586)	(57,641)
Other expenses		(238,138)	(187,145)
Finance costs	5	(396,827)	(601,308)
Total expenses		<u>(11,456,165)</u>	<u>(16,093,965)</u>
Profit before income tax expense		1,050,760	990,124
Income tax expense	6	<u>(296,868)</u>	<u>(280,130)</u>
Profit after income tax expense for the year attributable to the owners of SG Fleet NZ Limited		753,892	709,994
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Effective portion of changes in fair value of cash flow hedges		<u>(19,407)</u>	<u>(14,131)</u>
Other comprehensive income for the year, net of tax		<u>(19,407)</u>	<u>(14,131)</u>
Total comprehensive income for the year attributable to the owners of SG Fleet NZ Limited		<u><u>734,485</u></u>	<u><u>695,863</u></u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

SG Fleet NZ Limited
Statement of financial position
As at 30 June 2020

SG Fleet Group

	Note	2020 \$	2019 \$
Assets			
Cash and cash equivalents	7	3,234,651	1,064,033
Trade and other receivables	8	2,987,205	2,639,701
Inventories	9	35,720	200,326
Income tax refund due	6	1,474	3,035
Prepayments	10	91,749	67,150
Leased motor vehicles	11	13,024,615	14,858,514
Deferred tax	6	20,416	309,737
Property, plant and equipment	12	238,314	213,498
Right-of-use assets	13	628,475	146,675
Total assets		<u>20,262,619</u>	<u>19,502,669</u>
Liabilities			
Trade and other payables	14	1,836,118	2,311,464
Derivative financial instruments	15	165,096	138,141
Employee benefits	16	216,586	168,888
Provisions	17	180,620	75,542
Lease portfolio borrowings	18	9,568,927	9,876,574
Lease liabilities - right-of-use assets	19	616,546	149,040
Contract liabilities	20	2,506,856	2,345,635
Total liabilities		<u>15,090,749</u>	<u>15,065,284</u>
Net assets		<u>5,171,870</u>	<u>4,437,385</u>
Equity			
Issued capital	21	7,000,100	7,000,100
Reserves	22	(118,869)	(99,462)
Accumulated losses		<u>(1,709,361)</u>	<u>(2,463,253)</u>
Total equity		<u>5,171,870</u>	<u>4,437,385</u>

The above statement of financial position should be read in conjunction with the accompanying notes

SG Fleet NZ Limited
Statement of changes in equity
For the year ended 30 June 2020

SG Fleet Group

	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2018	7,000,100	(85,331)	(2,723,247)	4,191,522
Profit after income tax expense for the year	-	-	709,994	709,994
Other comprehensive income for the year, net of tax	-	(14,131)	-	(14,131)
Total comprehensive income for the year	-	(14,131)	709,994	695,863
<i>Transactions with owners in their capacity as owners:</i>				
Dividends paid (note 23)	-	-	(450,000)	(450,000)
Balance at 30 June 2019	<u>7,000,100</u>	<u>(99,462)</u>	<u>(2,463,253)</u>	<u>4,437,385</u>
	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2019	7,000,100	(99,462)	(2,463,253)	4,437,385
Profit after income tax expense for the year	-	-	753,892	753,892
Other comprehensive income for the year, net of tax	-	(19,407)	-	(19,407)
Total comprehensive income for the year	-	(19,407)	753,892	734,485
Balance at 30 June 2020	<u>7,000,100</u>	<u>(118,869)</u>	<u>(1,709,361)</u>	<u>5,171,870</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

	Note	2020 \$	2019 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		14,190,557	20,091,133
Payments to suppliers and employees (inclusive of GST)		(9,980,456)	(14,996,647)
Interest received		2,850	8,264
Interest and other finance costs paid		(395,490)	(601,308)
Income taxes refunded		1,560	-
Income taxes paid		-	(1,195)
		<u>3,819,021</u>	<u>4,500,247</u>
Net cash from operating activities			
Cash flows from investing activities			
Payments for property, plant and equipment	12	(136,572)	(139,633)
Proceeds from disposal of property, plant and equipment		32,174	75,476
Acquisition of lease portfolio assets	11	(3,505,780)	(6,426,345)
Proceeds from disposal of lease portfolio assets	11	2,456,903	1,708,208
		<u>(1,153,275)</u>	<u>(4,782,294)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Proceeds from borrowings		7,931,521	7,342,953
Repayment of borrowings		(8,239,168)	(9,481,189)
Repayment of lease liabilities - right-of-use assets		(187,481)	(115,704)
Dividends paid	23	-	(450,000)
		<u>(495,128)</u>	<u>(2,703,940)</u>
Net cash used in financing activities			
Net increase/(decrease) in cash and cash equivalents		2,170,618	(2,985,987)
Cash and cash equivalents at the beginning of the financial year		<u>1,064,033</u>	<u>4,050,020</u>
Cash and cash equivalents at the end of the financial year	7	<u><u>3,234,651</u></u>	<u><u>1,064,033</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover SG Fleet NZ Limited ('the Company') as an individual entity. The financial statements are presented in New Zealand dollars, which is SG Fleet NZ Limited's functional and presentation currency.

SG Fleet NZ Limited is a company limited by shares.

During the financial year the principal continuing activity of the Company consisted of motor vehicle fleet management.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 23 September 2020. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Company has adopted all of the new or amending Accounting Standards and Interpretations issued by the External Reporting Board ('XRB') that are mandatory for the current reporting period.

With the exception of NZ IFRS 16 'Leases' which was early adopted in the previous financial year, any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

Statutory base

SG Fleet NZ Limited is a Company registered under the Companies Act 1993.

Statement of compliance

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP') and the requirements of the Companies Act 1993 and the Financial Reporting Act 2013.

The Company qualifies for New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime ('NZ IFRS RDR') on the basis that it has no public accountability and is not a large for-profit public sector entity. The Company has elected to report in accordance with NZ IFRS RDR and applied all of the available disclosure concessions.

Going concern

The Company prepares and reviews cashflow forecasts quarterly and in recent months due to the impact of COVID-19 has been doing so monthly. These forecasts demonstrate that the Company has sufficient cash, other liquid resources and undrawn credit facilities to enable the Company to meet its obligations as they fall due. As such the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for the accounting of derivative financial instruments which are recognised at fair value.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Note 2. Significant accounting policies (continued)

Revenue recognition

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Management and maintenance income

Fleet management income and management fees are brought to account over time on a straight-line basis over the term of the lease, due to the continuous service received by customers over the lease term.

Maintenance income is recognised for each performance obligation at a point in time when the service is provided and obligation fulfilled. Maintenance costs are expensed as and when incurred.

Additional products and services

Revenue from the sale of additional products and services is recognised when it is received or when the right to receive payment is established and the performance obligation has been satisfied. Specifically, upfront establishment fees levied to customers to establish the contract for the services to be provided for the term of the contract, are recognised over the term of the contract. Revenue related to the waiver of the lessee's wear and tear obligations is recognised at the point in time, being at the end of the lease term.

Funding commissions

Introductory commissions earned are recognised in profit or loss in full at a point in time, being in the month in which the finance is introduced to the relevant financier. Trailing commissions earned for the collection and distribution of ongoing customer rentals to the financier are recognised over time.

End of lease income

Income earned after the expiry of the lease is recognised when it is received or when the performance obligation, being the sale of the vehicle, transferring the risk and reward to the end buyer, has been satisfied and the right to receive payment is established. The gross selling price of the vehicle is recognised as End of Lease income and the value of the vehicle at the end of the lease period payable to the financier, is recognised as End of Lease cost of sale.

Rental income

Rental income from operating leases is recognised in profit or loss over time, on a straight-line basis over the lease term.

Other income

Other income is recognised when it is received or when the right to receive payment is established.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Note 2. Significant accounting policies (continued)

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities, and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Cash and cash equivalents

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.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Inventories

End-of-term operating leases are stated at the lower of cost and net realisable value. Cost comprises purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the lower of (i) estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and (ii) cost less residual value provision.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

At inception of the hedge relationship, the Company documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Company documents its risk management objective and strategy for undertaking its hedge transactions.

Note 2. Significant accounting policies (continued)

The Company has elected to adopt the general hedge accounting model in NZ IFRS 9. This requires the Company to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. Where derivative instruments do not qualify for hedge accounting, changes in the fair value are recognised immediately in profit or loss.

Cash flow hedges

Cash flow hedges are used to cover the Company's exposure to variability in cash flows that is attributable to particular risks associated with a recognised asset or liability or a firm commitment which could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income through the hedging reserve in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were classified in equity are immediately reclassified to profit or loss.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Fixtures and fittings	3-8 years
Motor vehicles	4 years

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

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

For leased motor vehicles see 'Leases - Company as lessor - leased motor vehicles assets' accounting policy.

Leases

Company as lessee

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, and the Company obtains substantially all the economic benefits of the use of the assets.

The Company has elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component.

Right-of-use assets

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of lease incentives received, any initial direct costs incurred, and an estimate of costs required for dismantling and removing the underlying asset, site restoral and asset restoral. Right-of-use assets are subsequently measured applying a cost model such that the asset is depreciated and impaired as required or adjusted for any remeasurement of the lease liability.

Where the lease transfers ownership of the asset to the lessee by the end of the lease term, or if the cost of the asset reflects that the lessee will exercise a purchase option, the lessee shall depreciate the right-of-use asset to the end of the asset's useful life, otherwise, the assets are depreciated to the earlier of the end of their useful lives or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits.

Note 2. Significant accounting policies (continued)

The lease term represents the non-cancellable period of the lease and includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. Lease terms shall only be revised if there is a change in the non-cancellable period or there is a reassessment upon a significant event or a change in circumstances that is both within the control of the lessee and affects whether or not the lessee is reasonably certain to exercise an option. Lease terms range from 1 to 4 years. In addition, the right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Company as lessor - leased motor vehicles assets

A lease is classified as a finance lease if it transfers all the risks and rewards incidental to the ownership of the assets. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of the underlying asset.

Full maintenance lease assets are stated at historical cost less accumulated depreciation. The cost of full maintenance lease assets includes the purchase cost including non-refundable purchase taxes and other expenditure that is directly attributable to the acquisition of the assets to bring the assets held-for-use in the lease asset portfolio to working condition for the intended use.

The depreciable amount of the asset is depreciated over its estimated useful life of two to five years on a straight-line basis.

Lease rentals receivable and payable on operating leases are recognised in profit or loss in periodic amounts over the effective lease term on a straight line basis.

Lease liabilities - right-of-use assets

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments comprise fixed lease payments less incentives receivable, variable lease payments, residual value guarantees payable, exercise price of purchase options where exercise is reasonably certain, and any anticipated termination penalties made over the expected term of the lease which includes optional periods where option exercise is considered reasonably certain. Variable lease payments include those dependent upon an index, interest rate or market but are included only using the index or rate existing at commencement date.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or there is a change in lease term such as if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or to the profit or loss to the extent that the carrying amount has been reduced to zero. Interest on the lease liability and variable lease payments not included in the measurement of the lease liability are recognised in profit or loss.

The Company has elected to apply the practical expedient not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Note 2. Significant accounting policies (continued)

Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Contract liabilities

Contract liabilities represent the Company's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Company recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Company has transferred the goods or services to the customer.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions

Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of a past event, it is probable the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Residual values

The Company has entered into various agreements with its financiers that govern the transfer of the residual value risk inherent in operating lease assets from the financier to the Company at the end of the underlying lease agreement. These agreements include put/call options, sale direction deeds and guaranteed buyback arrangements. The residual value provision is created on an onerous pool basis to cover future shortfalls on the disposal of these vehicles. Assets are grouped into homogenous groups which are then analysed further into maturity pools. A provision is raised for a maturity pool if the forecast loss on disposal of the assets in the pool exceeds the future fee income that the pool will generate between the reporting date and the maturity date. Maturity pools in a net profit position are not offset against maturity pools in a net loss position.

Employee benefits

Short-term employee benefits

Employee benefits expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Note 2. Significant accounting policies (continued)

Maintenance deferred income liability

Maintenance income is recognised for each performance obligation at the point in time when the service is provided and the obligation is completed. Maintenance costs are expensed when incurred.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic

The Company has applied significant critical judgements in the preparation of the financial statements, incorporating the Board's best estimates of the foreseeable impact of COVID-19 on the Company's statement of profit or loss and other comprehensive income and the statement of financial position. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Company operates.

Revenue from maintenance income

As discussed in note 2, the Company estimates the maintenance income to be recognised for each performance obligation according to a point in time when the service is provided and obligation fulfilled. These calculations require the use of assumptions, including an estimation of the profit margin to be achieved over the life of the contract for each performance obligation.

Residual values

As discussed in note 2, the Company has entered into various agreements with its financiers relating to residual value risk inherent in operating lease assets being transferred to the Company at the end of the underlying lease agreement. A provision is raised where the forecast loss on disposal of the assets in the pool exceeds the expected future fee income that the pool will generate. The expected future income is estimated based on past experience and likely market conditions at the time of disposal of the assets.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Income tax

The Company is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on the Company's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Note 4. Revenue

	2020 \$	2019 \$
<i>Revenue from contracts with customers</i>		
Management and maintenance income	2,895,172	2,963,733
Additional products and services	462,250	402,139
Funding commissions	554,189	618,010
End of lease income	4,760,067	8,877,385
Other income	19,234	42,260
	<u>8,690,912</u>	<u>12,903,527</u>
<i>Other revenue</i>		
Rental income	<u>3,813,163</u>	<u>4,172,298</u>
Revenue	<u><u>12,504,075</u></u>	<u><u>17,075,825</u></u>

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	2020 \$	2019 \$
<i>Geographical regions</i>		
New Zealand	<u><u>8,690,912</u></u>	<u><u>12,903,527</u></u>
<i>Timing of revenue recognition</i>		
Revenue transferred at a point in time - upfront	223,513	236,655
Revenue transferred over time	3,630,708	3,734,230
Revenue transferred at a point in time - end of life	4,836,691	8,932,642
	<u><u>8,690,912</u></u>	<u><u>12,903,527</u></u>

Note 5. Expenses

	2020 \$	2019 \$
Profit before income tax includes the following specific expenses:		
<i>Finance costs on leases</i>		
Interest and finance charges paid/payable on borrowings	<u>396,827</u>	<u>601,308</u>
<i>Superannuation expense</i>		
Defined contribution superannuation expense	<u>62,015</u>	<u>55,304</u>

Note 6. Income tax

	2020 \$	2019 \$
<i>Income tax expense/(benefit)</i>		
Deferred tax - origination and reversal of temporary differences	296,868	280,130
Aggregate income tax expense	<u>296,868</u>	<u>280,130</u>
Deferred tax included in income tax expense comprises:		
Decrease in deferred tax assets	296,868	280,130
<i>Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate</i>		
Profit before income tax expense	1,050,760	990,124
Tax at the statutory tax rate of 28%	294,213	277,235
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	2,293	2,895
	296,506	280,130
Adjustment recognised for prior periods	362	-
Income tax expense	<u>296,868</u>	<u>280,130</u>
	2020 \$	2019 \$
<i>Amounts credited directly to equity</i>		
Deferred tax assets	(7,547)	(38,679)
	2020 \$	2019 \$
<i>Deferred tax asset</i>		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	-	335,200
Allowance for expected credit losses	8,069	-
Employee benefits	60,644	47,289
Provisions	65,295	33,787
Accrued expenses	12,666	89,601
Financial assets at fair value through profit or loss	-	38,679
Contract liabilities	701,920	657,440
Property, plant and equipment	(828,178)	(892,259)
Deferred tax asset	<u>20,416</u>	<u>309,737</u>
Movements:		
Opening balance	309,737	551,147
Charged to profit or loss	(296,868)	(280,130)
Credited to equity	7,547	38,679
Adjustment to opening retained earnings (on adoption on AASB 9)	-	41
Closing balance	<u>20,416</u>	<u>309,737</u>

Note 6. Income tax (continued)

	2020 \$	2019 \$
<i>Income tax refund due</i>		
Income tax refund due	1,474	3,035

Note 7. Cash and cash equivalents

	2020 \$	2019 \$
Cash at bank	3,234,651	1,064,033

Note 8. Trade and other receivables

	2020 \$	2019 \$
Trade receivables	3,016,023	2,639,714
Less: Allowance for expected credit losses	(28,818)	(13)
	<u>2,987,205</u>	<u>2,639,701</u>

Allowance for expected credit losses

The Company has recognised a loss of \$28,805 (2019: \$nil) in profit or loss in respect of allowance for expected credit loss for the year ended 30 June 2020.

Note 9. Inventories

	2020 \$	2019 \$
End-of-term operating lease assets held for disposal	45,217	200,326
Less: Provision for impairment	(9,497)	-
	<u>35,720</u>	<u>200,326</u>

Due to COVID-19, the Company has experienced an adverse impact on the prices of end of lease vehicles held for disposal which has been reflected in the impairment of inventory.

Note 10. Prepayments

	2020 \$	2019 \$
Prepayments	91,749	67,150

Note 11. Leased motor vehicles

	2020 \$	2019 \$
Lease motor vehicle assets - at cost	18,733,831	21,165,303
Less: Accumulated depreciation	(5,644,710)	(6,261,662)
Less: Impairment	(64,506)	(45,127)
	<u>13,024,615</u>	<u>14,858,514</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

	Leased motor vehicles \$
Balance at 1 July 2019	14,858,514
Additions	3,505,780
Disposals	(2,456,903)
Revaluation decrements	(19,379)
Depreciation expense	(2,863,397)
Balance at 30 June 2020	<u>13,024,615</u>

Note 12. Property, plant and equipment

	2020 \$	2019 \$
Fixtures and fittings - at cost	61,755	46,894
Less: Accumulated depreciation	(39,761)	(32,677)
	<u>21,994</u>	<u>14,217</u>
Motor vehicles - at cost	401,451	341,875
Less: Accumulated depreciation	(185,131)	(142,594)
	<u>216,320</u>	<u>199,281</u>
	<u>238,314</u>	<u>213,498</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

	Fixtures and fittings \$	Motor vehicles \$	Total \$
Balance at 1 July 2019	14,217	199,281	213,498
Additions	14,861	121,711	136,572
Disposals	-	(13,204)	(13,204)
Depreciation expense	(7,084)	(91,468)	(98,552)
Balance at 30 June 2020	<u>21,994</u>	<u>216,320</u>	<u>238,314</u>

Note 13. Right-of-use assets

	2020 \$	2019 \$
Right-of-use assets - at cost	919,731	264,744
Less: Accumulated depreciation	(291,256)	(118,069)
	<u>628,475</u>	<u>146,675</u>

Reconciliation

Reconciliation of the written down values at the beginning and end of the current financial year are set out below:

	Office premises	Others	Total
Balance at 1 July 2019	127,194	19,481	146,675
Additions	654,987	-	654,987
Depreciation expense	(169,159)	(4,028)	(173,187)
Balance at 30 June 2020	<u>613,022</u>	<u>15,453</u>	<u>628,475</u>

Note 14. Trade and other payables

	2020 \$	2019 \$
Trade payables	1,740,345	1,936,127
Accrued expenses	95,773	376,085
Vehicle maintenance funds	-	(748)
	<u>1,836,118</u>	<u>2,311,464</u>

Note 15. Derivative financial instruments

	2020 \$	2019 \$
Interest rate swap contracts - cash flow hedges	<u>165,096</u>	<u>138,141</u>

Note 16. Employee benefits

	2020 \$	2019 \$
Annual leave	<u>216,586</u>	<u>168,888</u>

Note 17. Provisions

	2020 \$	2019 \$
Lease make good	43,837	-
Residual risk	136,783	75,542
	<u>180,620</u>	<u>75,542</u>

Note 17. Provisions (continued)

Lease make good

The provision represents the present value of the estimated costs to make good the premises leased by the Company at the end of the respective lease terms.

Residual risk

The provision is to recognise the future liability relating to residual value exposures as described in note 2 and note 3. Due to COVID-19, the Company has experienced lower demand for end-of-lease vehicles. In addition, there has been a reduction in the number of auctions held. These factors have had an impact on the prices of end-of-lease vehicles held for disposal, which were taken into consideration in the residual value provision.

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

	Lease make good \$	Residual risk \$
2020		
Carrying amount at the start of the year	-	75,542
Additional provisions recognised	43,837	61,241
Carrying amount at the end of the year	<u>43,837</u>	<u>136,783</u>

Note 18. Lease portfolio borrowings

	2020 \$	2019 \$
Lease portfolio borrowings	<u>9,568,927</u>	<u>9,876,574</u>

The lease portfolio borrowings are secured by the underlying funded assets and lease agreements, together with an irrevocable letter of credit, cash lock-ups and guarantees. These facilities are interest bearing and are repaid monthly in accordance with the amortisation schedule of the underlying assets.

Assets pledged as security

The lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position, revert to the lessor in the event of default.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	2020 \$	2019 \$
Total facilities		
Lease portfolio borrowings	<u>10,021,502</u>	<u>13,662,643</u>
Used at the reporting date		
Lease portfolio borrowings	<u>9,568,927</u>	<u>9,876,574</u>
Unused at the reporting date		
Lease portfolio borrowings	<u>452,575</u>	<u>3,786,069</u>

Note 19. Lease liabilities - right-of-use assets

	2020 \$	2019 \$
Lease liabilities - right-of-use assets	<u>616,546</u>	<u>149,040</u>

Note 20. Contract liabilities

	2020 \$	2019 \$
Contract liabilities	<u>2,506,856</u>	<u>2,345,635</u>

Note 21. Issued capital

	2020 Shares	2019 Shares	2020 \$	2019 \$
Ordinary shares - fully paid	<u>7,000,100</u>	<u>7,000,100</u>	<u>7,000,100</u>	<u>7,000,100</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Note 22. Reserves

	2020 \$	2019 \$
Hedging reserve - cash flow hedges	<u>(118,869)</u>	<u>(99,462)</u>

Hedging reserve - cash flow hedges

The reserve is used to recognise the effective portion of the gain or loss on cash flow hedge instruments that are determined to be an effective hedge.

Movements in reserves

Movements in the hedge reserve during the current and previous financial year are set out below:

	Hedging reserve \$
Balance at 1 July 2018	(85,331)
Movement in hedge	<u>(14,131)</u>
Balance at 30 June 2019	(99,462)
Movement in hedge	<u>(19,407)</u>
Balance at 30 June 2020	<u>(118,869)</u>

Note 23. Dividends

Dividends paid during the financial year were as follows:

	2020 \$	2019 \$
Final dividend for the year ended 30 June 2019 of 6.43 cents per ordinary share	-	450,000

Note 24. Fair value measurement

Fair value hierarchy

The following tables detail the Company's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

2020	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Liabilities</i>				
Interest rate swap contracts - cash flow hedges	-	165,096	-	165,096
Total liabilities	-	165,096	-	165,096

2019	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Liabilities</i>				
Interest rate swap contracts - cash flow hedges	-	138,141	-	138,141
Total liabilities	-	138,141	-	138,141

There were no transfers between levels during the financial year.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

Note 25. Key management personnel disclosures

Compensation

The aggregate compensation made to Directors and other members of key management personnel of the Company is set out below:

	2020 \$	2019 \$
Aggregate compensation	293,917	398,237

Note 26. Commitments - operating lease receivable

	2020 \$	2019 \$
Lease receivables - operating		
Committed at the reporting date, receivable:		
Within one year	3,333,188	4,079,289
One to two years	2,223,708	2,607,741
Two to three years	963,163	1,495,087
Three to four years	184,364	291,878
Four to five years	-	3,892
	<u>6,704,423</u>	<u>8,477,887</u>

Future minimum rentals receivable includes contracted amounts for motor vehicles under non-cancellable operating leases between one and five years.

Note 27. Contingent liabilities

There were no contingent liabilities at 30 June 2020 and 30 June 2019.

Deed of cross guarantee with SG Fleet Group Limited and its subsidiaries

The Company is a party to a deed of cross guarantee with ultimate Australian Parent entity SG Fleet Group Limited and its subsidiaries. Under the deed of cross guarantee each company guarantees the debts of the others. No deficiencies of assets exist in any of these subsidiaries.

Note 28. Related party transactions

Parent entity

The parent entity of SG Fleet NZ Ltd is SG Fleet Management Pty Limited, incorporated in Australia. The ultimate Australian parent entity is SG Fleet Group Limited, incorporated in Australia and listed on the Australian Securities Exchange ('ASX'). The ultimate parent entity is Super Group Limited, incorporated in South Africa and listed on the Johannesburg Stock Exchange ('JSE').

Key management personnel

Disclosures relating to key management personnel are set out in note 25.

Transactions with related parties

The following transactions occurred with related parties:

	2020 \$	2019 \$
Payment for goods and services:		
Management fees paid to SG Fleet Australia Pty Limited	139,089	119,464

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 29. Non-cash investing and financing activities

	2020 \$	2019 \$
Additions of right-of-use assets	<u>654,987</u>	<u>20,141</u>

Note 30. Events after the reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has had an adverse impact for the Company up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the New Zealand Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.



Independent Auditor's Report

To the Directors of SG Fleet NZ Limited

Report on the audit of the financial statements

Opinion

In our opinion, the accompanying financial statements of SG Fleet NZ Limited (the 'company') on pages 3 to 23:

- i. present fairly in all material respects the company's financial position as at 30 June 2020 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 30 June 2020;
- statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the company 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.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

Our firm has also provided other services to the company in relation to taxation. Subject to certain restrictions, partners and employees of our firm may also deal with the company on normal terms within the ordinary course of trading activities of the business of the company. These matters have not impaired our independence as auditor of the company. The firm has no other relationship with, or interest in, the company.



Use of this independent auditor's report

This independent auditor's report is made solely to the Directors as a body. Our audit work has been undertaken so that we might state to the Directors those matters we are required to state to them in the independent 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 Directors as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.



Responsibilities of the Directors for the financial statements

The Directors, on behalf of the company, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime);
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent 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. They 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 financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8/>. This description forms part of our independent auditor's report.



KPMG
Sydney

23 September 2020