

**PENSKE NEW ZEALAND**

**ANNUAL REPORT AND FINANCIAL STATEMENT**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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# PENSKE NEW ZEALAND

## Company Directory

Company Number 107518

Registered Office DLA Piper New Zealand  
DLA Piper Tower  
205 Queen Street  
Auckland 1010

|           |           |                  |                            |
|-----------|-----------|------------------|----------------------------|
| Directors | Appointed | 30 August 2013   | Randall Earl Seymore       |
|           | Appointed | 30 August 2013   | Robert Harold Kurnick      |
|           | Appointed | 22 July 2015     | John Dennis Carlson Junior |
|           | Appointed | 14 December 2015 | John Anthony DiSalvo       |
|           | Resigned  | 02 March 2020    | James Earnest Livermore    |
|           | Appointed | 09 March 2020    | Brent Watts Warner         |

Auditor Deloitte Touche Tohmatsu  
PO Box 38  
Parramatta NSW 2150  
Australia

Banker Bank of New Zealand (BNZ)

|             |  |            |
|-------------|--|------------|
| Shareholder | Penske Commercial Vehicles Investments NZ Pty Ltd<br>Ordinary shares | 33,000,000 |
|-------------|--|------------|

# PENSKE NEW ZEALAND

## Directors' Declaration

For the year ended 31 DECEMBER 2020

The Directors present their Annual Report including Financial Statements of PENSKE NEW ZEALAND (the "Company") for the year ended 31 December 2020.

### Annual Report Disclosures

A unanimous resolution was passed by the Company pursuant to subsection 211(3) of the Companies Act 1993, that this annual report need not comply with paragraphs (a) and (e) to (i) of subsection 211(1) of the Act.

### Directors' declaration

In the opinion of the directors of PENSKE NEW ZEALAND, the financial statements and notes, on pages 3 to 26:

- comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of the Company as at 31 December 2020 and the results of its operations for the year ended on that date.
- have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The directors believe proper accounting records have been kept which enables, with reasonable accuracy, the determination of financial position of the Company and facilitates compliance of the financial statements with the Financial Reporting Act 2013.

The directors consider adequate steps have been taken to safeguard the assets of the Company, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance to the integrity and reliability of the financial statements.

For and on behalf of the Board:



Randall Earl Seymore  
Director

31 MAY 2021  
Date



John Anthony DiSalvo  
Director

31 MAY 2021  
Date

# PENSKE NEW ZEALAND

## Statement of Financial Position

As at 31 DECEMBER 2020

|                                      | Note  | 2020<br>\$'000 | 2019<br>\$'000 |
|--------------------------------------|-------|----------------|----------------|
| <b>ASSETS</b>                        |       |                |                |
| <i>Current Assets</i>                |       |                |                |
| Cash and cash equivalents            |       | 432            | 422            |
| Trade and other receivables          | 6     | 10,868         | 3,469          |
| Inventories                          | 7     | 27,700         | 33,881         |
| Intercompany receivable              | 16    | 396            | 17             |
| Prepayments                          |       | 400            | 548            |
| <b>Total Current Assets</b>          |       | <b>39,796</b>  | <b>38,337</b>  |
| <i>Non-current Assets</i>            |       |                |                |
| Property, plant and equipment        | 8     | 5,634          | 5,890          |
| Right-of-use assets                  | 9     | 45,192         | 46,957         |
| Goodwill                             | 10    | 133            | 133            |
| Deferred tax assets                  | 11    | 3,583          | 3,332          |
| <b>Total Non-current Assets</b>      |       | <b>54,542</b>  | <b>56,312</b>  |
| <b>Total Assets</b>                  |       | <b>94,338</b>  | <b>94,649</b>  |
| <b>LIABILITIES</b>                   |       |                |                |
| <i>Current Liabilities</i>           |       |                |                |
| Trade and other payables             | 12    | 10,848         | 5,587          |
| Lease liability - current            | 13    | 518            | 563            |
| Current tax liabilities              |       | 265            | -              |
| Interest bearing liabilities         | 14    | 9,987          | 31,767         |
| Intercompany payables                | 16    | 17,715         | 3,881          |
| Provisions                           | 15    | 1,713          | 1,286          |
| <b>Total Current Liabilities</b>     |       | <b>41,046</b>  | <b>43,084</b>  |
| <i>Non-Current Liabilities</i>       |       |                |                |
| Lease liability - non current        | 13    | 47,789         | 47,829         |
| <b>Total Non Current Liabilities</b> |       | <b>47,789</b>  | <b>47,829</b>  |
| <b>Total Liabilities</b>             |       | <b>88,835</b>  | <b>90,913</b>  |
| <b>Net Assets</b>                    |       | <b>5,503</b>   | <b>3,736</b>   |
| <b>EQUITY</b>                        |       |                |                |
| Issued capital                       | 17(A) | 33,000         | 33,000         |
| Accumulated losses                   | 17(B) | (27,497)       | (29,264)       |
| <b>Total Equity</b>                  |       | <b>5,503</b>   | <b>3,736</b>   |

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

# PENSKE NEW ZEALAND

## Statement of Profit or Loss and Other Comprehensive Income For the year ended 31 DECEMBER 2020

|   | Note | Year ended     | Year ended     |
|---|------|----------------|----------------|
|   |      | 31 Dec<br>2020 | 31 Dec<br>2019 |
|   |      | \$'000         | \$'000         |
| Revenue   | 4    | 67,812         | 62,986         |
| Interest income                                       |      | 2              | 2              |
| <b>Total revenue and other income</b>                 |      | 67,814         | 62,988         |
| Raw materials and inventory                           |      | (52,404)       | (49,592)       |
| Employee expenses                                     |      | (7,344)        | (7,463)        |
| Depreciation and amortisation expenses                |      | (3,442)        | (3,155)        |
| Operating expenses                                    |      | (1,901)        | (2,511)        |
| Distribution expenses                                 |      | (1,088)        | (1,380)        |
| Administration expenses                               |      | (1,146)        | (3,204)        |
| Loss on disposal of property, plant and equipment     |      | -              | (7)            |
| Finance costs   | 19   | (2,668)        | (3,400)        |
| <b>(Loss)/Profit Before Income Tax</b>                |      | (2,179)        | (7,724)        |
| Income tax credit/(expense)                           | 5    | 537            | 1,815          |
| <b>(Loss)/Profit for the year</b>                     |      | (1,642)        | (5,909)        |
| Other comprehensive income                            |      | -              | -              |
| <b>Other comprehensive income for the year</b>        |      | -              | -              |
| <b>Total comprehensive (loss)/income for the year</b> |      | (1,642)        | (5,909)        |

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

# PENSKE NEW ZEALAND

## Statement of Changes in Equity

For the year ended 31 DECEMBER 2020

|  | Note | Ordinary<br>Shares<br>\$'000 | Accumulated<br>Losses<br>\$'000 | Total<br>Equity<br>\$'000 |
|--|------|------------------------------|---------------------------------|---------------------------|
| <b>Balance at 1 January 2019</b>               |      | <b>33,000</b>                | <b>(23,355)</b>                 | <b>9,645</b>              |
| Loss for the year and total comprehensive loss |      | -                            | (5,909)                         | (5,909)                   |
| <b>Balance at 31 December 2019</b>             |      | <b>33,000</b>                | <b>(29,264)</b>                 | <b>3,736</b>              |
| <b>Balance at 1 January 2020</b>               |      | <b>33,000</b>                | <b>(29,264)</b>                 | <b>3,736</b>              |
| Amalgamated entity                             | 20   |                              | 3,409                           | 3,409                     |
| Loss for the year and total comprehensive loss |      | -                            | (1,642)                         | (1,642)                   |
| <b>Balance at 31 December 2020</b>             |      | <b>33,000</b>                | <b>(27,497)</b>                 | <b>5,503</b>              |

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

# PENSKE NEW ZEALAND

## Statement of Cash Flows

For the year ended 31 DECEMBER 2020

|   | Year ended<br>31 Dec 2020 | Year ended<br>31 Dec 2019 |
|---|---------------------------|---------------------------|
| Note  | \$'000                    | \$'000                    |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                   |                           |                           |
| Cash receipts from customers (including GST)                  | 67,794                    | 69,866                    |
| Cash payments to suppliers and employees (including GST)      | (48,715)                  | (69,029)                  |
| Interest paid   | (884)                     | (1,615)                   |
| Interest received   | 2                         | 2                         |
| Income tax refunded/(paid)                                    | (7)                       | -                         |
| <b>Net cash generated by / (used in) operating activities</b> | <b>18,190</b>             | <b>(776)</b>              |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                   |                           |                           |
| Payment for property, plant & equipment                       | (707)                     | (1,037)                   |
| Acquisitions  | 10                        | (1,356)                   |
| <b>Net cash used in investing activities</b>                  | <b>(707)</b>              | <b>(2,393)</b>            |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                   |                           |                           |
| Proceeds from borrowings                                      | 71,738                    | 65,640                    |
| Repayments of borrowings                                      | (86,643)                  | (60,150)                  |
| Payments of lease liabilities                                 | (2,568)                   | (2,294)                   |
| <b>Net cash (used in) / generated by financing activities</b> | <b>(17,473)</b>           | <b>3,196</b>              |
| Net increase in cash and cash equivalents                     | 10                        | 27                        |
| Cash and cash equivalents at the beginning of the year        | 422                       | 395                       |
| <b>Cash and cash equivalents at the end of the year</b>       | <b>432</b>                | <b>422</b>                |

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

# PENSKE NEW ZEALAND

## Notes to the Financial Statements

For the year ended 31 DECEMBER 2020

### 1. General Information

On 1 April 2020, PENSKE POWER SYSTEMS NZ and PENSKE COMMERCIAL VEHICLES NZ amalgamated into one entity and changed its name to PENSKE NEW ZEALAND.

PENSKE NEW ZEALAND, (the "Company") is a company incorporated and domiciled in New Zealand. The sole shareholder, Penske Commercial Vehicles Investments NZ Pty Ltd, is domiciled in Australia. The Company is a vehicle dealership and spare parts importer and distributor based in Auckland, Tauranga and Christchurch.

The Company is registered under the Companies Act 1993. The Financial Statements of the Company are for the year ended 31 December 2020.

### 2. Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of NZ IFRS 2, leasing transactions that are within the scope of NZ IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in NZ IAS 2 or value in use in NZ IAS 36.

#### ***Basis of measurement***

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP) and the requirements of the Companies Act 1993. For the purpose of complying with NZ GAAP, the Company is a for-profit entity. The Company has adopted External Reporting Board Standard A1 Accounting Standards Framework (For-profit Entities Update) (XRB A1). The Company qualifies for NZ IFRS Reduced Disclosure Regime (RDR) as it does not have public accountability and it is not a large for-profit public sector entity.

#### ***Critical accounting judgements and key sources of estimation uncertainty***

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are disclosed on the respective notes.

The Company has exercised adequate critical judgements in the process of applying the relevant accounting policies that can have effect on the amounts recognised in the financial statements.

# PENSKE NEW ZEALAND

## Notes to the Financial Statements

For the year ended 31 DECEMBER 2020

### 3. Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements. The accounting policies have been applied consistently with those of the previous financial year.

#### (A) INCOME TAX

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised in equity or in other comprehensive income.

##### *I. Current Tax*

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

##### *II. Deferred Tax*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to used tax losses.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for unused tax losses, tax credits and a deductible temporary difference to the extent that it is probable that future taxable profits will be available against which that can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

##### *III. Tax exposures*

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgments regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

# PENSKE NEW ZEALAND

## Notes to the Financial Statements

For the year ended 31 DECEMBER 2020

### 3. Significant accounting policies (continued)

#### (B) FOREIGN CURRENCY

##### I. Foreign Currency Transactions and Balances

The financial statements are presented in New Zealand dollars, which is the Company's functional and presentation currency. Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to New Zealand dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statements of comprehensive income.

#### (C) REVENUE

Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

##### I. Sale of Goods

The core principle of NZ IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition.

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under NZ IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

##### II. Disaggregation of revenue

The Company derives its revenue from the transfer of goods and services at a point in time for all product lines.

##### III. Contract Revenue

When the outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable. When the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

# PENSKE NEW ZEALAND

## Notes to the Financial Statements

For the year ended 31 DECEMBER 2020

### 3. Significant accounting policies (continued)

#### IV. Contract Revenue (continued)

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognized profit less recognized losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advance received. Amounts billed for work performed but not yet paid by the customer are included in the statement of financial position under trade and other receivables.

#### (D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances, short-term bills and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management position are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

#### (E) FINANCIAL ASSETS

Financial assets are classified into the following specified categories: Financial assets 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' financial assets, and 'trade and other receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

##### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than financial assets 'at fair value through profit or loss'.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss on the financial assets is included in the other income or other expenses.

##### *Trade and other receivables*

Trade and other receivables that were measured at amortised cost under NZ IAS 39 continue to be measured at amortised cost under NZ IFRS 9 as they are held within a business model to collect contractual cash flows. Trade and other receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

##### *Impairment of financial assets*

Impairment of financial assets is based on an expected credit loss ("ECL") model under NZ IFRS 9 rather than incurred loss model. ECLs are a probability-weighted estimate of credit losses. The Company calculated ECLs based on consideration of customer-specific factors and actual credit loss experience over the past two years. As a percentage of revenue, the Company's actual credit loss experience has not been material. There has been no material impact in adopting NZ IFRS 9.

# PENSKE NEW ZEALAND

## Notes to the Financial Statements

For the year ended 31 DECEMBER 2020

### 3. Significant accounting policies (continued)

#### *(E) FINANCIAL ASSETS (continued)*

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

#### *Derecognition of financial assets*

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for the amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

#### *(F) INVENTORIES*

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is based on the method most appropriate to each particular class of inventory and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. The cost of commercial vehicles is based on actual cost and vehicle parts, inclusive of "off-highway" parts are valued at weighted average cost.

#### *(G) IMPAIRMENT OF ASSETS*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Impairment losses on financial assets are directly written off to profit or loss. Impairment of loans and receivables is recognised when it is probable that the carrying amount will not be recovered in full due to significant financial difficulty or other loss event of the debtor.

Other 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. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffer an impairment loss are reviewed for reversal of the impairment loss at each subsequent reporting date.

# PENSKE NEW ZEALAND

## Notes to the Financial Statements

For the year ended 31 DECEMBER 2020

### 3. Significant accounting policies (continued)

#### (H) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable in bringing the asset to the location and condition necessary for its intended use. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Borrowing costs related to the acquisition or construction of qualifying assets are also capitalised as part of that asset.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item of property, plant and equipment and are recognised net within "other income" in profit or loss.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation of all other assets is calculated on a straight-line basis so as to write off the net cost of each asset over its expected useful life to the Company.

Leasehold improvements are depreciated over the period of the lease or estimated useful lives, whichever is the shorter, using the straight-line method.

Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:

|                                      |               |
|--------------------------------------|---------------|
| Motor vehicles                       | 6 to 8 years  |
| Electronic data processing equipment | 3 to 6 years  |
| Leasehold improvements               | 3 to 20 years |
| Plant and equipment                  | 3 to 20 years |
| Fixtures and fittings                | 3 to 20 years |

#### (I) LEASES

##### *The Company as a lessee*

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or

# PENSKE NEW ZEALAND

## Notes to the Financial Statements

For the year ended 31 DECEMBER 2020

### 3. Significant accounting policies (continued)

#### (1) LEASES (continued)

- rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under NZ IAS 37. To the extent that the costs relate to a right-of use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Company applies NZ IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment'

# PENSKE NEW ZEALAND

## Notes to the Financial Statements

For the year ended 31 DECEMBER 2020

### 3. Significant accounting policies (continued)

#### (I) LEASES (continued)

policy (not part of this Appendix). Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Other expenses' in profit or loss.

As a practical expedient, NZ IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contract that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

#### (J) GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired business, subsidiary or associate at the date of acquisition.

Goodwill is not amortised. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill and other intangibles with indefinite useful lives with a carrying value are tested annually for impairment, based on estimates made by directors. The recoverable amount of the intangibles is based on the greater of 'Value in use' (VIU) or 'Fair value less costs to dispose'. VIU is assessed by the directors through a discounted cash flow analysis which includes significant estimates and assumptions related to growth rates, margins, working capital requirements and cost of capital. Fair value less costs to dispose is assessed by the directors based on their knowledge of the industry and recent market transactions.

The VIU model adopted by the directors was based on the 2020 financial budgets approved by the Board, a 3% (2019: 3%) perpetual growth rate and a post-tax discount rate of 9.3% (2019: 9.3%). The Directors believe that any reasonable change in the key assumptions on which the recoverable amount is based is not expected to cause the carrying amount to exceed the recoverable amount of the CGU.

For the purpose of impairment testing, goodwill and other intangibles with indefinite useful lives is allocated to each of the Company's cash generating units ("CGUs"), or groups of CGUs, that are expected to benefit from the synergies of the combinations. Each CGU or group of CGUs to which goodwill is allocated represents the lowest level at which assets are monitored for internal management purposes.

#### (K) TRADE AND OTHER PAYABLES

Trade and other payables are stated at their amortised cost and not subjected to amortisation due to their short term nature. They represent liabilities for goods and services provided to the Company before the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. Trade payables are non-interest bearing and are normally settled on 30 days term.

#### (L) BORROWINGS

Borrowings are initially recognised at fair value of the consideration received net of issue costs incurred. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between costs and redemption value being recognised in profit or loss

# PENSKE NEW ZEALAND

## Notes to the Financial Statements

For the year ended 31 DECEMBER 2020

### 3. Significant accounting policies (continued)

#### (L) BORROWINGS (continued)

over the period of the borrowings on an effective interest basis. Borrowings are derecognised when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

#### (M) FINANCE COSTS

Finance costs comprise of interest expense on borrowings and interest expense on lease liabilities.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

#### (N) PROVISIONS

A provision is recognised in the Statement of Financial Position when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### (O) ISSUED CAPITAL

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs incurred by the Company arising on the issue of capital are recognised directly in equity as a reduction of the share proceeds received.

#### (P) GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except:

- (i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- (ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the Statement of Cash flows on a gross basis.

The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

#### (Q) GOING CONCERN

The financial statements have been prepared on the going concern basis, which assumes that the company will continue to be able to meet its liabilities as they fall due for the foreseeable future, being a period of at least 12 months from the date of signing these financial statements.

# PENSKE NEW ZEALAND

## Notes to the Financial Statements

For the year ended 31 DECEMBER 2020

### 3. Significant accounting policies (continued)

(Q) GOING CONCERN (continued)

At 31 December 2020, the Company had net assets of \$5,503,000.

The Directors acknowledge that:

- 1) The Company is in a net current liability position of \$1,250,000;
- 2) The Company incurred a net loss of \$1,642,000;
- 3) The Company had net cash inflows from operating activities of \$18,190,000;
- 4) The Company had a cash balance of \$432,000 with \$17,715,000 payable to other related parties;
- 5) PAG International, the Company's intermediate parent entity, has provided a letter of support to the Directors that it will provide financial support for the settlement of debts as and when they become due and payable for a period of at least twelve months from the date of signing these financial statements.

In adopting the going concern basis for preparing the financial statements, the Directors considered the Company's cash flows, liquidity position and business activities. Based on the Company's forecasts and the ongoing financial support of the Company's intermediate parent entity and other related parties, the Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future and that it is therefore appropriate for the financial statements to be prepared on the going concern basis.

### 4. Revenue

|                               | 2020          | 2019          |
|-------------------------------|---------------|---------------|
|                               | \$'000        | \$'000        |
| Revenue from sale of goods    | 60,957        | 57,211        |
| Revenue from sale of services | 6,855         | 5,775         |
|                               | <b>67,812</b> | <b>62,986</b> |

### 5. Tax expense

|   | 2020         | 2019           |
|---|--------------|----------------|
|   | \$'000       | \$'000         |
| <b>Current tax expense (benefit)</b>              |              |                |
| Current year                                      | -            | -              |
| Prior year  | (286)        | (15)           |
|   | <b>(286)</b> | <b>(15)</b>    |
| <b>Deferred tax expense</b>                       |              |                |
| Origination and reversal of temporary differences | (567)        | (2,045)        |
| Prior year  | 316          | 245            |
|   | <b>(251)</b> | <b>(1,800)</b> |
| <b>Total income tax (credit)/expense</b>          | <b>(537)</b> | <b>(1,815)</b> |

## PENSKE NEW ZEALAND

### Notes to the Financial Statements

For the year ended 31 DECEMBER 2020

#### 5. Tax expense (continued)

|   | 2020         | 2019           |
|---|--------------|----------------|
|   | \$'000       | \$'000         |
| Reconciliation of effective tax rate  |              |                |
| (Loss)/Profit before tax  | (2,179)      | (7,724)        |
| Prima facie taxation at 28%   | (610)        | (2,163)        |
| <i>Add tax effect of permanent differences:</i>   |              |                |
| Non-deductible expenditure  | 43           | 118            |
| Adjustment relating to prior year return/s  | 30           | 230            |
| <b>Total income tax (credit)/expense per the Statement of Profit or Loss and Other Comprehensive Income</b> | <b>(537)</b> | <b>(1,815)</b> |

#### 6. Trade and other receivables

|                                | 2020          | 2019         |
|--------------------------------|---------------|--------------|
|                                | \$'000        | \$'000       |
| Current                        |               |              |
| Trade receivables              | 11,064        | 3,584        |
| Less : Provision for Bad Debts | (196)         | (115)        |
|                                | <b>10,868</b> | <b>3,469</b> |

#### 7. Inventories

|                                   | 2020          | 2019          |
|-----------------------------------|---------------|---------------|
|                                   | \$'000        | \$'000        |
| Current                           |               |               |
| Finished goods - at cost          | 29,103        | 35,828        |
| Less : Provision for obsolescence | (1,403)       | (1,947)       |
|                                   | <b>27,700</b> | <b>33,881</b> |

# PENSKE NEW ZEALAND

## Notes to the Financial Statements

For the year ended 31 DECEMBER 2020

### 8. Property, plant and equipment

| \$'000                              | Motor Vehicle | Electronic Data Processing Equipment | Lease Improvement | Plant and Equipment | Fixtures and Fittings | Under Construction | TOTAL |
|-------------------------------------|---------------|--------------------------------------|-------------------|---------------------|-----------------------|--------------------|-------|
| <b>Balance as at 1 January 2019</b> | 22            | 207                                  | 1,767             | 1,617               | 331                   | 1,566              | 5,510 |
| Additions                           | 2             | 21                                   | 14                | -                   | 33                    | 1,247              | 1,317 |
| Transfers                           | 117           | 209                                  | 1,131             | 857                 | 489                   | (2,803)            | -     |
| Disposal                            | -             | -                                    | -                 | (7)                 | -                     | -                  | (7)   |
| Write-off                           | (1)           | -                                    | (1)               | (5)                 | (1)                   | -                  | (8)   |
| Depreciation                        | (43)          | (152)                                | (260)             | (357)               | (110)                 | -                  | (922) |
| <b>Balance at 31 December 2019</b>  | 97            | 285                                  | 2,651             | 2,105               | 742                   | 10                 | 5,890 |
| <b>Balance as at 1 January 2020</b> | 97            | 285                                  | 2,651             | 2,105               | 742                   | 10                 | 5,890 |
| Additions                           | -             | 460                                  | 11                | 187                 | 15                    | 43                 | 716   |
| Transfers                           | -             | -                                    | -                 | -                   | 10                    | (10)               | -     |
| Disposal                            | -             | -                                    | -                 | -                   | -                     | -                  | -     |
| Write-off                           | -             | -                                    | -                 | -                   | -                     | -                  | -     |
| Depreciation                        | (46)          | (190)                                | (267)             | (355)               | (114)                 | -                  | (972) |
| <b>Balance at 31 December 2020</b>  | 51            | 555                                  | 2,395             | 1,937               | 653                   | 43                 | 5,634 |

### 9. Right-of-use Assets

|                                 | Buildings<br>\$'000 | Motor Vehicle<br>\$'000 | Plant and equipment<br>\$'000 | Total  |
|---------------------------------|---------------------|-------------------------|-------------------------------|--------|
| <b>Cost</b>                     |                     |                         |                               |        |
| Beginning Balance               | 48,651              | 457                     | 84                            | 49,191 |
| Addition                        | -                   | 587                     | 86                            | 673    |
| Ending Balance                  | 48,651              | 1,043                   | 170                           | 49,864 |
| <b>Accumulated depreciation</b> |                     |                         |                               |        |
| Beginning Balance               | 2,028               | 183                     | 22                            | 2,234  |
| Addition                        | 2,028               | 347                     | 62                            | 2,438  |
| Ending Balance                  | 4,057               | 531                     | 84                            | 4,672  |
| Carrying Amount                 | 44,594              | 512                     | 86                            | 45,192 |
| Average lease term              | 20                  | 5                       | 4                             |        |

## PENSKE NEW ZEALAND

### Notes to the Financial Statements

For the year ended 31 DECEMBER 2020

#### 10. Acquisition of business assets

On 1 February 2019, the Company entered into a sale of business assets agreement with Heavy Trucks Limited. Heavy Trucks Limited was a dealership based in Christchurch, South Island New Zealand.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

|   | 2019<br>('000) |
|---|----------------|
| Financial assets  | 375            |
| Inventory   | 701            |
| Property, plant and equipment                               | 281            |
| Financial liabilities                                       | (134)          |
| Total identifiable assets acquired, and liabilities assumed | <b>1,223</b>   |
| Goodwill  | 133            |
| <b>Total consideration</b>                                  | <b>1,356</b>   |
| Satisfied by:   |                |
| Cash  | 1,356          |
| <b>Total consideration transferred</b>                      | <b>1,356</b>   |
| Net cash outflow arising on acquisition:                    |                |
| Cash consideration  | 1,356          |
|   | <b>1,356</b>   |

The fair value of the financial assets includes receivables with a fair value of \$375,000.

We incurred \$133,000 of goodwill expense from the acquisition of Heavy Trucks Limited.

There was no contingent consideration arrangement made in relation to the business assets agreement.

# PENSKE NEW ZEALAND

## Notes to the Financial Statements

For the year ended 31 DECEMBER 2020

### 11. Deferred Tax Assets

|                                  | 2020         | 2019         |
|----------------------------------|--------------|--------------|
|                                  | \$'000       | \$'000       |
| Provision for doubtful debts     | 55           | 32           |
| Obsolescence                     | 393          | 545          |
| Accrued expenses and provisions  | 333          | 172          |
| Lease liabilities/assets         | 953          | 483          |
| Employee entitlements            | 170          | 191          |
| Tax losses                       | 1,810        | 2,006        |
| <b>Total deferred tax assets</b> | <b>3,713</b> | <b>3,429</b> |
| Deferred revenue                 | (130)        | (97)         |
| Deferred tax liabilities         | (130)        | (97)         |
| <b>Net deferred tax assets</b>   | <b>3,583</b> | <b>3,332</b> |

The realisation of deferred tax assets is subject to there being sufficient future taxable profits. The directors are confident that there will be sufficient future taxable profits with the Company's New Zealand tax group to utilise the above deferred tax asset.

### 12. Trade and other payables

|                             | 2020          | 2019         |
|-----------------------------|---------------|--------------|
|                             | \$'000        | \$'000       |
| <b>Current</b>              |               |              |
| Trade payables              | 1,018         | 1,085        |
| Other payables and accruals | 9,830         | 4,502        |
|                             | <b>10,848</b> | <b>5,587</b> |

### 13. Lease Liabilities

Lease liabilities as at 31 December 2020 as follows:

|             | 2020          | 2019          |
|-------------|---------------|---------------|
|             | \$'000        | \$'000        |
| Current     | 518           | 563           |
| Non-current | 47,789        | 47,829        |
|             | <b>48,307</b> | <b>48,392</b> |

# PENSKE NEW ZEALAND

## Notes to the Financial Statements

For the year ended 31 DECEMBER 2020

### 13. Lease Liabilities (continued)

|                   | 2020          | 2019          |
|-------------------|---------------|---------------|
| Maturity analysis | \$'000        | \$'000        |
| Year 1            | 518           | 563           |
| Year 2            | 353           | 334           |
| Year 3            | 309           | 190           |
| Year 4            | 314           | 215           |
| Year 5            | 366           | 283           |
| Onwards           | 46,447        | 46,807        |
|                   | <b>48,307</b> | <b>48,392</b> |

### Amount recognised in profit and loss

|  | 2020         | 2019         |
|--|--------------|--------------|
|  | \$'000       | \$'000       |
| Depreciation expense on right-of-use assets                          | 2,438        | 2,234        |
| Interest expense on lease liabilities                                | 1,784        | 1,785        |
| Expense relating to short-term leases and leases of low value assets | 9            | 9            |
|  | <b>4,231</b> | <b>4,028</b> |

The Company does not face a significant liquidity risk with regard to its lease liabilities. The statement of cash flows for 31 December 2020 includes cash outflows for lease payments of \$784 thousand and lease interest of \$1,784 thousand within 'cash flows from financing activities'.

### 14. Interest bearing liabilities

|                            | 2020         | 2019          |
|----------------------------|--------------|---------------|
|                            | \$'000       | \$'000        |
| <b>Current Liabilities</b> |              |               |
| Vehicle financing facility | 9,987        | 21,937        |
| Working capital facility   | -            | 9,830         |
|                            | <b>9,987</b> | <b>31,767</b> |

The above vehicle financing facility is secured against the inventory holding of PENSKE NEW ZEALAND. The interest rate on the facility is variable and is payable 21 days from end of month. The loan is payable on demand, on mutual agreement by providing 30 days' notice.

# PENSKE NEW ZEALAND

## Notes to the Financial Statements

For the year ended 31 DECEMBER 2020

### 15. Provisions

|                              | 2020         | 2019         |
|------------------------------|--------------|--------------|
|                              | \$'000       | \$'000       |
| <b>Current</b>               |              |              |
| Employee benefits (i)        | 608          | 681          |
| Other provisions (see below) | 1,105        | 605          |
|                              | <b>1,713</b> | <b>1,286</b> |

| Other Provisions:  | Warranties<br>(ii) | Customer<br>Care Policy<br>(iii) | Other<br>(iv) | Total        |
|--|--------------------|----------------------------------|---------------|--------------|
| <b>Balance as at 1 January 2019</b>  | <b>409</b>         | <b>66</b>                        | <b>345</b>    | <b>820</b>   |
| Additional provision recognised  | 821                | 71                               | 1,237         | 2,129        |
| Reductions arising from payments/other sacrifices of future economic benefit | (1,072)            | (132)                            | (1,140)       | (2,344)      |
| <b>Balance at 31 December 2019/1 January 2020</b>                            | <b>158</b>         | <b>5</b>                         | <b>442</b>    | <b>605</b>   |
| Additional provision recognised  | 1,097              | 216                              | 1,364         | 2,677        |
| Reductions arising from payments/other sacrifices of future economic benefit | (937)              | (101)                            | (1,139)       | (2,177)      |
| <b>Balance at 31 December 2020</b>   | <b>318</b>         | <b>120</b>                       | <b>667</b>    | <b>1,105</b> |

(i) **Employee benefits**

The provision for employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) **Warranties**

A provision for warranties is recognised when the underlying products are sold. The provision is based on historical average cost per vehicle under warranty multiplied by the number of vehicles which have been sold by the Company and are under warranty at balance sheet date.

(iii) **Customer Care Policy**

A Customer Care Policy provision is recognised to cover costs that occur within the warranty period which is not covered by warranty. This provision represents the expected cost of the number of Customer Care Policy payments on the trucks sold by the Company to dealers.

# PENSKE NEW ZEALAND

## Notes to the Financial Statements

For the year ended 31 DECEMBER 2020

### 15. Provisions (continued)

#### (iv) *Other (continued)*

Other provisions include accruals for audit and financial services provided by Deloitte. A provision for Dealer support is recognised based on the amounts owing to dealers in respect of vehicles sold by the Company during the financial year. When the evidence suggests an amount will not be paid out to the dealers, the amount is removed from the provision. A

### 16. Related Party Transactions

#### 16.1 Trading transactions

Penske Commercial Vehicles Pty Limited is the parent company of Penske Commercial Vehicles Investment NZ Pty Ltd. During the year, the Company entered into the following transactions with related parties.

|  | 2020    | 2019    |
|--|---------|---------|
|  | \$'000  | \$'000  |
| <i>Penske Commercial Vehicles Pty Limited</i>                              |         |         |
| Management fees and IT costs paid  | (695)   | (849)   |
| Stock purchased  | (2,301) | (1,887) |
| Stock sold   | 64      | 6       |
| <i>Other fellow subsidiaries of Penske Commercial Vehicles Pty Limited</i> |         |         |
| Stock purchased from MAN Automotive Imports Pty Ltd                        | (4,825) | (5,989) |
| Stock sold to MAN Automotive Imports Pty Ltd                               | 139     | 108     |
| <i>Penske Power Systems Pty Limited</i>                                    |         |         |
| Stock purchased  | (8,988) | -       |
| Stock sold   | 452     | -       |

# PENSKE NEW ZEALAND

## Notes to the Financial Statements

For the year ended 31 DECEMBER 2020

### 16. Related Party Transactions (continued)

|  | 2020       | 2019      |
|--|------------|-----------|
|  | \$'000     | \$'000    |
| At the end of the reporting year, the Company was owed the following amounts by related parties: |            |           |
| Penske Commercial Vehicles Pty Limited   | 94         | 1         |
| Penske Power Systems Pty Ltd   | 284        | -         |
| Penske Power Systems NZ  | -          | -         |
| <i>Other fellow subsidiary of Penske Commercial Vehicles Pty Limited</i>                         |            |           |
| MAN Automotive Imports Pty Ltd   | 18         | 16        |
| <b>Total amounts receivable from related parties</b>   | <b>396</b> | <b>17</b> |

|  | 2020          | 2019         |
|--|---------------|--------------|
|  | \$'000        | \$'000       |
| At the end of the reporting year, the Company owed the following amounts to related parties: |               |              |
| Penske Commercial Vehicles Pty Limited   | 7,862         | 723          |
| Penske Power Systems Pty Ltd   | 7,563         | 224          |
| Penske Power Systems NZ  |               | 1,477        |
| <i>Other fellow subsidiary of Penske Commercial Vehicles Pty Limited</i>                     |               |              |
| MAN Automotive Imports Pty Ltd   | 2,290         | 1,457        |
| <b>Total amounts payable to related parties</b>  | <b>17,715</b> | <b>3,881</b> |

No related party balances owed or owing were written off or forgiven during the year.

The balance owed to Penske Commercial Vehicles Pty Limited as at 31 December 2020 amounting to \$ 6.9 million is repayable on demand.

### 17. Capital and reserves

#### (A) ISSUED CAPITAL

|                                      | 2020   | 2019   |
|--------------------------------------|--------|--------|
|                                      | \$'000 | \$'000 |
| Ordinary shares at beginning of year | 33,000 | 33,000 |
| On issue at end of year              | 33,000 | 33,000 |

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the Company's residual assets.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

No dividends were declared during the financial year or subsequent to year end.

## PENSKE NEW ZEALAND

### Notes to the Financial Statements

For the year ended 31 DECEMBER 2020

#### 17. Capital and reserves (continued)

##### (B) ACCUMULATED LOSSES

|                                   | 2020            | 2019            |
|-----------------------------------|-----------------|-----------------|
|                                   | \$'000          | \$'000          |
| Opening balance                   | (29,264)        | (23,355)        |
| Amalgamated entity                | 3,409           | -               |
| (Loss) for the year               | (1,642)         | (5,909)         |
| Accumulated losses at end of year | <b>(27,497)</b> | <b>(29,264)</b> |

#### 18. Auditor's Remuneration

|   | 2020      | 2019      |
|---|-----------|-----------|
|   | \$'000    | \$'000    |
| <b>Audit of the financial statements:</b> |           |           |
| Deloitte Touche Tohmatsu                  | 45        | 45        |
| <b>Non audit services:</b>                |           |           |
| Other non audit financial services        | 19        | 29        |
|   | <b>64</b> | <b>74</b> |

#### 19. Finance Costs

|                                       | 2020         | 2019         |
|---------------------------------------|--------------|--------------|
|                                       | \$'000       | \$'000       |
| Interest on bank overdrafts and loan  | 884          | 1,615        |
| Interest expense on lease liabilities | 1,784        | 1,785        |
|                                       | <b>2,668</b> | <b>3,400</b> |

#### 20. Amalgamation of Companies

On 1 April 2020, Penske Power Systems NZ amalgamated into Penske New Zealand, making one legal entity.

# PENSKE NEW ZEALAND

## Notes to the Financial Statements

For the year ended 31 DECEMBER 2020

### 20. Amalgamation of Companies (continued)

Net assets amalgamated into Penske New Zealand on 1 April 2020:

|   | 2020         |
|---|--------------|
|   | \$'000       |
| Cash and cash equivalents                     | 316          |
| Trade and other receivables                   | 4,637        |
| Inventories                                   | 3,302        |
| Intercompany receivable                       | 4,870        |
| Prepayments                                   | 3            |
| Property, plant and equipment                 | 102          |
| Right-of-use assets                           | 368          |
| Deferred tax assets                           | 153          |
| Trade and other payables                      | (4,050)      |
| Lease liability                               | (378)        |
| Current tax liabilities                       | (671)        |
| Intercompany payables                         | (5,165)      |
| Provisions                                    | (78)         |
| <b>Total net assets added by amalgamation</b> | <b>3,409</b> |

### 21. Compensation of key management personnel

The remuneration of key management personnel during the year was as follows:

|  | 2020       | 2019       |
|--|------------|------------|
|  | \$'000     | \$'000     |
| Remuneration of key management personnel | 206        | 628        |
|  | <b>206</b> | <b>628</b> |

## Independent Auditor's Report to the Shareholders of Penske New Zealand

### *Opinion*

We have audited the financial statements of Penske New Zealand (the "Company") which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 3 to 26.

In our opinion, the accompanying financial statements present fairly, in all material respects, the Company's financial position as at 31 December 2020 and its financial performance and its cash flows for the year then ended in accordance with the New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR).

### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Entity 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)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor, we have no relationship with or interests in the Company, except that partners and employees of our firm deal with the Company on normal terms within the ordinary course of trading activities of the business of the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Responsibilities of the Directors' for the Financial Statements*

The directors of the Company are responsible on behalf of the Company for the preparation and fair presentation of the financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR) and for such internal control as directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, the directors are responsible on behalf of the Company for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Directors.
- Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

# Deloitte.

We communicate with Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



DELOITTE TOUCHE TOHMATSU



David White  
Partner  
Chartered Accountants  
Parramatta, 31 May 2021