Fuji Xerox New Zealand Limited

Annual Financial Statements
For the year ended 31 March 2020

Fuji Xerox New Zealand Limited

Contents of Financial Statements

For the year ended 31 March 2020

Fuji Xerox New Zealand Limited

Company Directory

As at 31 March 2020

Directors	Peter Thomas Graham Cook Yujiro Nagasawa Mutsuki Tomono Ken Sugiyama (appointed 16 August 2019) Jin Chiew Leong (appointed 20 December 2019) Takayuki Togo (ceased 1 September 2019) Katsumi Kizaki (ceased 20 December 2019)
Company	65813
Registered office	Fuji Xerox Centre 79 Carlton Gore Road New Market Auckland
Shareholder	Fuji Xerox Asia Pacific Pte Limited 199,343,500 shares
Principal Activities	Provision of document management solutions to our clients. There have been no changes in the main activity during the year.
Dividends	For the year ending 31 March 2020, the Company did not authorise or declare a dividend (2019: $Nil).
Exemptions	No disclosures have been made in respect of Section 211 (1) (a) and (e) to (j) of the Companies Act 1993 following a unanimous decision by the shareholder in accordance with Section 211 (3) of the Act. There are no other disclosures required in accordance with Section 211 (1) of the Companies Act 1993.
Auditor	KPMG 18 Viaduct Harbour Avenue Auckland

Fuji Xerox New Zealand Limited

Directors' Responsibility Statement

For the year ended 31 March 2020

Approval and issue of financial statements

The Directors are pleased to present the Financial Statements of Fuji Xerox New Zealand Limited (the 'Company') for the year ended 31 March 2020.

The Directors are responsible for ensuring that the Financial Statements fairly present the financial position of the Company as at 31 March 2020 and the financial performance and cash flows for the year ended on that date.

The Directors consider that the Financial Statements of the Company have been prepared using accounting policies appropriate to the Company, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors consider that all applicable New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime ('NZ IFRS RDR') and other applicable Financial Reporting Standards as appropriate for profit-oriented entities have been applied.

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 2013.

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 that adequate steps have been taken to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

This Directors' Responsibility Statement and the Financial Statements are dated 27 August 2020

For and on behalf of the Board

Peter Thomas

Director

Graham Cook

Director

Fuji Xerox New Zealand Limited

Statement of Financial Position

As at 31 March 2020

	Note	2020 NZ$'000	2019 NZ$'000
Current assets			
Cash and short term deposits		5,427	3,319
Inventories	12	24,172	23,481
Trade and other receivables	13	15,804	22,483
Lease receivables	14	13	363
Loan receivable	15	-	1,005
Total current assets		45,416	50,651
Non-current assets			
Property, plant and equipment	16	7,002	8,745
Software	17	320	621
Lease receivables	14	684	1,804
Right-of-use assets	14	29,844	-
Other receivables	13	64	68
Loan receivable	15	-	2,205
Total non-current assets		37,914	13,443
Total assets		83,330	64,094
Current liabilities			
Intercompany loans	19 & 23	-	186,700
Trade and other payables	21	13,920	17,874
Lease liabilities	14	5,499	-
Intercompany trade payables	23	11,433	197,726
Total current liabilities		30,852	402,300
Non-current liabilities			
Other payables	21	827	5,357
Lease liabilities	14	32,156	-
Total non-current liabilities		32,983	5,357
Total liabilities		63,835	407,657
Net assets		**19,495**	**(343,563)**
Equity			
Issued capital	20	398,687	31,400
Accumulated deficit		(379,192)	(374,963)
Total equity		**19,495**	**(343,563)**

These financial statements are to be read in conjunction with the accompanying notes.

Fuji Xerox New Zealand Limited

Statement of Comprehensive Income

For the year ended 31 March 2020

	Note	2020 NZ$'000	2019 NZ$'000
Revenue	6	149,455	172,902
Cost of sales		(52,916)	(75,646)
Gross profit		**96,539**	**97,256**
Distribution expenses		(9,445)	(8,800)
Administrative expenses	8	(55,077)	(62,909)
Restructuring expenses	8	(217)	(1,095)
Other operating expenses	8	(28,492)	(20,384)
Operating (loss)/profit before financing costs		**3,308**	**4,068**
Other (expenses)/income	7	(49)	813
Interest income	10	374	684
Interest expense	10	(5,518)	(5,512)
Net finance costs		**(5,144)**	**(4,828)**
(Loss)/profit before tax		**(1,885)**	**53**
Income tax benefit	11	423	-
(Loss)/profit for the year		**(1,462)**	**53**
Profit/(loss) from discontinued operations		-	-
Total comprehensive (loss)/profit for the year		**(1,462)**	**53**

These financial statements are to be read in conjunction with the accompanying notes.

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Fuji Xerox New Zealand Limited

Statement of Cash Flows

For the year ended 31 March 2020

	Note	2020 NZ$'000	2019 NZ$'000
(Loss)/profit after tax		**(1,462)**	**53**
Adjustments to reconcile profit/(loss) before tax to net operating cash flows:			
Depreciation and impairment of property, plant and equipment	16	3,077	7,500
Depreciation on right-of-use assets	14	5,266	-
Amortisation and impairment of software	17	365	585
Inventory write-off	12	1,307	1,570
Movements in inventory provision	12	(786)	(1,631)
Movements in bad debt provision	13, 14 & 15	4,559	(3,459)
Movements in other provisions, accruals and pensions		(1,747)	102
Gain/(loss) on disposal of property, plant and equipment	7	(43)	53
Interest income	10	(374)	(684)
Interest expense	10	5,518	5,512
Working capital adjustments:			
Decrease in trade receivables and prepayments		5,011	8,857
Decrease in lease receivables		822	2,155
(Increase)/decrease in inventories		(1,213)	12,202
Decrease in trade and other payables		(5,846)	(7,337)
Increase in right-of-use assets		2,196	-
Increase in lease liabilities		(7,953)	-
Decrease in net intercompany payables		(186,294)	(33,390)
(Increase)/decrease in loan receivable		971	(3,560)
Interest received	10	374	684
Interest paid	10	(5,524)	(5,550)
Net cash flows from operating activities		**(181,776)**	**(16,338)**
Investing activities			
Proceeds from sale of property, plant and equipment		1,005	6,377
Purchase of property, plant and equipment	16	(2,360)	(2,939)
Net cash flows from investing activities		**(1,355)**	**3,438**
Financing activities			
Proceeds from issue of shares	20	367,287	-
Proceeds from borrowings		-	33,480
Repayments of borrowings	19	(186,700)	(20,267)
Principal elements of lease payments		4,652	-
Net cash flows from financing activities		**185,239**	**13,213**
Net increase/(decrease) in cash and cash equivalents		**2,108**	**313**
Cash and cash equivalents at 1 April		3,319	3,006
Cash and cash equivalents at 31 March		**5,427**	**3,319**

These financial statements are to be read in conjunction with the accompanying notes.

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Fuji Xerox New Zealand Limited

Statement of Changes in Equity

For the year ended 31 March 2020

	Note	Share Capital NZ$'000	Retained Earnings NZ$'000	Total NZ$'000
Balance at 1 April 2018		31,400	(375,016)	(343,616)
Profit for the year		-	53	53
Total comprehensive income for the year		-	53	53
Balance at 31 March 2019		**31,400**	**(374,963)**	**(343,563)**
Balance at 1 April 2019		31,400	(374,963)	(343,563)
Impact of adoption of NZ IFRS 16 - *Leases*	3	-	(2,767)	(2,767)
Loss for the year		-	(1,462)	(1,462)
Total comprehensive income for the year		-	(1,462)	(1,462)
Equity contributions (net of transaction costs)	20	367,287	-	367,287
Balance at 31 March 2020		**398,687**	**(379,192)**	**19,495**

These financial statements are to be read in conjunction with the accompanying notes.

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1. Reporting entity

Fuji Xerox New Zealand Limited (the 'Company') is a company domiciled in New Zealand and registered under the Companies Act 1993. The Company is involved in the business of providing document management solutions.

The Company's immediate parent company is Fuji Xerox Asia Pacific Pte Limited and its ultimate parent company is FUJIFILM Holdings Corporation. During the year FUJIFILM Holdings Corporation became the ultimate shareholder of the Company (note 23.4).

2. Statutory base

The Company is a reporting entity for the purposes of the Financial Reporting Act 2013 and its Financial Statements comply with that Act.

2.1. Basis of preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). The Company is a for-profit entity for the purposes of complying with NZ GAAP. The financial statements comply with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS RDR. XRB A1 sets out which suite of accounting standards entities must follow.

The Company is eligible and has elected to report in accordance with Tier 2 For-profit Accounting Standards (NZ IFRS RDR) on the basis that the Company has no public accountability and is not a large for-profit public sector entity. In applying NZ IFRS RDR, the Company has applied a number of disclosure concessions.

2.2. Basis of measurement

The financial statements have been prepared on the historical cost basis except 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 financial statements is determined on such a basis, except for 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.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand ($000), except when otherwise indicated.

2.3. Going concern

As at 31 March 2020, the Company has reported a loss of $1.5 million, net current assets of $14.6 million and a positive equity of $19.5 million.

The immediate parent, Fuji Xerox Asia Pacific Pte Limited, and an intermediate parent, Fuji Xerox Co. Limited, have provided continuing letters of support to the Company. These letters of support provide commitment of financial assistance to the Company, if necessary, to ensure the Company can meet its debts as they fall due.

These letters also include a commitment to provide financial assistance to Fuji Xerox Finance Limited. The recoverability of intercompany balances held with Fuji Xerox Finance Limited is contingent upon the support from their parent company, Fuji Xerox Asia Pacific Pte Limited.

The considered view of the directors is that, after making due enquiry, there is a reasonable expectation the Company has adequate resources to continue operations at existing levels for the foreseeable future including a period of at least 12 months from the date the financial statements were authorised for issue. Accordingly, the financial statements have been prepared on a going concern basis.

3. Significant changes in the current reporting period

The financial position of the Company was particularly affected by the following events and transactions during the reporting period:

- Change in the ultimate shareholding of the Company (note 23.4).
- Recapitalisation of $367 million which has increased the Company's share capital (note 20). The consideration received has been applied to repay the intercompany amounts owing to Fuji Xerox Finance Limited (note 19) and Fuji Xerox Asia Pacific Pte Limited (note 23.2).

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- The adoption of the new accounting standard for leases (note 4.3.3 and note 14).
- On 11 March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organisation. The outbreak and the subsequent measures imposed by Governments in dealing with COVID-19 have caused disruption to general activity levels within the community, the economy and significantly impacted the operations of our business, particularly in the period immediately subsequent to balance date.

  As the outbreak occurred close to.year end, most of the financial effect of COVID-19 will be recognised in the 31 March 2021 financial year through reduced trading activity. However, the Company has reviewed the carrying values of assets and considered the need to recognise liabilities as at 31 March 2020 having regard to the impact of COVID-19. Based on this review, asset carrying values have been adjusted in accordance with the requirement in the relevant accounting standard(s). In particular, the Company has increased its provision for expected credit losses and doubtful debts on trade and lease receivables (notes 13 and 14.2) and reviewed the going concern assumption (note 2.3).

  As the situation remains fluid (due to evolving changes in government policy and evolving business and customer reactions thereto), significant judgement has been applied when making the assessments described above.

4. Significant accounting policies

4.1. Recent accounting guidance

During the current year the Company applied all new and revised NZ IFRSs and Interpretations of NZ IFRSs ("INT NZ IFRSs") issued by the International Accounting Standards Board (IASB) that are mandatorily effective for the accounting period. The adoption of NZ IFRS 16 - *Leases* results in changes to the Company's accounting policies and has had a significant impact on the financial statements. Specific consideration of NZ IFRS 16 is described in note 4.3.3.

The significant accounting policies which are pervasive throughout the financial statements are set out below. Other significant accounting policies which are specific to certain transactions or balances are set out within the particular note to which they relate.

4.2. Functional currency

The financial statements of the Company are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements, the results and position of the Company are expressed in New Zealand Dollars, which is the functional currency of the Company and the presentation currency for the financial statements.

Foreign currency transactions are translated into local currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income.

4.3. Revenue recognition

4.3.1. Revenue from customers' contracts

A contract from which revenue can be generated is considered to exist if collection of consideration is probable, rights to goods or services and payment terms can be identified, parties are committed to their obligations and the contract has commercial substance.

Revenue from contracts with customers is measured at the fair value of the consideration received or receivable and is reduced for estimated customer returns, rebates and other similar allowances. The Company classifies performance objectives within contracts as either point in time or over time in accordance with NZ IFRS 15 - *Revenue from contracts with customers.*

For the vast majority of arrangements recognised over time, the Company elects to use the "right to invoice" practical expedient. As a result, the Company recognises revenue at the invoice amount (which corresponds directly with the value to the customer of the Company's performance completed to date) when the Company has a right to invoice a customer.

For performance obligations recognised at a point in time, the Company recognises revenue when the the entity satisfies the performance obligation i.e. control of the goods or services has been transferred to the customer. For most arrangements, control of the goods transfers to the Company's customers at a point in time when the goods have been made available in accordance with companies shipping or installation terms and other relevant factors. The following relevant factors are considered in the determination of when control of goods transfers to the customer:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

For more information, refer to Note 6.

4.3.2. Interest income

Interest income is recorded using the Effective Interest Rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of comprehensive income.

4.3.3. Leases

The Company has changed its accounting policy for leases in accordance with NZ IFRS 16 - *Leases*. The Company has elected not to restate the comparatives for the 2019 reporting period as permitted under the modified retrospective approach. The cumulative effect of the application of the new leasing standard has been recognised as an adjustment to retained earnings as at 1 April 2019. Refer to note 14.1 for details of the adjustment to retained earnings.

4.3.3.1. Company as a lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of leases.

Rental income from operating leases is recognised in the statement of comprehensive income on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Revenue relating to lease arrangements involves significant judgement as to whether the arrangement should be accounted for as a sales-type finance lease or as an operating lease. In particular, the Company sells its equipment often under bundled lease arrangements, which typically include the equipment, maintenance service, and a financing component for which the customer pays a single negotiated monthly price for all elements over the contractual lease term. Recognising revenues under these arrangements requires the Company to allocate the total consideration received to the lease and non-lease deliverables included in the bundled arrangement, based upon the estimated fair values of each element. In addition, the Company offers a range of customer contract types, some of which are specifically tailored to individual customer requirements, and judgement has to be made as to the nature of the lessor lease arrangement.

The Company did not need to make any adjustments to its lessor accounting as a result of adopting NZ IFRS 16 - *Leases*.

4.3.3.2. Company as a lessee

Until 31 March 2019, leases of property, plant and equipment where the Company, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. All other leases were classified as operating leases.

Payments made under operating leases were recognised as an expense on a straight-line basis over the lease term, except where another systematic basis was more representative of the time pattern in which economic benefits from the leased asset were consumed. Contingent rentals arising under operating leases were recognised as an expense in the period in which they were incurred.

In the event that lease incentives were received to enter into operating leases, such incentives were recognised as a liability. The aggregate benefit of incentives was recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis was more representative of the time pattern in which economic benefits from the leased asset were consumed.

On adoption of NZ IFRS 16 - *Leases*, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of NZ IAS 17 - *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rates as of 1 April 2019. The weighted average lessee's incremental borrowing rates applied to the lease liabilities on 1 April was 1.98% for property premises and 4.42% for vehicles. The Company recognised corresponding right-of-use assets which have been calculated from the inception of the leases.

4.3.3.3. Practical expedients applied

In applying NZ IFRS 16 - *Leases* for the first time, the Company has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application

The Company has also elected not to apply NZ IFRS 16 - *Leases* to contracts that were not identified as containing a lease under NZ IAS 17 - *Leases* and NZ IFRIC 4 - *Determining whether an Arrangement contains a Lease.*

4.4. Interest expense

Interest costs are expensed in the period in which they occur. Interest expenses consist of interest that an entity incurs in connection with the financing of funds.

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4.5. Income Tax

4.5.1. Current Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the country where the Company operates and generates taxable income.

4.5.2. Deferred Tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised to the extent taxable profit is probable for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses.

4.6. Goods and services tax (GST)

Revenue, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST) except:

- Where the amount of GST incurred is not recovered 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
- 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).

4.7. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that 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 end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4.8. Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. 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.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line or diminishing value methods. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Leasehold improvements	4-12 Years	Equipment held for rental	1-5 Years
Plant and equipment	2-12 Years		

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4.9. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as finite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

Software is amortised over a period of 3 to 5 years.

4.10. Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments are classified into the following specified categories: 'fair value through profit or loss' (FVPL), 'fair value through other comprehensive income' (FVOCI) and 'at amortised cost'. The classification depends on the nature and purpose of the financial instrument and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

4.10.1. Financial assets

The company's financial assets consist of cash and short term deposits, trade receivables, lease receivables, and intercompany trade receivables.

4.10.1.1. Financial assets - Cash and short term deposits

Cash and short-term deposits comprise cash at bank and on hand and short term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

4.10.1.2. Financial assets - Trade and other receivables

Trade receivables are non-derivative financial assets and measured at amortised cost less impairment. Impairment of trade receivables is recorded through a loss allowance account (bad debt provision). The amount of the loss allowance is based on the simplified Expected Credit Loss (ECL) approach which involves the Company estimating the lifetime ECL at each balance date. The lifetime ECL is calculated using a provision matrix based on historical credit loss experience and adjusted for forward looking factors specific to the debtors and the economic environment.

4.10.1.3. Financial assets - Related party receivables

Related party receivables are measured at amortised cost. The company does not expect any credit loss on related party receivables.

4.10.1.4. Financial assets - Loan receivables

Loan receivables are measured at amortised cost less any provision.

4.10.1.5. Financial assets - Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. 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 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.

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Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when 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 affected.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and lease receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable or lease receivable is considered 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.

4.10.2. Financial liabilities and equity instruments

4.10.2.1. Financial liabilities and equity instruments - Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

4.10.2.2. Financial liabilities and equity instruments - Financial liabilities
All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts, and lease liabilities. Financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

4.10.2.3. Financial liabilities and equity instruments - Derecognition of financial liabilities
The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4.11. Impairment expense

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or categories of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Typically, the Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior periods. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

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5. Use of accounting estimates and judgements

In the application of the company's accounting policies the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

COVID-19 pandemic

The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of these financial statements. The estimation uncertainty is associated with:

- The extent and duration of the disruption to the business arising from actions by governments, businesses and customers in response to the pandemic;
- The extent and duration of the expected economic downturn (including deteriorating credit quality, liquidity concerns and reductions in production because of decreased demand); and
- The effectiveness of government measures that have been and will be put in place to support businesses and consumers through this disruption and economic downturn.

The Company has developed various accounting estimates in these financial statements which are predominantly related to expected credit losses and recoverable amount assessments of assets. There is a considerable degree of judgement involved in these estimates given the substantial uncertainty as to the flow on impacts from the lockdown restrictions and the outlook for recovery. The impact of the COVID-19 pandemic on these estimates is discussed below where relevant.

5.1. Lessor accounting

The Company provides both finance and operating leases to customers in a lessor capacity. The Company applies the criteria in NZ IFRS 16 - *Leases* in making this distinction. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset. This assessment considers factors such as the lease term, economic life of the underlying asset and purchase options (if any). All other leases are classified as operating leases. The recognition of revenue under operating leases and finance leases is disclosed in note 4.3.3.1.

5.2. Provision for doubtful debts

In determining the financial result for the period the Company makes certain judgements regarding the collectability of accounts receivable. In making these judgements the Company considers factors such as the debtor's payment history, the level of security held, recent trading performance and the likely timing and level of future payments. The Company establishes provisions based on reasonable estimates after considering the above factors.

The Company has further considered the impact of COVID-19 on the collectability of accounts receivable. The mandatory lockdown imposed by the New Zealand government from 25 March 2020 to 27 April 2020 prohibited all non-essential businesses from operating. During this period, enquiries were made by customers regarding payment relief. Various initiatives, such as payment deferrals, have been offered to customers.

The Company has estimated the effect of these initiatives and the continuing impact of disruptions to businesses on its account receivables. Customers have been assessed by their industry category and the corresponding percentage of write-downs made during the year ended 31 March 2020. A further provision for COVID-19 has been made by applying this percentage to the outstanding balance as at 31 March 2020. The methodology used to calculate this provision is consistent with the methodology used to calculate the general provision for trade and lease receivables.

5.3. Consumables at customers

The Company provides consumables that are held at customer's premises and the Company retains the legal right over these assets until they are used by the customer. In determining the value of consumables inventory, the Company makes certain judgements and estimates in respect of the quantity of inventory held at customer premises. This is done in order to estimate the carrying value of these assets.

6. Revenue

Revenue consists of proceeds derived from two sources. These are revenue from contracts with customers and revenue from leases.

Revenue:		2020 NZ$'000	2019 NZ$'000
Total revenue from contracts with customers	Note 6.1	86,639	93,064
Total revenue from leases		62,816	79,838
Total revenue		**149,455**	**172,902**

6.1. Revenue from contracts with customers

Revenue from contracts with customers consist of the following:

Service and Maintenance revenue

Service and Maintenance is revenue generated from services provided to customers alongside machine and rental purchases. These services include, but are not limited to installation services, remote and online services, equipment repair & maintenance, consumables and device disposal services. These agreements are considered to consist of a single performance obligation to provide standby services and maintenance as the obligation to provide individual services is not separately identifiable from other promises in the contract, and therefore not distinct. Revenue is generally recognised over time, because of the following:

- The customer simultaneously receives and consumes the benefits provided by the Company as it performs; and/or
- The Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

Enterprise Consulting - Services revenue

Enterprise Consulting services revenue is an array of services or supply of goods across office services, document outsourcing and communication services and business processing services. Revenue can be recognised at either point in time or over-time depending on the service offered and the performance obligation being met.

For goods or services recognised at point in time revenue is recognised when the Company transfers the promised good/service to the customer for instance for printing services this is generally when the printed item is delivered to the customer. For goods or services recognised over-time it is usually a service that is considered one performance obligation as it is a series of underlying services provided which the customer simultaneously receives and consumes the benefits of as the Company provides, for example where billed monthly for their printing services.

Software revenue

Software covers a range of software goods and services including licenses (perpetual and subscription), software maintenance and software consultancy. Software consultancy is generally billed on time and materials basis and hence is recognised at point of time.

Licensing revenue recognition is dependant on the type of licenses and broadly split into the following two categories:

- Perpetual licenses - recognised at point in time being the issue of license key
- Subscription licenses - recognised over-time

Where software maintenance is billed in advance this is deferred and recognised over the period in which the performance obligations are met (normally 12 months) which aligns with the over-time recognition of providing a service of repeat services.

Software consultancy or professional services is generally charged based on time and materials and is therefore recognised at point in time, whereas software support can be recognised over-time where it is a services are a series of distinct units providing benefit to the customer as they are consumed.

Other revenue

Other revenue consists of revenue derived from the sales of goods and services provided and are recognised at a point in time in accordance with the Company's treatment of point in time performance obligations.

2020 **Revenue from contracts with customers:**	**Point in time** **NZ$'000**	**Over time** **NZ$'000**	**Total** **NZ$'000**
Service and Maintenance revenue	-	57,552	57,552
Enterprise Consulting - Services revenue	13,877	4,786	18,663
Software revenue	4,966	3,318	8,284
Other revenue	2,140	-	2,140
2020 Total revenue from contracts with customers			**86,639**

2019 **Revenue from contracts with customers:**	**Point in time** **NZ$'000**	**Over time** **NZ$'000**	**Total** **NZ$'000**
Service and Maintenance revenue	-	58,138	58,138
Enterprise Consulting - Services revenue	15,657	5,725	21,382
Software revenue	4,522	3,029	7,551
Other revenue	5,993	-	5,993
2019 Total revenue from contracts with customers			**93,064**

7. Other income

Other income includes:	**2020** **NZ$'000**	**2019** **NZ$'000**
Gain/(Loss) on disposal of Property, Plant & Equipment	(43)	53
Other income/(expenses)	(6)	760
	(49)	**813**

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8. Administrative and other operating expenses

Administrative and other operating expenses include:		2020 NZ$'000	2019 NZ$'000
Personnel expenses	Note 9	43,746	45,574
Bad debt expense		4,098	168
Depreciation and impairment of Property, plant & equipment (excludes equipment held for rental)	Note 16	1,984	2,551
Amortisation of intangibles	Note 17	365	585

During the year, the Company undertook a number of restructuring activities including redundancy payments of $0.2 million (2019: $1.1 million).

9. Personnel expenses

Personnel expenses includes:	2020 NZ$'000	2019 NZ$'000
Wages and salaries	41,733	43,671
Contributions to defined contribution plans	2,013	1,903
Total Personnel expenses	**43,746**	**45,574**

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

10. Interest income and expense

	2020 NZ$'000	2019 NZ$'000
Interest income	374	684
Interest income	**374**	**684**
Interest expense	(5,518)	(5,512)
Interest expenses	**(5,518)**	**(5,512)**

11. Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

11.1. Income tax recognised in profit or loss

	2020 NZ$'000	2019 NZ$'000
Current tax expense relating to the current period	1,674	460
Adjustments for current tax of prior periods	(1,139)	-
Consideration of tax loss transfer	423	-
Total current tax expense	958	460
Deferred tax expense	(535)	(460)
Total deferred tax expense	(535)	(460)
Total income tax expense recognised in the current year	423	-

The income tax expense for the year can be reconciled to the accounting profit as follows:	2020 NZ$'000	2019 NZ$'000
Profit/(loss) before tax from continuing operations	(1,885)	53
Income tax expense calculated at 28%	(528)	15
Effect of non-deductible expenses	2,171	2,757
Prior period adjustment	(1,139)	-
Effect of temporary differences	30	(2,312)
Consideration of tax loss transfer	423	-
Derecognition of deferred tax	(535)	(460)
Income tax expense recognised in profit or loss	423	-

11.2. Deferred tax balances

Deferred tax liabilities/(assets) comprise temporary differences relating to:	2020 NZ$'000	2019 NZ$'000
Tax losses	77,857	79,091
Accruals	1,541	1,631
Provisions	1,788	1,041
Leases	1,597	1,766
Right-of-use assets	(202)	-
Derecognition of deferred tax asset	(82,581)	(83,529)
	-	-

12. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses incurred in bringing the Inventory to its existing condition and location, including freight forwarding, import duties, storage and handling etc. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

	2020 NZ$'000	2019 NZ$'000
Equipment	8,445	7,084
Consumables	13,352	14,113
Spare parts	2,375	2,284
	24,172	**23,481**

Inventories include net of provisions of $0.9 million (2019: $1.7 million). The cost of inventories recognised as an expense and included in 'cost of sales' in the statement of comprehensive income was $41.2 million (2019: $65.6 million).

The cost of inventories written off during the year amounted to $1.3 million (2019: $1.6 million).

13. Trade and other receivables

	2020 NZ$'000	2019 NZ$'000
Trade receivables	15,278	19,283
Allowance for doubtful debts	(3,281)	(1,610)
	11,997	**17,673**
Prepayments	674	388
Accrued revenue	2,243	2,955
Other	954	1,535
Total trade and other receivables	**15,868**	**22,551**
Current trade and other receivables	15,804	22,483
Non current other receivables	64	68
	15,868	**22,551**
Provision for doubtful debts		
Opening provision	**1,610**	**5,963**
Additional provisions during the period	2,433	1,053
Amounts used during the period	(762)	(5,406)
Closing provision	**3,281**	**1,610**

14. Leases

14.1. Adjustment to retained earnings as at 1 April 2019

	NZ$'000
Operating lease commitments disclosed as at 31 March 2019	36,913
Add: lease incentives recognised as at 31 March 2019	4,170
Add: adjustments relating to rent reviews and renewals	2,431
Discounted using the Company's incremental borrowing rates (Property: 1.98%, Vehicles: 4.42%)	(3,441)
Lease liability recognised as at 1 April 2019	**40,073**

Right-of-use assets were measured from the inception of the lease as the present value of lease payments less any lease incentives received relating to the lease. The right-of-use assets net of accumulated depreciation recognised as at 1 April 2019 was $37.3 million. As at 1 April 2019, the net impact of the difference between the opening right-of-use assets and lease liabilities balances on retained earnings was $2.8 million.

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14.2. Company as a lessor

14.2.1. Lease receivables

	2020 NZ$'000	2019 NZ$'000
Gross lease receivables	1,457	3,124
Provision for doubtful debts	(600)	(544)
Unearned income	(160)	(413)
Net lease receivables	**697**	**2,167**
Current finance receivables	13	363
Non-current finance receivables	684	1,804
Net finance receivables	**697**	**2,167**

Gross investment in the lease receivable at the end of reporting period as follows:	2020 NZ$'000	2019 NZ$'000
Not later than 1 year	718	1,127
Later than 1 year and not later than 5 years	739	1,997
Later than 5 years	-	-
	1,457	**3,124**

Present value of minimum lease payments receivable at the end of reporting period as follows:	2020 NZ$'000	2019 NZ$'000
Not later than 1 year	13	363
Later than 1 year and not later than 5 years	684	1,804
Later than 5 years	-	-
	697	**2,167**

14.3. Company as a lessee

14.3.1. Amounts recognised in the statement of profit or loss

	2020 NZ$'000
Depreciation charge of right-of-use assets	
Property premises	4,117
Vehicles	1,149
	5,266
Interest expense (included in interest expenses)	847
Income from subleasing right-of-use assets	(365)
	5,748

The total cash outflow for leases in 2020 was $5.5 million.

14.3.2. Amounts recognised in the balance sheet

	2020 NZ$'000
Right-of-use assets	
Property premises	27,182
Vehicles	2,662
	29,844

Additions to the right-of-use assets during the 2020 financial year were $2.0 million.

Lease liabilities	
Current	5,499
Non-current	32,156
	37,655

14.3.3. The group's leasing activities and how these are accounted for

The Company leases a number of vehicles and premises throughout New Zealand with varying lease terms of up to 5 years for vehicles and 12 years for premises from the date of inception.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company has applied a three-way methodology using:
- a reference rate, being the New Zealand Government bond yields at 1 April 2019,
- adjustments for risk for leases held by the Company due to the underlying asset's nature, and
- financing spread adjustments.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:
- the present value of lease payments from inception of the lease,
- any lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

15. Loan receivable

The loan receivable balance at year end is net of provision of $2.2 million (2019: $0.35 million). The interest rate charged on the loan was 11% per annum (2019: 11%).

	2020 NZ$'000	2019 NZ$'000
Loan receivable - Current	1,190	1,355
Loan receivable - Non current	1,049	2,205
Provision for loan	(2,239)	(350)
	-	3,210

16. Property, plant and equipment

Carrying amounts of:	2020 NZ$'000	2019 NZ$'000
Leasehold buildings & improvements	3,380	3,549
Plant and equipment	3,007	3,442
Equipment held for rental	615	1,754
Motor vehicles	-	-
	7,002	8,745

Cost	Leasehold buildings & improvements	Plant and equipment	Equipment held for rental	Motor vehicles	Total
Balance at 1 April 2018	**11,338**	**14,397**	**26,173**	**88**	**51,996**
Additions	369	1,774	796	-	2,939
Disposals	(578)	(5,839)	(11,339)	(88)	(17,844)
Transfers	-	-	-	-	-
Balance at 31 March 2019	**11,129**	**10,332**	**15,630**	-	**37,091**
Additions	39	1,856	401	-	2,296
Disposals	(124)	(2,530)	(5,361)	-	(8,015)
Balance at 31 March 2020	**11,044**	**9,658**	**10,670**	-	**31,372**

Accumulated depreciation	Leasehold buildings & improvements	Plant and equipment	Equipment held for rental	Motor vehicles	Total
Balance at 1 April 2018	**(7,688)**	**(8,014)**	**(16,468)**	**(88)**	**(32,258)**
Depreciation and impairment charges	(470)	(2,081)	(4,949)	-	(7,500)
Disposals	578	3,205	7,541	88	11,412
Balance at 31 March 2019	**(7,580)**	**(6,890)**	**(13,876)**	-	**(28,346)**
Depreciation and impairment charges	(147)	(1,837)	(1,093)	-	(3,077)
Disposals	63	2,076	4,914	-	7,053
Balance at 31 March 2020	**(7,664)**	**(6,651)**	**(10,055)**	-	**(24,370)**
Net Book Value as at 31 March 2020	**3,380**	**3,007**	**615**	-	**7,002**

17. Software

	2020 NZ$'000	2019 NZ$'000
Cost at 1 April	9,439	9,438
Additions	64	1
Disposals	-	-
Cost at 31 March	**9,503**	**9,439**
Accumulated amortisation and impairment at 1 April	(8,818)	(8,233)
Amortisation	(365)	(585)
Disposals	-	-
Accumulated amortisation and impairment at 31 March	**(9,183)**	**(8,818)**
Net Book Value as at 31 March	**320**	**621**

18. Defined benefit plans (pension benefits)

In the past the Company operated a defined benefit fund for its employees. As at 31 March 1999, employees were invited to transfer to the new defined contribution plan. The Company undertook to pay a top-up if the benefit payable on leaving service under the new plan was less than the benefit to which they would have been entitled had the old scheme continued.

The Company recognises the obligation in respect to this employee benefit in accordance with an independent actuarial valuation. The present value of the unfunded defined benefit obligations has been calculated as follows:

	2020 NZ$'000	2019 NZ$'000
Present value of unfunded defined benefit obligations	483	199
Present value of funded defined benefit obligations	31	28
Total present value of obligations	**514**	**227**

The valuation assumptions used to determine the amounts calculated above were as follows:

	2020 NZ$'000	2019 NZ$'000
Average annual rate of salary increase	2.00%	3.00%
Long-term average annual earning rate of plan (net)	5.00%	5.00%
Discount rate (NZ long-term bond rate of 4.50% (2019: 6.00%)		
Less tax at 28% (2019: 28%)	3.24%	4.32%

Note that as these benefits are not funded, the actual annual cost will be the total amount paid out by the Company each year as affected members leave service and receive their benefit entitlements.

19. Borrowings

Borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Current	**Interest rate**	**Term**	**2020 NZ$'000**
Intercompany loan - Fuji Xerox Finance Limited	2.078% - 2.975%	Call	-
Total interest bearing loans and borrowings			**-**

Current	**Interest rate**	**Term**	**2019 NZ$'000**
Intercompany loan - Fuji Xerox Finance Limited	2.625% - 3.788%	Call	186,700
Total interest bearing loans and borrowings			**186,700**

During the financial year, the Company repaid the intercompany loan of $186.7 million owed to Fuji Xerox Finance Limited using consideration received from the share issue described in note 20.

20. Share Capital

	2020 # of shares	2019 # of shares	2020 NZ$'000	2019 NZ$'000
Balance at 1 April	15,700,000	15,700,000	31,400	31,400
Shares issued	183,643,500	-	367,287	-
Balance at 31 March	**199,343,500**	**15,700,000**	**398,687**	**31,400**

On 16 March 2020, 183,643,500 fully paid ordinary shares in the Company were issued to Fuji Xerox Asia Pacific Pte Limited for a consideration of $367,287,000. The consideration received by the Company was applied to repay the intercompany amounts owing by the Company to Fuji Xerox Finance Limited (note 19) and Fuji Xerox Asia Pacific Pte Limited (note 23.2).

At 31 March 2020 equity includes 199,343,500 authorised (2019: 15,700,000), issued and fully paid ordinary shares of $2.00 (2019: $2.00). All shares carry equal voting rights and rank pari passu with regard to the residual assets of the Company.

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Fuji Xerox New Zealand Limited

Notes to the Financial Statements

21. Trade and other payables

A liability for employee entitlements is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service. Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to the reporting date.

	2020 NZ$'000	2019 NZ$'000
Trade payable	948	1,356
Accruals and other payables	9,029	9,965
Employee entitlements	4,096	5,842
Deferred revenue	-	4,421
GST Payable	674	1,647
	14,747	**23,231**

	2020 NZ$'000	2019 NZ$'000
Current Trade and other payables	13,920	17,874
Non-current other payables	827	5,357
	14,747	**23,231**

22. Financial instruments classification

As at 31 March 2020	**Financial assets at amortised cost NZ$'000**	**Financial liabilities at amortised cost NZ$'000**	**Total Carrying amount NZ$'000**
Financial assets			
Trade and other receivables	15,130	-	15,130
Lease receivables	13	-	13
Cash and cash equivalents	5,427	-	5,427
Loans receivable	-	-	-
Total current assets	**20,570**	**-**	**20,570**
Other receivables	64	-	64
Lease receivables	684	-	684
Loans receivable	-	-	-
Total non-current assets	**748**	**-**	**748**
Total assets	**21,318**	**-**	**21,318**
Liabilities			
Intercompany loans	-	-	-
Trade and other payables	-	13,920	13,920
Net intercompany trade payables	-	11,433	11,433
Total current liability	**-**	**25,353**	**25,353**
Other payables	-	827	827
Total non-current liabilities	**-**	**827**	**827**
Total liabilities	**-**	**26,180**	**26,180**

As at 31 March 2019	Financial assets at amortised cost NZ$'000	Financial liabilities at amortised cost NZ$'000	Total Carrying amount NZ$'000
Current financial assets			
Trade and other receivables	22,095	-	22,095
Lease receivables	363	-	363
Cash and cash equivalents	3,319	-	3,319
Loans receivable	1,005	-	1,005
Total current assets	**26,782**	**-**	**26,782**
Other receivables	68	-	68
Lease receivables	1,804	-	1,804
Loans receivable	2,205	-	2,205
Total non-current assets	**4,077**	**-**	**4,077**
Total assets	**30,859**	**-**	**30,859**
Liabilities			
Intercompany loans	-	186,700	186,700
Trade and other payables	-	17,874	17,874
Net intercompany trade payables	-	197,726	197,726
Total current liability	**-**	**402,300**	**402,300**
Other payables	-	5,357	5,357
Total non-current liabilities	**-**	**5,357**	**5,357**
Total liabilities	**-**	**407,657**	**407,657**

23. Related parties

23.1. Identity of related parties

The Company provides document management solutions to customers. The Company has entered into transactions with related parties which are owned by the same ultimate parent company, FUJIFILM Holdings Corporation.

Fuji Xerox Co., Limited, a parent company charged royalties.

Fuji Xerox Asia Pacific Pte Limited, the immediate parent company, has supplied inventories and management services.

Fuji Xerox Australia Pty Limited has supplied inventories and management services.

Fuji Xerox Finance Limited, a related party, has purchased equipment from, leased equipment to, lent money to and paid exclusivity fees to the Company. The interest rates charged on loans to the Company were 2.078% - 2.975% (2019: 2.625% - 3.788%). The Company is also part of a tax group with Fuji Xerox Finance Limited.

FUJIFILM New Zealand Pty Limited, a subsidiary of the parent company of Fuji Xerox Co., Limited, FUJIFILM Holdings Corporation, has supplied and purchased inventories from the Company.

23.2. Related party transactions

For the year ended 31 March 2020	Net (sale)/ purchase of goods or services NZ$'000	Interest on loan NZ$'000	Net receivable/ (payable) NZ$'000	Loan payable NZ$'000
FUJIFILM New Zealand Pty Limited	76	-	416	-
	76	**-**	**416**	**-**
Ultimate parent				
Fuji Xerox Co., Limited	3,472	-	(1,480)	-
	3,472	**-**	**(1,480)**	**-**
Parent				
Fuji Xerox Asia Pacific Pte Limited	41,944	-	(16,129)	-
	41,944	**-**	**(16,129)**	**-**
Fellow subsidiaries of Fuji Xerox Co., Limited				
Fuji Xerox Australia Pty Limited	130	-	(92)	-
Fuji Xerox Finance Limited	(23,777)	4,653	5,938	-
Other	313	-	(86)	-
	(23,335)	**4,653**	**5,760**	**-**
	22,158	**4,653**	**(11,433)**	**-**

During the financial year, consideration of $0.4 million for a tax loss transfer relating to the 2019 tax year from FUJIFILM New Zealand Pty Limited was recognised as an intercompany receivable.

The Company partially repaid the intercompany payable owing to Fuji Xerox Asia Pacific Pte Limited using consideration received from the share issue described in note 20. The total repayment was $166 million.

The Company recharged expenses to Fuji Xerox Finance Limited during the year which have been recorded as an intercompany balance. These relate to wages and salaries and administrative expenses, and have been recharged as they relate to Fuji Xerox Finance Limited.

For the year ended 31 March 2019	Net (sale)/ purchase of goods or services NZ$'000	Interest on loan NZ$'000	Net receivable/ (payable) NZ$'000	Loan payable NZ$'000
FUJIFILM New Zealand Pty Limited	519	-	(9)	-
	519	**-**	**(9)**	**-**
Ultimate parent				
Fuji Xerox Co., Limited	3,773	-	(1,572)	-
	3,773	**-**	**(1,572)**	**-**
Parent				
Fuji Xerox Asia Pacific Pte Limited	49,956	-	(189,631)	-
	49,956	**-**	**(189,631)**	**-**
Fellow subsidiaries of Fuji Xerox Co., Limited				
Fuji Xerox Australia Pty Limited	612	-	(5)	-
Fuji Xerox Finance Limited	(26,772)	5,257	(6,928)	(186,700)
Other	706	-	419	-
	(25,454)	**5,257**	**(6,514)**	**(186,700)**
	28,794	**5,257**	**(197,726)**	**(186,700)**

23.3 Compensation of key management personnel

The Company has a related party relationship with its directors and other members of key management personnel. The total amount paid to key management personnel for services rendered was $3.7 million (2019: $3.6 million).

23.4 Change in ultimate shareholding

During the year, Fujifilm Holdings Corporation, the ultimate parent company, acquired Xerox Corporation's 25% stake in Fuji Xerox Co., Limited, a parent company. This transaction brought Fujifilm Holdings Corporation's ownership of Fuji Xerox Co., Limited to 100%, which in turn has 100% ownership of the Company.

24. Capital Commitments

There are no capital commitments as at 31 March 2020 (2019: Nil).

25. Contingent Liabilities

There are no contingent liabilities as at 31 March 2020.

26. Events after balance date

In April 2020, the Company received $3.7 million from the New Zealand Government in accordance with the Covid-19 Wage Subsidy scheme.

In June 2020, the Company announced that it has committed to an internal restructuring plan. An estimate of the financial effect of the restructuring plan cannot be made as at the date that these financial statements were authorised. The plan is currently in the consultation phase and any financial effects will be finalised in the next financial year.

27. Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on the date in the Directors' responsibility statement.

KPMG

Independent Auditor's Report

To the shareholder of Fuji Xerox New Zealand Limited

Report on the audit of the financial statements

Opinion

In our opinion, the accompanying financial statements of Fuji Xerox New Zealand Limited (the 'company') on pages 5 to 24 :

i. present fairly in all material respects the company's financial position as at 31 March 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 31 March 2020;

— the statements of 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 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ('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 tax compliance. 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.

Emphasis of matter

We draw attention to Notes 5 'Covid-19 pandemic' and 5.2 'Provision for doubtful debts' to the financial statements which detail management's assessment of the estimation uncertainty created by the Covid-19 pandemic.

Our opinion is not modified in respect of this matter.

Other information

The Directors, on behalf of the company, are responsible for the other information included in the entity's financial statements. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholder as a body. Our audit work has been undertaken so that we might state to the shareholder 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 shareholder 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-7/

This description forms part of our independent auditor's report.

KPMG
Auckland

27 August 2020