

<b>TURNERS AUTOMOTIVE GROUP LIMITED</b>
<b>Results for announcement to the market</b>

Reporting Period	12 months to 31 March 2017
Previous Reporting Period	12 months to 31 March 2016

	Amount (NZD000s)	Percentage change
Revenue from ordinary activities	252,437	48% increase
Expenses from ordinary activities	(227,806)	53% increase
Profit before tax	24,631	14% increase
Taxation expense	(7,057)	19% increase
Net profit attributable to security holders	17,574	13% increase

Final Dividend	Amount per security	Imputed amount per security
	NZD\$0.0450	NZD\$0.0175

Record Date	17 July 2017
Dividend Payment Date	21 July 2017

Comments:	
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# TURNERS AUTOMOTIVE GROUP LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	2017 \$'000	2016 \$'000
<b>Revenue from continuing operations</b>	250,766	169,773
<b>Other income</b>	1,671	522
Cost of goods sold	(116,997)	(58,964)
Interest expense	(11,350)	(11,436)
Movement in impairment provisions	(2,026)	(1,041)
Subcontracted services expense	(8,520)	(6,960)
Employee benefits (short term)	(40,862)	(33,424)
Commission	(8,874)	(6,194)
Advertising expense	(3,431)	(2,118)
Deprecation and amortisation expense	(2,863)	(2,144)
Property and related expenses	(9,391)	(8,877)
Systems maintenance	(1,468)	(1,152)
Claims	(6,491)	(3,501)
Life fund movement	(1,056)	(953)
Credit legal fee service expense	(838)	(806)
Other expenses	(13,639)	(11,174)
<b>Profit/(loss) before taxation</b>	<b>24,631</b>	<b>21,551</b>
Taxation (expense)/ benefit	(7,057)	(5,949)
<b>Profit for the year</b>	<b>17,574</b>	<b>15,602</b>
<b>Other comprehensive income for the year (which may subsequently be reclassified to profit/loss), net of tax</b>		
Cash flow hedges	41	(35)
Foreign currency translation differences	(6)	6
<b>Total comprehensive income for the year</b>	<b>17,609</b>	<b>15,573</b>
<b>Earnings per share (cents per share)</b>		
Basic earnings per share	25.5	24.7
Diluted earnings per share	25.1	24.1

Included in other income is \$1.2 million (2016: \$0.2 million) resulting from unrealised gains on the revaluation of assets.

# TURNERS AUTOMOTIVE GROUP LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Share capital \$'000	Share options \$'000	Translation reserve \$'000	Cash flow reserve \$'000	Retained earnings \$'000	Total \$'000
<b>Balance at 31 March 2015</b>	<b>135,294</b>	<b>-</b>	<b>(23)</b>	<b>-</b>	<b>(14,269)</b>	<b>121,002</b>
<i>Transactions with shareholders in their capacity as owners</i>						
Capital contributions (net of issue costs)	1,161	-	-	-	-	1,161
Share buy-back	(328)	-	-	-	-	(328)
Dividend paid	-	-	-	-	(7,596)	(7,596)
<b>Total transactions with shareholders</b>	<b>833</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,596)</b>	<b>(6,763)</b>
<i>Comprehensive income</i>						
Profit	-	-	-	-	15,602	15,602
Foreign currency translation differences	-	-	6	-	-	6
Cash flow hedge	-	-	-	(35)	-	(35)
<b>Total comprehensive income for the year, net of tax</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>(35)</b>	<b>15,602</b>	<b>15,573</b>
<b>Balance at 31 March 2016</b>	<b>136,127</b>	<b>-</b>	<b>(17)</b>	<b>(35)</b>	<b>(6,263)</b>	<b>129,812</b>
<i>Transactions with shareholders in their capacity as owners</i>						
Capital contributions (net of issue costs)	32,682	-	-	-	-	32,682
Fair value options issued	-	208	-	-	-	208
Dividend paid	-	-	-	-	(8,595)	(8,595)
<b>Total transactions with shareholders</b>	<b>32,682</b>	<b>208</b>	<b>-</b>	<b>-</b>	<b>(8,595)</b>	<b>24,295</b>
<i>Comprehensive income</i>						
Profit	-	-	-	-	17,574	17,574
Foreign currency translation differences	-	-	(6)	-	-	(6)
Cash flow hedge	-	-	-	41	-	41
<b>Total comprehensive income for the year, net of tax</b>	<b>-</b>	<b>-</b>	<b>(6)</b>	<b>41</b>	<b>17,574</b>	<b>17,609</b>
<b>Balance at 31 March 2017</b>	<b>168,809</b>	<b>208</b>	<b>(23)</b>	<b>6</b>	<b>2,716</b>	<b>171,716</b>

# TURNERS AUTOMOTIVE GROUP LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Note	2017 \$'000	2016 \$'000
<b>Assets</b>			
Cash and cash equivalents	1	69,069	13,810
Financial assets at fair value through profit or loss		10,320	18,455
Trade receivables		12,512	8,834
Inventories		44,642	14,156
Finance receivables		207,143	167,598
Derivative financial instruments		88	-
Other receivables and deferred expenses		9,688	5,636
Reverse annuity mortgages		9,222	9,734
Investment property		4,000	-
Property, plant and equipment		18,909	11,108
Intangible assets		172,088	118,106
<b>Total assets</b>		<b>557,681</b>	<b>367,437</b>
<b>Liabilities</b>			
Other payables		28,091	21,529
Financial liability at fair value through profit or loss		7,611	-
Deferred revenue		5,624	6,049
Deferred tax		20,173	8,744
Tax payables		1,808	990
Derivative financial instruments		-	49
Borrowings		265,889	174,816
Life investment contract liabilities		12,847	15,629
Insurance contract liabilities		43,922	9,819
<b>Total liabilities</b>		<b>385,965</b>	<b>237,625</b>
<b>Shareholders' equity</b>			
Share capital		168,809	136,127
Other reserves		191	(52)
Retained earnings		2,716	(6,263)
<b>Total shareholders' equity</b>		<b>171,716</b>	<b>129,812</b>
<b>Total shareholders' equity and liabilities</b>		<b>557,681</b>	<b>367,437</b>
Total assets per share (\$ per share)		7.48	5.79
Net tangible asset per share (\$ per share)		0.27	0.32

### Note 1

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. Following the transfer of the acquired Autosure in-force portfolio from Vero Insurance New Zealand Limited, DPL Insurance's cash and cash equivalents at 31 March 2017 were \$55,600,000 (2016: \$7,600,000).

# TURNERS AUTOMOTIVE GROUP LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	2017 \$'000	2016 \$'000
<b>Cash flows from operating activities</b>		
Interest received	27,909	25,303
Receipts from customers	216,948	138,586
Interest paid	(8,237)	(7,712)
Payment to suppliers and employees	(216,489)	(136,694)
Income tax paid	(5,044)	(659)
<b>Net cash outflow from operating activities before changes in operating assets and liabilities</b>	<b>15,087</b>	<b>18,824</b>
Net increase in finance receivables	(36,403)	(11,638)
Net decrease in reverse annuity mortgages	1,246	4,623
Net decrease of financial assets at fair value through profit or loss	9,156	2,173
Net (withdrawals)/contributions from life investment contracts	(2,645)	(992)
<b>Changes in operating assets and liabilities arising from cash flow movements</b>	<b>(28,646)</b>	<b>(5,834)</b>
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(13,559)</b>	<b>12,990</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant, equipment, intangibles and held for sale assets	340	320
Purchase of property, plant, equipment and intangibles	(8,401)	(5,141)
Purchase of subsidiaries and investments	(63,346)	(6,715)
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(71,407)</b>	<b>(11,536)</b>
<b>Cash flows from financing activities</b>		
Net bank loan advances/(repayments)	82,288	7,056
Proceeds from the issue of shares	13,374	139
Proceeds from the issue of bonds	19,784	-
Dividend paid	(8,595)	(7,596)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>106,851</b>	<b>(401)</b>
<b>Net movement in cash and cash equivalents</b>	<b>21,885</b>	<b>1,053</b>
Add opening cash and cash equivalents	13,810	12,339
Cash included with purchase of subsidiaries	33,378	409
Translation difference	(4)	9
<b>Closing cash and cash equivalents</b>	<b>69,069</b>	<b>13,810</b>
<b>Represented By:</b>		
Cash at bank	69,069	13,810
<b>Closing cash and cash equivalents</b>	<b>69,069</b>	<b>13,810</b>

# TURNERS AUTOMOTIVE LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS (CONT)

For the year ended 31 March 2017

### RECONCILIATION OF NET SURPLUS WITH CASH FLOWS FROM OPERATING ACTIVITIES

	2017	2016
	\$'000	\$'000
Profit or loss	17,574	15,602
<b>Adjustment for non-cash items</b>		
Impairment (charge)/ release on finance receivables, reverse annuity mortgages and other rec	2,026	1,041
Net (profit)/loss on sale fixed assets	(84)	(40)
Depreciation and amortisation	2,863	2,144
Capitalised reverse annuity mortgage interest	(885)	(1,112)
Deferred revenues	4,678	1,468
Financial assets at fair value through profit and loss	(1,006)	(1,201)
Net annuity and premium change to policyholder accounts	(137)	243
Non-cash long term employee benefits	179	25
Non-cash adjustment to finance receivables effective interest rates	83	129
Fair value adjustment on investment property	(500)	-
Deferred expenses	(3,901)	(244)
<b>Adjustment for movements in working capital</b>		
Net (increase)/decrease in receivables and pre-payments	(6,518)	(4,799)
Net (increase)/decrease in inventories	(3,585)	(5,172)
Net (increase)/decrease in current tax receivables	2,159	10
Net increase/(decrease) in payables	2,069	5,473
Net increase in finance receivables	(36,403)	(11,638)
Net decrease in reverse annuity mortgages	1,246	4,623
Net decrease of insurance assets at fair value through profit or loss	9,156	2,173
Net (withdrawals)/contributions from life investment contracts	(2,645)	(992)
Net increase in deferred tax	76	5,280
Net increase in provisions	(4)	(23)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(13,559)</b>	<b>12,990</b>

# TURNERS AUTOMOTIVE GROUP LIMITED

## SEGMENTAL INFORMATION

For the year ended 31 March 2017

Management has determined the operating segments based on the components of Turners Automotive Group Limited and its subsidiaries (the Group) that engage in business activities, which have discrete financial information available and whose operating results are regularly reviewed by the Group's chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors. The Board of Directors makes decisions about how resources are allocated to the segments and assesses their performance. Geographically the Group's business activities are located in New Zealand and Australia.

During the financial year the Group acquired the business of Buy Right Cars and Autosure (refer Acquisitions of businesses) (2016: Southern Finance Limited). Buy right Cars has been aggregated into the 'Automotive retail' segment as Buy Right Cars, together with Turners Group NZ Limited, operate in the automotive sector remarketing motor vehicles and other related activity. Autosure has been aggregated into the 'Insurance segment' as Autosure, together with DPL Insurance, operate in the insurance market, marketing and administering consumer insurance products and other related activity (2016: Southern Finance Limited was aggregated into the Finance segment as Southern Finance Limited, together with Dorchester Finance Limited and Oxford Finance Limited, operate in the finance industry providing asset based finance to consumers and SME's).

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.

### OPERATING SEGMENTS

Revenue	Revenue			Revenue		
	Total	Inter-	from	Total	Inter-	from
	segment	segment	external	segment	segment	external
	revenue	revenue	customers	revenue	revenue	customers
	2017	2017	2017	2016	2016	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Automotive retail	193,472	(783)	192,689	117,774	-	117,774
Finance	26,818	-	26,818	24,388	-	24,388
Collection services - New Zealand	13,127	(3,804)	9,323	13,014	(3,238)	9,776
Collection services - Australia	9,783	-	9,783	8,555	-	8,555
Insurance	13,683	-	13,683	9,155	-	9,155
Corporate & other	466	(325)	141	735	(88)	647
	257,349	(4,912)	252,437	173,621	(3,326)	170,295

Operating profit	2017	2016
	\$'000	\$'000
Automotive retail	15,397	10,009
Finance	10,156	9,786
Collection services - New Zealand	6,006	5,823
Collection services - Australia	239	213
Insurance	928	1,398
Corporate & other	(8,095)	(5,678)
<b>Profit/(loss) before taxation</b>	<b>24,631</b>	<b>21,551</b>
Income tax	(7,057)	(5,949)
<b>Net profit attributable to shareholders</b>	<b>17,574</b>	<b>15,602</b>

# TURNERS AUTOMOTIVE GROUP LIMITED

## SEGMENTAL INFORMATION (CONT)

For the year ended 31 March 2017

	Interest revenue		Interest expense		Depreciation and amortisation expense	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Automotive retail	7,590	7,261	(3,753)	(3,393)	(2,286)	(1,769)
Finance	22,907	21,182	(3,648)	(4,379)	(329)	(173)
Collection services - New Zealand	13	6	-	(161)	(92)	(68)
Collection services - Australia	-	-	-	(12)	-	(2)
Insurance	875	822	-	(2)	(91)	(78)
Corporate & other	418	448	(4,274)	(3,577)	(65)	(54)
	31,803	29,719	(11,675)	(11,524)	(2,863)	(2,144)
Eliminations	(325)	(88)	325	88	-	-
	31,478	29,631	(11,350)	(11,436)	(2,863)	(2,144)

Other material non-cash items	Revenue		Expenses	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Automotive retail - impairment provisions	-	-	(297)	(467)
Finance - impairment provisions	-	-	(1,710)	(554)
Insurance - impairment provisions	-	-	(16)	(10)
Corporate & Other - impairment provisions	-	-	-	(10)
Collection services - New Zealand - deferred revenue	1,061	1,811	-	-
Insurance - Reverse annuity mortgage interest	825	727	-	-
Corporate & other - Reverse annuity mortgage interest	60	385	(3)	-
	1,946	2,923	(2,026)	(1,041)

Segment assets and liabilities	Assets		Liabilities	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Automotive retail	134,160	83,092	103,821	62,625
Finance	174,134	152,320	126,528	113,736
Collection services - New Zealand	25,974	25,533	9,246	13,991
Collection services - Australia	1,908	1,641	890	1,346
Insurance	119,770	36,148	67,551	27,440
Corporate & other	266,403	219,114	79,169	50,668
	722,349	517,848	387,205	269,806
Eliminations	(164,668)	(150,411)	(1,240)	(32,181)
	557,681	367,437	385,965	237,625

### Acquisition of property, plant & equipment, intangible assets and other non-current assets

	Business combinations		Other	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Automotive retail	1,958	-	7,578	6,555
Finance	-	171	403	176
Collection services - New Zealand	-	-	82	75
Collection services - Australia	-	-	-	-
Insurance	887	-	377	108
Corporate & Other	-	-	61	88
	2,845	171	8,501	7,002



# TURNERS AUTOMOTIVE GROUP LIMITED

## SEGMENTAL INFORMATION (CONT)

For the year ended 31 March 2017

### Automotive retail segment analysis

	Total	Inter-	Revenue	Total	Inter-	Revenue
	division	division	from	division	division	from
	revenue	revenue	external	revenue	revenue	external
	2017	2017	customers	2016	2016	customers
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Auctions	38,169	(272)	37,897	37,173	-	37,173
Finance	12,700	-	12,700	10,134	-	10,134
Fleet	97,858	-	97,858	70,467	-	70,467
Buy Right Cars	44,745	(511)	44,234	-	-	-
	193,472	(783)	192,689	117,774	-	117,774

Operating profit	2017	2016
	\$'000	\$'000
Auctions	2,442	3,048
Finance	4,916	3,027
Fleet	4,932	3,934
Buy Right Cars	3,107	-
	15,397	10,009

Division assets and liabilities	Assets		Liabilities	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Auctions	30,386	23,005	13,044	9,978
Finance	55,506	47,375	50,694	43,888
Fleet	20,546	14,458	14,876	9,381
Buy Right Cars	29,450	-	25,724	-
	135,888	84,838	104,338	63,247
Eliminations	(1,728)	(1,746)	(517)	(622)
	134,160	83,092	103,821	62,625

# TURNERS AUTOMOTIVE GROUP LIMITED

## ACQUISITION OF BUSINESSES

For the year ended 31 March 2017

### ACQUISITION OF BUY RIGHT CARS

On 29 July 2016, the Group purchased the business of Buy Right Cars Limited, an Auckland based used motor vehicle import and dealership network. The acquisition significantly increases the Group's footprint and presence in the key Auckland market and achieves a number of the Group's strategic objectives, including stepping up imports of used vehicle, achieving better control of the motor vehicle compliance process and control over origination in the finance and insurance businesses as a high percentage of their car sales are financed.

	29/07/2016
	<b>\$'000</b>
<b>Fair value of consideration transferred</b>	
Cash	29,344
Ordinary shares (614,000)	1,854
Contingent consideration	6,342
	<b>37,540</b>
Identified assets acquired and liabilities assumed	
Inventories	26,980
Property, plant and equipment	1,958
Other assets	12
Intangible assets - brand value	4,300
Payables	(5,366)
Deferred tax	(1,204)
Identifiable net assets	<b>26,680</b>
Goodwill on acquisition	<b>10,860</b>
Consideration transferred settled in cash	29,344
Acquisition costs charged to expenses	169
Net cash paid relating to acquisition	<b>29,516</b>

#### Identified assets acquired and liabilities assumed

The fair value of the brand has been determined using the income approach and by applying the relief from royalty method. The fair value of all other assets and liabilities was determined using the cost approach.

#### Goodwill

The goodwill of \$10.9m is primarily related to growth expectation, expected future profitability, synergistic opportunities, particularly in finance and insurance and extended footprint in the used car market and brand.

#### Contribution to Group results

In the eight months to 31 March 2017 the business contributed revenue of \$44.2 million and profit of \$2.1 million to the Group's consolidated results.

# TURNERS AUTOMOTIVE GROUP LIMITED

## ACQUISITION OF BUSINESSES

For the year ended 31 March 2017

### ACQUISITION OF AUTOSURE

In November 2016 the Group entered in to an agreement to purchase most the Autosure business including the Autosure brand, mechanical breakdown and payment protection insurance portfolio from Vero Insurance New Zealand Limited with the transfer of in-force portfolios by 31 March 2017. The purchase of Autosure aligns with the Group strategy of building on organic growth with acquisitions of reputable businesses and brands that build capability and scale in the integrated automotive financial services market.

	31/03/2017	
	\$'000	\$'000
<b>Fair value of consideration transferred</b>		
Cash		34,000
Contingent consideration		775
		<u>34,775</u>
<b>Identified assets acquired and liabilities assumed</b>		
Cash		33,378
Receivables		400
Property, plant and equipment		523
Intangible asset - brand		21,500
Intangible asset - corporate relationships		5,200
Intangible asset - software		400
Trade and other payables		(971)
Deferred tax		(8,792)
Insurance liabilities	(33,315)	
Less: intangible asset- portfolio-in-force	4,700	(28,615)
Identifiable net assets		<u>23,023</u>
Goodwill on acquisition		<u>11,752</u>
Consideration transferred settled in cash		34,000
Cash received on portfolio transfer		(33,378)
Net cash outflow on acquisition		622
Acquisition costs charged to expenses		446
Net cash paid relating to acquisition		<u>1,068</u>

### Identified assets acquired and liabilities assumed

The fair value of corporate relationships was determined using the income approach, discounting future estimated cash flows by a risk adjusted weighted average cost of capital. The fair value of the portfolio-in-force intangible asset represents the difference between the assumed insurance liabilities, measured in accordance with the Group's existing accounting policies, and the fair value of the future claim and administration obligations arising in respect of those contracts. The fair value of the brand has been determined using the income approach and by applying the relief from royalty method. The fair value of all other assets and liabilities was determined using the cost approach.

### Goodwill

Goodwill of \$11.8 million is primarily related to growth expectations, expected future profitability, the substantial skill, expertise of the work force and synergies arising from the utilisation of Autosure's repairer network by our existing insurance business and from cross selling on insurance and finance to an extended dealer network and customer base.

### Contribution to Group results

As the effective date of the purchase was 31 March 2017, the business has made no material net contribution to the Group's consolidated results.