

Results announcement

Results for announcement to the market		
Name of issuer	Turners Automotive Group Limited	
Report period	6 months to 30 September 2019	
Previous reporting period	6 months to 30 September 2018	
Currency	NZD	
	Amount (000s)	Percentage change
Revenue from continuing operations	\$170,555	4%
Total revenue	\$170,699	1%
Net profit from continuing operations	\$10,724	-17%
Total net profit	\$10,270	-19%
Interim dividend		
Amount per quoted equity security	\$0.04000000	
Imputed amount per quoted security	\$0.01555556	
Record date	20/01/2020	
Dividend payment date	30/01/2020	
	Current period	Prior comparable period
Net tangible assets per quoted security	\$0.75	\$0.74
A brief explanation of any of the figures above necessary to enable the figures to be understood	Please refer to accompanying Company Announcement	
Authority for this announcement		
Name of person authorised to make this announcement	Barbara Badish	
Contact person for this announcement	Todd Hunter	
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Date of release through MAP	27/11/2019	

Unaudited financial statements accompany this announcement

TURNERS AUTOMOTIVE GROUP LIMITED
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2019

	Note	Six months ended 30/09/2019 Unaudited \$'000	Six months ended 30/09/2018 Unaudited \$'000	Year ended 31/03/2019 Audited \$'000
Revenue from continuing operations	3	170,555	164,573	328,358
Other income	3	144	3,718	8,221
Cost of goods sold		(72,589)	(65,274)	(133,126)
Interest expense		(7,729)	(7,975)	(14,952)
Impairment provision expense		(2,617)	(3,951)	(7,892)
Subcontracted services expense		(7,166)	(6,839)	(12,888)
Employee benefits (short term)		(27,790)	(27,108)	(52,756)
Commission		(7,070)	(6,943)	(14,581)
Advertising expense		(1,484)	(1,963)	(3,918)
Depreciation and amortisation expense		(5,865)	(2,706)	(5,785)
Property and related expenses		(975)	(5,693)	(10,945)
Systems maintenance		(612)	(784)	(1,471)
Claims		(13,094)	(13,527)	(26,804)
Movement in life insurance liabilities		(633)	(815)	(718)
Insurance deferred acquisition costs		(178)	391	(423)
Impairment of intangible brand asset		-	-	(4,300)
Other expenses		(8,096)	(8,307)	(16,971)
Profit before taxation		14,801	16,797	29,049
Taxation expense		(4,077)	(3,912)	(6,330)
Profit from continuing operations		10,724	12,885	22,719
Other comprehensive income for the period (which may subsequently be reclassified to profit/loss), net of tax				
Cash flow hedges		(466)	(121)	(364)
Foreign currency translation differences		12	(8)	(26)
Total comprehensive income for the period		10,270	12,756	22,329
Earnings per share (cents per share)				
Basic earnings per share	4	12.39	15.19	26.21
Diluted earnings per share	4	12.39	14.89	27.28

TURNERS AUTOMOTIVE GROUP LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 September 2019

		Share Capital \$'000	Share Options Reserve \$'000	Translation Reserve \$'000	Cash flow reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 31 March 2018 (audited)	Note	199,148	701	(21)	(164)	14,659	214,323
<i>Change in accounting policy</i>							
Impact of NZ IFRS 15		-	-	-	-	(345)	(345)
Impact of NZ IFRS 9		-	-	-	-	(2,292)	(2,292)
		-	-	-	-	(2,637)	(2,637)
Balance at 1 April 2018 (restated)		199,148	701	(21)	(164)	12,022	211,686
<i>Transactions with shareholders in their capacity as owners</i>							
Employee share based payments		-	163	-	-	-	163
Dividend paid	8	-	-	-	-	(8,056)	(8,056)
		-	163	-	-	(8,056)	(7,893)
<i>Comprehensive income</i>							
Profit		-	-	-	-	12,885	12,885
Other comprehensive income		-	-	(8)	(121)	-	(129)
Total comprehensive income for the period, net of tax		-	-	(8)	(121)	12,885	12,756
Balance at 30 September 2018 (unaudited)		199,148	864	(29)	(285)	16,851	216,549
<i>Transactions with shareholders in their capacity as owners</i>							
Capital contributions (net of issue costs)		13,388	-	-	-	-	13,388
Capital buy back		(6,141)	-	-	-	-	(6,141)
Employee share based payments		-	163	-	-	-	163
Dividend paid	8	-	-	-	-	(7,158)	(7,158)
		7,247	163	-	-	(7,158)	252
<i>Comprehensive income</i>							
Profit		-	-	-	-	9,834	9,834
Other comprehensive income		-	-	(18)	(243)	-	(261)
Total comprehensive income for the period, net of tax		-	-	(18)	(243)	9,834	9,573
Balance at 31 March 2019 (audited)		206,395	1,027	(47)	(528)	19,527	226,374
<i>Change in accounting policy</i>							
Impact of NZ IFRS 16	9	-	-	-	-	(5,665)	(5,665)
Balance at 1 April 2019 (restated)		206,395	1,027	(47)	(528)	13,862	220,709
<i>Transactions with shareholders in their capacity as owners</i>							
Capital contributions (net of issue costs)		97	-	-	-	-	97
Capital buy back		(3,192)	-	-	-	-	(3,192)
Cancellation of employee share options		-	(1,027)	-	-	1,027	-
Dividend paid	8	-	-	-	-	(7,855)	(7,855)
		(3,095)	(1,027)	-	-	(6,828)	(10,950)
<i>Comprehensive income</i>							
Profit		-	-	-	-	10,724	10,724
Other comprehensive income		-	-	12	(466)	-	(454)
Total comprehensive income for the period, net of tax		-	-	12	(466)	10,724	10,270
Balance at 30 September 2019 (unaudited)		203,300	-	(35)	(994)	17,758	220,029

TURNERS AUTOMOTIVE GROUP LIMITED
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2019

	Note	30/09/2019 Unaudited \$'000	30/09/2018 Unaudited \$'000	31/03/2019 Audited \$'000
Assets				
Cash and cash equivalents	5	14,592	24,085	15,866
Financial assets at fair value through profit or loss				
- Insurance		59,934	51,693	62,657
- Other		3,500	3,579	3,595
Trade receivables		11,856	11,505	12,471
Inventory		36,492	42,877	38,859
Finance receivables	6	285,686	289,067	290,017
Other receivables and deferred expenses		13,052	14,291	10,955
Reverse annuity mortgages		5,859	9,287	8,294
Investment property		5,650	4,820	5,650
Investment in associate		1,310	-	-
Property, plant and equipment		52,648	35,122	39,084
Right-of-use assets		26,768	-	-
Intangible assets		166,629	170,843	166,734
Total assets		683,976	657,169	654,182
Liabilities				
Other payables		34,967	31,753	33,906
Financial liability at fair value through profit or loss		-	174	116
Contract liability		1,771	2,469	2,642
Deferred tax		11,122	17,269	13,918
Tax payable		1,073	876	4,570
Derivative financial instruments		992	295	524
Borrowings	7	319,588	330,291	312,863
Lease liabilities		34,640	-	-
Life investment contract liabilities		7,853	7,573	7,484
Insurance contract liabilities		51,941	49,920	51,785
Total liabilities		463,947	440,620	427,808
Shareholders' equity				
Share capital		203,300	199,148	206,395
Other reserves		(1,029)	550	452
Retained earnings		17,758	16,851	19,527
Total shareholders' equity		220,029	216,549	226,374
Total shareholders' equity and liabilities		683,976	657,169	654,182
Total assets per share (\$)		7.99	7.75	7.53
Net tangible assets (\$)		0.75	0.74	0.85

TURNERS AUTOMOTIVE GROUP LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 September 2019

	Note	Six months ended 30/09/2019 Unaudited \$'000	Six months ended 30/09/2018 Unaudited \$'000	Year ended 31/03/2019 Audited \$'000
Cash flows from operating activities				
Interest received		22,314	25,037	45,023
Receipts from customers		146,706	138,210	279,472
Interest paid		(6,682)	(6,782)	(12,184)
Payment to suppliers and employees		(141,489)	(150,395)	(272,052)
Income tax paid		(8,190)	(8,671)	(10,752)
Net cash inflow/(outflow) from operating activities before changes in operating assets and liabilities		12,659	(2,601)	29,507
Net increase in finance receivables		(8,863)	(9,770)	(34,926)
Net decrease in reverse annuity mortgages		2,787	1,146	2,545
Net decrease/(increase) of financial assets at fair value through profit or loss		3,346	(1,348)	(12,163)
Net contribution from life investment contracts		(814)	124	16
Changes in operating assets and liabilities arising from cash flow movements		(3,544)	(9,848)	(44,528)
Net cash (outflow)/inflow from operating activities		9,115	(12,449)	(15,021)
Cash flows from investing activities				
Proceeds from sale of property, plant, equipment and intangibles		467	8,858	9,388
Purchase of fixed assets and intangible assets		(15,808)	(5,811)	(12,753)
Investment in associate		(1,310)	-	-
Sale/(purchase) of investments		-	-	41
Net cash (outflow)/inflow from investing activities		(16,651)	3,047	(3,324)
Cash flows from financing activities				
Net bank loan advances/(repayments)		20,663	16,398	20,570
Principal elements of lease payments		(3,352)	-	-
Proceeds from the issue of shares		-	-	7,100
Buy back of shares		(3,194)	-	-
Proceeds from the issue of bonds		-	-	(561)
Other borrowings		-	-	(2,837)
Dividend paid		(7,855)	(8,056)	(15,214)
Net cash inflow/(outflow) from financing activities		6,262	8,342	9,058
Net movement in cash and cash equivalents		(1,274)	(1,060)	(9,287)
Add opening cash and cash equivalents		15,866	25,145	25,145
Translation difference		-	-	8
Closing cash and cash equivalents	5	14,592	24,085	15,866

TURNERS AUTOMOTIVE GROUP LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 September 2019

	Six months ended 30/09/2019 Unaudited \$'000	Six months ended 30/09/2018 Unaudited \$'000	Year ended 31/03/2019 Audited \$'000
RECONCILIATION OF NET SURPLUS WITH CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss)	10,724	12,885	22,719
Adjustment for Non-cash items			
Impairment charge/(release) on finance receivables, reverse annuity mortgages and other receivables	2,844	3,994	7,943
Net (profit)/loss on sale fixed assets	(26)	(3,610)	(3,660)
Depreciation and amortisation	5,865	2,706	5,785
Capitalised reverse annuity mortgage interest	(367)	(451)	(846)
Deferred revenues	(848)	1,702	1,620
Fair value adjustments on assets/liabilities at fair value through profit and loss	(604)	(548)	(799)
Net annuity and premium change to policyholders accounts	1,183	322	341
Non-cash long term employee benefits	-	160	330
Non-cash adjustments to finance receivables effective interest rates	(344)	(42)	(209)
Deferred expenses	(1,930)	(1,129)	2,839
Fair value adjustment on investment property	-	-	(830)
Write off of intangible brand asset	-	-	4,300
Adjustment for Movements in Working Capital			
Net (increase)/decrease receivables and pre-payments	(1,549)	(2,280)	(259)
Net (increase)/decrease in inventories	2,581	(4,281)	(263)
Net increase/(decrease) in payables	166	(7,254)	(5,220)
Net increase/(decrease) in contract liabilities	(871)		132
Net increase in finance receivables	(8,863)	(9,770)	(34,926)
Net decrease in reverse annuity mortgages	2,787	1,146	2,545
Net (increase)/decrease of insurance assets at fair value through profit or loss	3,346	(1,348)	(12,163)
Net contributions/(withdrawals) from life investment contracts	(814)	124	16
Net (decrease)/increase in deferred tax liability	(643)	(4,159)	(3,565)
Net (decrease)/increase in tax payable	(3,522)	(616)	(851)
Net Cash inflow/(outflow) from Operating Activities	9,115	(12,449)	(15,021)

TURNERS AUTOMOTIVE GROUP LIMITED

1. ACCOUNTING POLICIES AND SIGNIFICANT JUDGEMENT, ESTIMATES AND ASSUMPTIONS

The same accounting policies included in the Group's Annual Report for the year ended 31 March 2019 have been applied when preparing these financial statements, except for the adoption of NZ IFRS 16 Leases as set out in note 9.

The same significant judgments, estimates and assumptions (including basis of segmentation) included in the notes to the financial statements in the Group's Annual Report for the year to 31 March 2019 have been applied to these financial statements. The business does not experience notable seasonal variations. There has been no change to the basis of segmentation from that applied at 31 March 2019.

2. SEGMENTAL INFORMATION

OPERATING SEGMENTS

Revenue	Revenue			Revenue			Revenue		
	Total segment revenue	Inter-segment revenue	Revenue from external customers	Total segment revenue	Inter-segment revenue	Revenue from external customers	Total segment revenue	Inter-segment revenue	Revenue from external customers
	30/09/2019	30/09/2019	30/09/2019	30/09/2018	30/09/2018	30/09/2018	31/03/2019	31/03/2019	31/03/2019
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited	Audited	Audited
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Automotive retail	117,832	(1,982)	115,850	112,765	(969)	111,796	228,672	(2,963)	225,709
Finance	22,750	-	22,750	21,564	-	21,564	44,193	-	44,193
Credit management	9,885	-	9,885	9,249	-	9,249	18,196	-	18,196
Insurance	22,641	(430)	22,211	25,660	-	25,660	49,206	(742)	48,464
Corporate & other	3	-	3	147	(125)	22	17	-	17
	173,111	(2,412)	170,699	169,385	(1,094)	168,291	340,284	(3,705)	336,579
Operating profit							30/09/2019	30/09/2018	31/03/2019
							Unaudited	Unaudited	Audited
							\$'000	\$'000	\$'000
Automotive retail							7,341	8,013	18,274
Finance							6,492	5,423	11,112
Credit management							3,608	3,076	6,321
Insurance							2,613	5,316	8,227
Corporate & other							(5,253)	(5,031)	(14,885)
Profit/(loss) before taxation							14,801	16,797	29,049
Income tax							(4,077)	(3,912)	(6,330)
Profit attributable to shareholders							10,724	12,885	22,719

TURNERS AUTOMOTIVE GROUP LIMITED

	Interest revenue			Interest expense			Depreciation and amortisation expenses		
	30/09/2019	30/09/2018	31/03/2019	30/09/2019	30/09/2018	31/03/2019	30/09/2019	30/09/2018	31/03/2019
	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Audited
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Automotive retail	2,416	4,691	8,383	(2,198)	(2,456)	(4,206)	(3,848)	(1,215)	(2,457)
Finance	20,135	18,969	38,544	(3,551)	(3,372)	(6,596)	(382)	(172)	(413)
Credit management	4	4	9	(20)	-	-	(114)	(43)	(104)
Insurance	1,273	1,167	2,434	(47)	-	-	(1,407)	(144)	(2,746)
Corporate & other	4	147	17	(1,958)	(2,412)	(4,368)	(114)	(1,132)	(65)
	23,832	24,978	49,387	(7,774)	(8,240)	(15,170)	(5,865)	(2,706)	(5,785)
Eliminations	(45)	(265)	(218)	45	265	218	-	-	-
	23,787	24,713	49,169	(7,729)	(7,975)	(14,952)	(5,865)	(2,706)	(5,785)

Other material non-cash items

	Revenue			Expenses		
	30/09/2019	30/09/2018	31/03/2019	30/09/2019	30/09/2018	31/03/2019
	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Audited
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Automotive retail - impairment provisions	-	-	-	(129)	(219)	(503)
Finance - impairment provisions	-	-	-	(2,488)	(3,657)	(7,436)
Insurance - reverse annuity mortgage interest	367	451	846	-	-	-
Corporate & other - write down of brand and collateral	-	-	-	-	-	(4,570)
	367	451	846	(2,617)	(3,876)	(12,509)

2.2 SEGMENT ASSETS AND LIABILITIES

	Segment assets			Segment liabilities		
	30/09/2019	30/09/2018	31/03/2019	30/09/2019	30/09/2018	31/03/2019
	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Audited
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Automotive retail	154,086	152,295	132,839	109,438	109,844	88,065
Finance	285,416	248,664	276,356	221,927	192,228	216,996
Credit management	36,074	29,963	31,685	7,544	6,153	5,686
Insurance	132,943	126,617	135,001	73,502	67,155	73,293
Corporate & other	196,128	190,176	195,673	73,256	76,319	83,030
	804,647	747,715	771,554	485,668	451,699	467,070
Eliminations	(120,671)	(90,546)	(117,372)	(21,721)	(11,079)	(39,262)
	683,976	657,169	654,182	463,947	440,620	427,808

Five reportable segments 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.

Credit management - 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 saving products.

Corporate & other - corporate centre.

TURNERS AUTOMOTIVE GROUP LIMITED

3. REVENUE

Revenue from continuing operations includes:

	Six months ended 30/09/2019 Unaudited \$'000	Six months ended 30/09/2018 Unaudited \$'000	Year ended 31/03/2019 Audited \$'000
Interest income	23,787	24,713	49,169
Sales of goods	86,073	79,022	159,438
Commission and other sales revenue	25,731	25,130	48,965
Finance related insurance commissions	1,539	3,372	4,199
Loan fee income	1,784	1,601	2,950
Insurance and life investment contract income	20,715	20,265	42,968
Collection income	9,833	9,245	18,187
Bad debts recovered	347	562	897
Other revenue	746	663	1,585
	170,555	164,573	328,358
<i>Other income includes:</i>			
Revaluation gain on investment property	-	-	830
Dividend income	104	107	391
Gain on sale of property, plant and equipment	40	3,611	3,607
Gain on compulsory acquisition on leasehold premise by the NZTA	-	-	3,393
	144	3,718	8,221

Revenue from contracts with customers

Over time

Automotive retail

Commission and other sales revenue	13,721	11,683	23,352
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Insurance

Motor vehicle insurance commissions	940	843	1,731
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	14,661	12,526	25,083
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At a point in time

Automotive retail

Sales of goods	86,073	79,022	159,438
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Auction commissions	12,010	13,447	25,613
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Credit management

Collection income	9,099	8,322	16,506
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Voucher income	734	923	1,681
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	107,916	101,714	203,238
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4. SHARE CAPITAL AND EARNINGS PER SHARE

	30/09/2019 Unaudited	30/09/2018 Unaudited	31/03/2019 Audited
Number of ordinary shares			
Opening balance	86,888,064	84,802,612	84,802,612
Shares issued for the dealer share scheme	40,752	-	79,050
Shares issued for the conversion of bonds	-	-	4,646,037
Shares purchased and cancelled under the share buy back	(1,374,106)	-	(2,639,635)
	85,554,710	84,802,612	86,888,064

TURNERS AUTOMOTIVE GROUP LIMITED

Basic earnings per share

The calculation of basic earnings per share at 30 September and 31 March was based on the profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding, as follows:

	Six months ended 30/09/2019 Unaudited	Six months ended 30/09/2018 Unaudited	Year ended 31/03/2019 Audited
Profit for the Period (\$'000)	10,724	12,885	22,719
Weighted average number of ordinary shares at the end of the period	86,560,829	84,802,612	86,671,483
Basic earnings per share (cents per share)	12.39	15.19	26.21

Weighted number of shares

Opening balance	86,888,064	84,802,612	84,802,612
Shares issued for the conversion of bonds	-	-	2,303,925
Shares issued for the dealer share scheme	5,345	-	20,766
Shares purchased and cancelled under the share buy back	(332,580)	-	(455,820)
	86,560,829	84,802,612	86,671,483

Diluted earnings per share

The calculation of diluted earnings per share at 30 September and 31 March was based on the diluted profit attributable to shareholders and a diluted weighted average number of ordinary shares outstanding as follows:

Continuing operations (\$'000)	10,724	12,885	22,719
Add: interest expense relating to optional convertible bonds, net of tax	-	598	598
Add: Long term incentive expense relation to options	-	163	326
Profit for the year (\$'000)	10,724	13,646	23,643

Weighted number of ordinary shares (diluted)

Weighted average number of shares (basic)	86,560,829	84,802,612	86,671,483
Effect of the conversion of bonds	-	6,816,220	-
Weighted average number of shares (diluted)	86,560,829	91,618,832	86,671,483
Diluted earnings per share (cents per share)	12.39	14.89	27.28

5. CASH AND CASH EQUIVALENTS

	30/09/2019 Unaudited \$'000	30/09/2018 Unaudited \$'000	31/03/2019 Audited \$'000
Cash and cash equivalents	14,592	24,085	15,866

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 2019 were \$3.0m (30 September 2018: \$12.8m; 31 March 2019: \$2.2m).

Cash and cash equivalents at 30 September 2019 of \$2.9m (30 September 2018 :\$2.9m; 31 March 2019 : \$4.6m) belongs to the Turners Marque Warehouse Trust 1 and is not available to the Group.

6. FINANCE RECEIVABLES

	30/09/2019 Unaudited \$'000	30/09/2018 Unaudited \$'000	31/03/2019 Audited \$'000
Gross finance receivables	299,962	299,558	303,376
Deferred fee revenue and commission expenses	5,808	6,205	6,236
Provision for impairment	(20,084)	(16,696)	(19,595)
	285,686	289,067	290,017

TURNERS AUTOMOTIVE GROUP LIMITED

Securitisation

The Group has a wholesale funding facility with the Bank of New Zealand (BNZ) under which it securitises finance receivables through The Turners Marque Warehouse Trust 1 (the Trust). Under the facility, BNZ provides funding to the Trust secured by finance receivables sold to the Trust from the finance segment. The facility is for a 24 month term that will be renewed annually. The facility is for \$200m.

The Trust is a special purpose entity set up solely for the purpose of purchasing finance receivables from the finance sector with the BNZ funding up to 92% of the purchase price with the balance funded by sub-ordinated notes from the Group. The New Zealand Guardian Trust Company Limited has been appointed Trustee for the Trust and NZGT Security Trustee Limited as the security trustee. The Company is the sole beneficiary.

The Group has the power over the Trust, exposure, or rights, to variable returns from its involvement with the Trust and the ability to use its power over the Trust to affect the amount of the Group's returns from the Trust. Consequently the Group controls the Trust and has consolidated the Trust into the Group's financial statements.

The Group retains substantially all the risks and rewards relating to the finance receivables sold and therefore the finance receivables do not qualify for derecognition and remain on the Group's consolidated statement of financial position.

During the reporting period \$67.0m finance receivables were sold to the Trust (30 September 2018: \$44.8m; 31 March 2019: \$114.5m). As at 30 September 2019 the carrying value of financial receivables in the Trust was \$177.8m (30 September 2018: \$151.3m; 31 March 2019: \$175.3m).

7. BORROWINGS

	30/09/2019	30/09/2018	31/03/2019
	Unaudited	Unaudited	Audited
	\$'000	\$'000	\$'000
Secured bank borrowings	271,945	247,111	251,282
Deferred borrowing costs	(217)	(243)	(105)
	271,728	246,868	251,177
Non-bank borrowings			
Motor Trade Finance	23,155	54,986	37,055
Vendor property funding	-	2,876	-
	23,155	57,862	37,055
Bonds	25,000	25,561	25,000
Deferred issue costs	(295)	-	(369)
	24,705	25,561	24,631
Total borrowings	319,588	330,291	312,863

Secured bank borrowings

The Group has a syndicated funding facility with the Bank of New Zealand and ASB Bank, a self liquidating trade finance facility with ASB Bank and securitisation facility with the Bank of New Zealand.

The bank borrowings are secured by a first-ranking general security agreement over the assets of the Company and its subsidiaries, excluding DPL Insurance Limited, Turners Finance Limited and EC Credit (Aust.) Limited. The Group's securitisation financing arrangement is described under finance receivables.

Motor Trade Finance

Turners Finance Limited is a shareholder of a motor trade based company called Motor Trade Finance Limited (MTF). MTF provides the services of a finance company, including funding, on a full recourse basis back to its shareholders.

MTF provides finance to Turners Finance Limited to fund the finance receivables. The MTF funding is secured by a chattel security over the Turners Finance Limited's customer's asset securing the finance receivable and by a general security over the assets of Turners Finance Limited.

Turners Finance Limited has also given undertakings to MTF as the nature and conduct of its business, and overall quality of the finance receivables and aggregate. Turners Finance has complied with these undertakings in the current and prior financial year.

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Bonds

On 1 October 2018 Turners Automotive Group issued secured subordinated fixed rate bonds with a fixed maturity on 30 September 2021. Interest is fixed at 5.5% and is paid quarterly in arrears in equal amounts. The bonds rank behind the indebtedness owing under the bank facilities and are guaranteed by Turners Automotive Group Limited, Oxford Finance Limited, Buy Right Cars (2016) Limited, EC Credit (NZ) Limited, Estate Management Services Limited, Payment Management Services Limited, EC Web Services Limited, Turners Group NZ Limited, Turners Fleet Limited and Turners Property Holdings Limited.

8. DIVIDENDS

	Six months ended 30/09/2019 Unaudited \$'000	Six months ended 30/09/2018 Unaudited \$'000	Year ended 31/03/2019 Audited \$'000
Interim dividend for the year ended 31 March 2019 of \$0.04 (31 March 2018: \$0.045) per fully paid ordinary share, imputed, payable on 30 April 2019 (2018: 20 April 2018).	3,489	3,816	3,816
Final dividend for the year ended 31 March 2019 of \$0.05 (31 March 2018: \$0.05) per fully paid ordinary share, imputed paid on 18 July 2019 (2018: 18 July 2018).	4,366	4,240	4,240
Interim dividend for the year ended 31 March 2019 of \$0.04 (per fully paid ordinary share, imputed, paid on 30 October 2018).	-	-	3,596
Interim dividend for the year ended 31 March 2019 of \$0.04 per fully paid ordinary share, imputed, paid on 30 January 2019.	-	-	3,562
Total dividends provided for or paid	7,855	8,056	15,214

Dividends not recognised at the end of the half year:

In addition to the above dividends, since the end of the period the directors have recommended the payment of the following dividends expected to be paid out of retained earnings at 30 September 2019, but not recognised as a liability at the end of the period:

Interim dividend for the year ended 31 March 2020 of \$0.04 (31 March 2019: \$0.04) per fully paid ordinary share, imputed, payable on 22 October 2019 (2018: 30 October 2018).	3,441	3,596	-
Interim dividend for the year ended 31 March 2020 of \$0.04 (31 Mar 2019: \$0.04) per fully paid ordinary share, imputed, payable on 30 January 2020 (2019: 30 January 2019).	3,422	3,562	-

9. CHANGE IN ACCOUNTING POLICY

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 April 2019.

The Group has adopted IFRS 16 retrospectively from 1 April 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019.

Adjustments recognised on adoption of NZ IFRS 16

On adoption of IFRS 16, the Group 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 rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 6.1%.

	\$'000
Operating lease commitments disclosed as at 31 March 2019	32,511
Discounted using the incremental borrowing rate of at 1 April 2019	26,863
Less: short-terms leases recognised on a straight-line basis as expense	(168)
Add: adjustments as a result of a different treatment of extension and termination options	10,080
Lease liability recognised as at 1 April 2019	36,775

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 March 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

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The recognised right-of-use assets relate to the following types of assets:

	30/09/2019	1/04/2019
	\$'000	\$'000
Properties	26,563	28,279
Equipment	205	250
Total right-of-use assets	26,768	28,529

The change in accounting policy affected the following items in the balance sheet on 1 April 2019:

	1/04/2019
	\$'000
Right-of-use assets presented in property, plant and equipment	28,531
Other payables	(376)
Deferred tax	(2,203)
Lease liabilities	36,775
Retained earnings	(5,665)

Practical expedients applied

In applying NZ IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases; and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying NZ IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

Impact of the adoption of NZ IFRS 16 in the Statement of financial position as at 1 April 2019:

	31/03/2019	1/04/2019	1/04/2019
	As originally presented	NZ IFRS 16 adjustments	restated
	\$'000	\$'000	\$'000
Assets			
Cash and cash equivalents	15,866	-	15,866
Financial assets at fair value through profit or loss			
- Insurance	62,657	-	62,657
- Other	3,595	-	3,595
Trade receivables	12,471	-	12,471
Inventory	38,859	-	38,859
Finance receivables	290,017	-	290,017
Other receivables and deferred expenses	10,955	-	10,955
Reverse annuity mortgages	8,294	-	8,294
Investment property	5,650	-	5,650
Property, plant and equipment	39,084	-	39,084
Right-of-use assets	-	28,531	28,531
Intangible assets	166,734	-	166,734
Total assets	654,182	28,531	682,713

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	31/03/2019 As originally presented \$'000	1/04/2019 NZ IFRS 16 adjustments \$'000	1/04/2019 restated \$'000
Liabilities			
Other payables	33,906	(376)	33,530
Financial liability at fair value through profit or loss	116	-	116
Contract liability	2,642	-	2,642
Deferred tax	13,918	(2,203)	11,715
Tax payable	4,570	-	4,570
Derivative financial instruments	524	-	524
Borrowings	312,863	-	312,863
Lease liabilities	-	36,775	36,775
Life investment contract liabilities	7,484	-	7,484
Insurance contract liabilities	51,785	-	51,785
Total liabilities	427,808	34,196	462,004
Shareholders' equity			
Share capital	206,395	-	206,395
Other reserves	452	-	452
Retained earnings	19,527	(5,665)	13,862
Total shareholders' equity	226,374	(5,665)	220,709
Total shareholders' equity and liabilities	654,182	28,531	682,713

Presentation of the Statement of comprehensive income for the six months ended 30 September 2019 as if NZ IFRS 17 had not been adopted:

	30/09/2019 reported with adopting NZ IFRS 16 \$'000	Six months ended 30/09/2019 NZ IFRS 16 adjustments \$'000	30/09/2019 reported without adopting NZ IFRS 16 \$'000
Revenue from continuing operations	170,555	-	170,555
Other income	144	-	144
Cost of goods sold	(72,589)	-	(72,589)
Interest expense	(7,729)	1,043	(6,686)
Impairment provision expense	(2,617)	-	(2,617)
Subcontracted services expense	(7,166)	-	(7,166)
Employee benefits (short term)	(27,790)	-	(27,790)
Commission	(7,070)	-	(7,070)
Advertising expense	(1,484)	-	(1,484)
Depreciation and amortisation expense	(5,865)	3,128	(2,737)
Property and related expenses	(975)	(4,395)	(5,370)
Systems maintenance	(612)	-	(612)
Claims	(13,094)	-	(13,094)
Movement in life insurance liabilities	(633)	-	(633)
Insurance deferred acquisition costs	(178)	-	(178)
Impairment of intangible brand asset	-	-	-
Other expenses	(8,096)	-	(8,096)
Profit before taxation	14,801	(224)	14,577
Taxation expense	(4,077)	63	(4,014)
Profit from continuing operations	10,724	(161)	10,563
Other comprehensive income for the period (which may subsequently be reclassified to profit/loss), net of tax			
Cash flow hedges	(466)	-	(466)
Foreign currency translation differences	12	-	12
Total comprehensive income for the period	10,270	(161)	10,109
Earnings per share (cents per share)			
Basic earnings per share	12.39	(0.19)	12.20

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Presentation of the Statement of financial position as at 30 September 2019 as if NZ IFRS 17 had not been adopted:

	30/09/2019 presented with adopting NZ IFRS 16 \$'000	Six months ended 30/09/2019 NZ IFRS 16 adjustments \$'000	30/09/20019 reported without adopting NZ IFRS 16 \$'000
Assets			
Cash and cash equivalents	14,592	-	14,592
Financial assets at fair value through profit or loss			
- Insurance	59,934	-	59,934
- Other	3,500	-	3,500
Trade receivables	11,856	-	11,856
Inventory	36,492	-	36,492
Finance receivables	285,686	-	285,686
Other receivables and deferred expenses	13,052	-	13,052
Reverse annuity mortgages	5,859	-	5,859
Investment property	5,650	-	5,650
Investment in associate	1,310	-	1,310
Property, plant and equipment	52,648	-	52,648
Right-of-use assets	26,768	(26,768)	-
Intangible assets	166,629	-	166,629
Total assets	683,976	(26,768)	657,208
Liabilities			
Other payables	34,967	228	35,195
Contract liability	1,771	-	1,771
Deferred tax	11,122	2,140	13,262
Tax payable	1,073	-	1,073
Derivative financial instruments	992	-	992
Borrowings	319,588	-	319,588
Lease liabilities	34,640	(34,640)	-
Life investment contract liabilities	7,853	-	7,853
Insurance contract liabilities	51,941	-	51,941
Total liabilities	463,947	(32,272)	431,675
Shareholders' equity			
Share capital	203,300	-	203,300
Other reserves	(1,029)	-	(1,029)
Retained earnings	17,758	5,504	23,262
Total shareholders' equity	220,029	5,504	225,533
Total shareholders' equity and liabilities	683,976	(26,768)	657,208
Total assets per share (\$)	7.99		7.68
Net tangible assets (\$)	0.75		0.84

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Presentation of the Segment information as at 30 September 2019 as if NZ IFRS 17 had not been adopted:

Operating profit	30/09/2019 reported with adopting NZ IFRS 16 \$'000	Six months ended 30/09/2019 NZ IFRS 16 adjustments \$'000	30/09/2019 reported without adopting NZ IFRS 16 \$'000
Automotive retail	7,341	(200)	7,141
Finance	6,492	(46)	6,446
Credit management	3,608	2	3,610
Insurance	2,613	29	2,642
Corporate & other	(5,253)	(9)	(5,262)
Profit/(loss) before taxation	14,801	(224)	14,577
Income tax	(4,077)	63	(4,014)
Profit attributable to shareholders	10,724	(161)	10,563
Interest expense			
Automotive retail	(2,198)	961	(1,237)
Finance	(3,551)	14	(3,537)
Credit management	(20)	20	-
Insurance	(47)	47	-
Corporate & other	(1,958)	1	(1,957)
	(7,774)	1,043	(6,731)
Eliminations	45	-	45
	(7,729)	1,043	(6,686)
Depreciation and amortisation expense			
Automotive retail	(3,848)	2,712	(1,136)
Finance	(382)	172	(210)
Credit management	(114)	74	(40)
Insurance	(1,407)	95	(1,312)
Corporate & other	(114)	75	(39)
	(5,865)	3,128	(2,737)
Segment assets			
Automotive retail	154,086	(26,545)	127,541
Finance	285,416	(343)	285,073
Credit management	36,074	(639)	35,435
Insurance	132,943	(1,627)	131,316
Corporate & other	196,128	(16)	196,112
	804,647	(29,170)	775,477
Eliminations	(120,671)	2,402	(118,269)
	683,976	(26,768)	657,208
Segment liabilities			
Automotive retail	109,438	(31,850)	77,588
Finance	221,927	(398)	221,529
Credit management	7,544	(711)	6,833
Insurance	73,502	(1,698)	71,804
Corporate & other	73,256	(17)	73,239
	485,668	(34,674)	450,994
Eliminations	(21,721)	2,402	(19,319)
	463,947	(32,272)	431,675

The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses, retail stores, equipment and cars. Rental contracts are typically made for fixed periods of 3 to 8 years but may have extension options as described in below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

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Until the 2019 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability 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. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

The Group has applied judgement to determine lease term for some lease contracts that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets.