

TURNERS AUTOMOTIVE GROUP LIMITED**Results for announcement to the market**

Reporting Period	6 months to 30 September 2017	
Previous Reporting Period	6 months to 30 September 2016	
	Amount (NZD000s)	Percentage change
Revenue from ordinary activities	163,842	44%
Operating profit after tax - ordinary activities	10,031	18%
Net profit attributable to security holders	9,988	17%
Interim Dividend	Amount per security	Imputed amount per security
	\$0.03000	\$0.01667
Record Date	15 December 2017	
Dividend Payment Date	22 December 2017	
Comments:		

TURNERS AUTOMOTIVE GROUP LIMITED

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2017

	Six months ended 30/09/2017 Unaudited \$'000	Six months ended 30/09/2016 Unaudited \$'000	Year ended 31/03/2017 Audited \$'000
Revenue from continuing operations	162,979	113,292	249,338
Other income	863	657	1,671
Cost of goods sold	(71,430)	(50,553)	(116,997)
Interest expense	(6,532)	(5,642)	(11,350)
Impairment provision expense	(2,276)	(739)	(2,026)
Subcontracted services expense	(5,375)	(4,110)	(8,520)
Employee benefits (short term)	(25,589)	(19,220)	(40,862)
Commission	(5,439)	(3,469)	(7,446)
Advertising expense	(1,905)	(1,476)	(3,431)
Depreciation and amortisation expense	(2,689)	(1,247)	(2,863)
Property and related expenses	(5,118)	(4,392)	(9,391)
Systems maintenance	(870)	(709)	(1,468)
Claims	(15,920)	(3,195)	(6,491)
Life fund movement	(25)	(833)	(1,056)
Credit legal fee service expense	(548)	(374)	(838)
Other expenses	(5,882)	(6,228)	(13,639)
Profit before taxation	14,244	11,762	24,631
Taxation (expense)/benefit	(4,213)	(3,235)	(7,057)
Profit from continuing operations	10,031	8,527	17,574
Other comprehensive income for the year (which may subsequently be reclassified to profit/loss), net of tax			
Cash flow hedges	(43)	35	41
Foreign currency translation differences	-	(1)	(6)
Total comprehensive income for the year	9,988	8,561	17,609
Earnings per share (cents per share)			
Basic earnings per share	13.36	13.40	25.49
Diluted earnings per share	13.24	12.95	25.03

TURNERS AUTOMOTIVE GROUP LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Share Capital \$'000	Share Options \$'000	Translation Reserve \$'000	Cash flow reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 31 March 2016 (audited)	136,127	-	(17)	(35)	(6,263)	129,812
<i>Transactions with shareholders in their capacity as owners</i>						
Capital contributions (net of issue costs)	19,309	-	-	-	-	19,309
Dividend paid	-	-	-	-	(6,361)	(6,361)
	19,309	-	-	-	(6,361)	12,948
<i>Comprehensive income</i>						
Profit	-	-	-	-	8,527	8,527
Other comprehensive income	-	-	(1)	35	-	34
Total comprehensive income for the period, net of tax	-	-	(1)	35	8,527	8,561
Balance at 30 September 2016 (unaudited)	155,436	-	(18)	-	(4,097)	151,321
<i>Transactions with shareholders in their capacity as owners</i>						
Capital contributions (net of issue costs)	13,373	-	-	-	-	13,373
Share based payments	-	208	-	-	-	208
Dividend paid	-	-	-	-	(2,234)	(2,234)
	13,373	208	-	-	(2,234)	11,347
<i>Comprehensive income</i>						
Profit	-	-	-	-	9,047	9,047
Other comprehensive income	-	-	(5)	6	-	1
Total comprehensive income for the period, net of tax	-	-	(5)	6	9,047	9,048
Balance at 31 March 2017 (audited)	168,809	208	(23)	6	2,716	171,716
<i>Transactions with shareholders in their capacity as owners</i>						
Capital contributions (net of issue costs)	25,149	-	-	-	-	25,149
Share based payments	-	217	-	-	-	217
Dividend paid	-	-	-	-	(6,334)	(6,334)
	25,149	217	-	-	(6,334)	19,032
<i>Comprehensive income</i>						
Profit	-	-	-	-	10,031	10,031
Other comprehensive income	-	-	-	(43)	-	(43)
Total comprehensive income for the period, net of tax	-	-	-	(43)	10,031	9,988
Balance at 30 September 2017 (unaudited)	193,958	425	(23)	(37)	6,413	200,736

TURNERS AUTOMOTIVE GROUP LIMITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	30/09/2017 Unaudited \$'000	30/09/2016 Unaudited \$'000	31/03/2017 Audited \$'000
Assets			
Cash and cash equivalents	69,472	14,903	69,069
Financial assets at fair value through profit or loss			
- Insurance	7,345	16,058	7,190
- Other	3,620	3,206	3,130
Trade receivables	17,538	10,114	12,663
Inventory	42,143	44,028	44,642
Finance receivables	269,229	176,052	207,143
Derivative financial instruments	-	-	88
Other receivables and deferred expenses	7,945	8,328	8,489
Reverse annuity mortgages	8,967	9,769	9,222
Investment property	4,000	3,500	4,000
Property, plant and equipment	23,736	13,856	18,909
Intangible assets	171,527	133,269	172,088
Total assets	625,522	433,083	556,633
Liabilities			
Other payables	35,164	33,025	28,091
Financial liability at fair value through profit or loss	2,767	5,754	7,611
Deferred revenue	5,766	5,738	5,624
Deferred tax	20,044	10,698	20,173
Tax payable	1,681	276	1,808
Derivative financial instruments	43	-	-
Borrowings	306,786	198,849	265,889
Life investment contract liabilities	8,079	15,862	12,847
Life insurance contract liabilities	44,456	11,560	42,874
Total liabilities	424,786	281,762	384,917
Shareholders' equity			
Share capital	193,958	155,436	168,809
Other reserves	365	(18)	191
Retained earnings	6,413	(4,097)	2,716
Total shareholders' equity	200,736	151,321	171,716
Total shareholders' equity and liabilities	625,522	433,083	556,633
Total assets per share (\$)	7.53	6.19	7.47
Net tangible assets (\$)	0.59	0.41	0.27

The Group's insurance business is required to comply with the solvency standards for licensed insurers issued by the Reserve Bank of New Zealand. The solvency standards specify the level of assets the insurance business is required to hold in order to meet solvency requirements, consequently all cash and cash equivalents held in the insurance business may not be available for use by the wider Group. The Group's insurance business' cash and cash equivalents at 30 September 2017 were \$48.1m (30 September 2016: \$6.2m; 31 March 2017: \$55.6m).

Cash and cash equivalents at 30 September 2017 of \$8.0m (30 September 2016 :\$nil; 31 March 2017 : \$2.1m) belongs to the Turners Marque Warehouse Trust 1 and is not available to the Group.

TURNERS AUTOMOTIVE GROUP LIMITED

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2017

	Six months ended 30/09/2017 Unaudited \$'000	Six months ended 30/09/2016 Unaudited \$'000	Year ended 31/03/2017 Audited \$'000
Cash flows from operating activities			
Interest received	18,873	15,254	27,909
Receipts from customers	138,972	96,386	216,948
Interest paid	(5,896)	(5,610)	(8,237)
Payment to suppliers and employees	(132,000)	(92,752)	(216,489)
Income tax paid	(4,465)	(3,268)	(5,044)
Net cash inflow/(outflow) from operating activities before changes in operating assets and liabilities	15,484	10,010	15,087
Net increase in finance receivables	(54,372)	(9,569)	(36,403)
Net decrease in reverse annuity mortgages	672	413	1,246
Sale of insurance assets at fair value through profit and loss	305	386	9,156
Net contribution from life investment contracts	(4,877)	(90)	(2,645)
Changes in operating assets and liabilities arising from cash flow movements	(58,272)	(8,860)	(28,646)
Net cash (outflow)/inflow from operating activities	(42,788)	1,150	(13,559)
Cash flows from investing activities			
Proceeds from sale of property, plant, equipment and intangibles	152	163	340
Purchase of fixed assets and intangible assets	(6,116)	(2,763)	(8,401)
Purchase of subsidiaries	(3,733)	(29,344)	(63,346)
Net cash inflow from investing activities	(9,697)	(31,944)	(71,407)
Cash flows from financing activities			
Net bank loan advances/(repayments)	34,756	18,450	82,288
Proceeds of share issue	24,466	-	13,374
Proceeds from the issue of bonds	-	19,784	19,784
Dividend paid	(6,334)	(6,361)	(8,595)
Net cash inflow/(outflow) from financing activities	52,888	31,873	106,851
Net movement in cash and cash equivalents	403	1,079	21,885
Add opening cash and cash equivalents	69,069	13,810	13,810
Cash included with purchase of subsidiaries	-	-	33,378
Translation difference	-	14	(4)
Closing cash and cash equivalents	69,472	14,903	69,069

TURNERS AUTOMOTIVE GROUP LIMITED

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2017

	Six months ended 30/09/2017 Unaudited \$'000	Six months ended 30/09/2016 Unaudited \$'000	Year ended 31/03/2017 Audited \$'000
RECONCILIATION OF NET SURPLUS WITH CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss)	10,031	8,527	17,574
Adjustment for Non-cash items			
Movement in impairment provisions	2,281	739	2,026
Net loss on sale of fixed assets	(227)	(24)	(84)
Depreciation and amortisation	2,689	1,247	2,863
Capitalised reverse annuity mortgage interest	(432)	(456)	(885)
Deferred revenues	282	2,508	4,678
Change in value of financial assets at fair value through profit or loss	(929)	(114)	(1,012)
Net annuity and premium change to policyholders accounts	109	(1,183)	(137)
Non-cash long term employee benefits	238	323	179
Non-cash adjustments to finance receivables effective interest rates	51	(14)	83
Deferred expenses	(5,909)	45	(3,901)
Adjustment for Movements in Working Capital			
Net increase receivables and pre-payments	(1,823)	(3,860)	(6,518)
Net decrease/(increase) in inventories	2,578	(2,870)	(3,585)
Net decrease/(increase) in current tax receivable	(266)	-	2,159
Net increase/(decrease) in payables	6,797	5,178	1,575
Net increase in finance receivables	(54,372)	(9,569)	(36,403)
Net decrease in reverse annuity mortgages	672	413	1,246
Net decrease of insurance assets at fair value through profit or loss	305	386	9,156
Net contributions from life investment contracts	(4,877)	(90)	(2,645)
Net decrease/(increase) in deferred tax	1,214	(33)	76
Net increase in tax payable	(1,200)	(3)	(4)
Net Cash inflow/(outflow) from Operating Activities	(42,788)	1,150	(13,559)

Other material non-cash items

	Revenue			Expenses		
	30/09/2017	30/09/2016	31/03/2017	30/09/2017	30/09/2016	31/03/2017
	Unaudited \$'000	Unaudited \$'000	Audited \$'000	Unaudited \$'000	Unaudited \$'000	Audited \$'000
Automotive retail - impairment provisions	-	-	-	207	121	297
Finance - impairment provisions	-	-	-	2,016	601	1,710
Insurance - impairment provisions	-	-	-	53	14	16
Automotive retail - revaluation of investment	590	523	729	-	-	-
Finance - investment property	-	-	500	-	-	-
Collection services - New Zealand - deferred revenue	241	597	1,061	-	-	-
Insurance - reverse annuity mortgage interest	432	396	825	-	-	-
Corporate & Other - reverse annuity mortgage interest	-	60	60	-	-	-
	1,263	1,576	3,175	2,276	736	2,023

2.2 SEGMENT ASSETS AND LIABILITIES

	Segment assets			Segment liabilities		
	30/09/2017	30/09/2016	31/03/2017	30/09/2017	30/09/2016	31/03/2017
	Unaudited \$'000	Unaudited \$'000	Audited \$'000	Unaudited \$'000	Unaudited \$'000	Audited \$'000
Automotive retail	140,406	119,932	134,160	108,698	95,565	103,821
Finance	228,077	143,886	174,134	178,439	99,215	126,528
Collection Services - New Zealand	26,625	28,163	25,974	7,824	13,908	9,246
Collection Services - Australia	1,852	1,570	1,908	758	683	890
Insurance	117,862	43,030	118,722	64,413	33,980	66,503
Corporate & Other	285,026	280,569	266,403	72,386	101,430	79,169
	799,848	617,150	721,301	432,518	344,781	386,157
Eliminations	(174,326)	(184,067)	(164,668)	(7,732)	(63,019)	(1,240)
	625,522	433,083	556,633	424,786	281,762	384,917

2.3 AUTOMOTIVE RETAIL SEGMENT ANALYSIS

	Revenue			Revenue			Revenue		
	Total segment revenue	Inter-segment revenue	from external customers	Total segment revenue	Inter-segment revenue	from external customers	Total segment revenue	Inter-segment revenue	from external customers
	30/09/2017 Unaudited \$'000	30/09/2017 Unaudited \$'000	30/09/2017 Unaudited \$'000	30/09/2016 Unaudited \$'000	30/09/2016 Unaudited \$'000	30/09/2016 Unaudited \$'000	31/03/2017 Audited \$'000	31/03/2017 Audited \$'000	31/03/2017 Audited \$'000
Auctions	21,899	(607)	21,292	18,851	-	18,851	38,169	(272)	37,897
Finance	7,313	(194)	7,119	7,109	-	7,109	12,700	-	12,700
Fleet	56,114	-	56,114	49,216	-	49,216	97,858	-	97,858
Buy Right Cars	30,368	(1,410)	28,958	11,006	-	11,006	44,745	(511)	44,234
	115,694	(2,211)	113,483	86,182	-	86,182	193,472	(783)	192,689

Operating profit

	30/09/2017 Unaudited \$'000	30/09/2016 Unaudited \$'000	31/03/2017 Audited \$'000
Auctions	2,459	1,508	2,442
Finance	2,956	2,525	4,916
Fleet	1,993	2,207	4,932
Buy Right Cars	1,363	678	3,107
	8,771	6,918	15,397

Division assets and liabilities

	Assets			Liabilities		
	30/09/2017	30/09/2016	31/03/2017	30/09/2017	30/09/2016	31/03/2017
	Unaudited \$'000	Unaudited \$'000	Audited \$'000	Unaudited \$'000	Unaudited \$'000	Audited \$'000
Auctions	26,583	21,102	30,386	7,194	4,815	13,044
Finance	61,463	50,621	55,506	58,319	48,496	50,694
Fleet	20,651	14,025	20,546	16,565	10,333	14,876
Buy Right Cars	31,709	34,184	29,450	26,620	31,921	25,724
	140,406	119,932	135,888	108,698	95,565	104,338
	-	-	(1,728)	-	-	(517)
	140,406	119,932	134,160	108,698	95,565	103,821

Five reportable segment have been identified as follows

Automotive retail - remarketing (motor vehicles, trucks, heavy machinery and commercial goods) and purchasing goods for sale (motor vehicles and commercial goods) and related asset based finance to consumers

Collection services - collection services, credit management and debt recovery services to the corporate and SME sectors. Geographically the collections services segment business activities are located in New Zealand and Australia

Finance - provides asset based finance to consumers and SME's

Insurance - marketing and administration of a range of life and consumer insurance and superannuation products

Corporate & other - corporate centre.