

Results announcement

Results for announcement to the market		
Name of issuer	Turners Automotive Group Limited	
Report period	12 months to 31 March 2020	
Previous reporting period	12 months to 31 March 2019	
Currency	NZD	
	Amount (000s)	Percentage change
Revenue from continuing operations	\$332,174	1%
Total revenue	\$332,674	-1%
Net profit from continuing operations	\$20,953	-8%
Total net profit	\$20,184	-10%
Final dividend		
Amount per quoted equity security	\$0.06000000	
Imputed amount per quoted security	\$0.02333333	
Record date	14/07/2020	
Dividend payment date	24/07/2020	
	Current period	Prior comparable period
Net tangible assets per quoted security	\$0.77	\$0.85
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	
Contact phone number	021 722 818	
Contact email address	Todd.Hunter@turners.co.nz	
Date of release through MAP	18/06/2020	

This announcement is based on audited results.

TURNERS AUTOMOTIVE GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

	2020 \$'000	2019 \$'000
Revenue from continuing operations	332,174	328,358
Other income	500	8,221
Cost of goods sold	(135,003)	(133,126)
Interest expense	(14,853)	(14,952)
Impairment provision expense	(6,044)	(7,892)
Subcontracted services expense	(17,149)	(12,888)
Employee benefits (short term)	(55,458)	(52,756)
Commission	(13,368)	(14,581)
Advertising expense	(2,743)	(3,918)
Depreciation and amortisation expense	(11,919)	(5,785)
Property and related expenses	(1,688)	(10,945)
Systems maintenance	(1,747)	(1,471)
Claims	(25,952)	(26,804)
Movement in life insurance liabilities	(836)	(718)
Insurance deferred acquisition costs	(701)	(423)
Write off of intangible brand asset	-	(4,300)
Other expenses	(16,148)	(16,971)
Profit/(loss) before taxation	29,065	29,049
Taxation (expense)/ benefit	(8,112)	(6,330)
Profit for the year	20,953	22,719
Other comprehensive income for the year (which may subsequently be reclassified to profit/loss), net of tax		
Cash flow hedges	(447)	(364)
Revaluation of financial assets at fair value through OCI	(310)	-
Foreign currency translation differences	(12)	(26)
Total comprehensive income for the year	20,184	22,329
Earnings per share (cents per share)		
Basic earnings per share	24.35	26.21
Diluted earnings per share	24.35	27.28

Included in other income is \$0.037m (2019: \$0.8m) 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 2020

	Share capital \$'000	Share options \$'000	Translation reserve \$'000	Revaluation reserve \$'000	Cash flow reserve \$'000	Retained earnings \$'000	Total \$'000
Balance at 31 March 2018	199,148	701	(21)	-	(164)	14,659	214,323
<i>Change in accounting policies</i>							
Impact of the implementation of NZ IFRS 15	-	-	-	-	-	(345)	(345)
Impact of the implementation 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>							
Capital contributions (net of issue costs)	13,388	-	-	-	-	-	13,388
Capital buy-back	(6,141)	-	-	-	-	-	(6,141)
Fair value options issued	-	326	-	-	-	-	326
Dividend paid	-	-	-	-	-	(15,214)	(15,214)
Total transactions with shareholders	7,247	326	-	-	-	(15,214)	(7,641)
<i>Comprehensive income</i>							
Profit	-	-	-	-	-	22,719	22,719
Other comprehensive income	-	-	(26)	-	(364)	-	(390)
Total comprehensive income for the year, net of tax	-	-	(26)	-	(364)	22,719	22,329
Balance at 31 March 2019	206,395	1,027	(47)	-	(528)	19,527	226,374
<i>Change in accounting policy</i>							
Impact of the implementation of NZ IFRS 16	-	-	-	-	-	(5,666)	(5,666)
Balance at 1 April 2019 (restated)	206,395	1,027	(47)	-	(528)	13,861	220,708
<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 options	1,027	(1,027)	-	-	-	-	-
Dividend paid	-	-	-	-	-	(14,742)	(14,742)
Total transactions with shareholders	(2,068)	(1,027)	-	-	-	(14,742)	(17,837)
<i>Comprehensive income</i>							
Profit	-	-	-	-	-	20,953	20,953
Other comprehensive income	-	-	(12)	(310)	(447)	-	(769)
Total comprehensive income for the year, net of tax	-	-	(12)	(310)	(447)	20,953	20,184
Balance at 31 March 2020	204,327	-	(59)	(310)	(975)	20,072	223,055

TURNERS AUTOMOTIVE GROUP LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Note	2020 \$'000	2019 \$'000
Assets			
Cash and cash equivalents	1	32,771	15,866
Financial assets at fair value through profit or loss	1	64,988	66,252
Trade receivables		8,609	12,471
Inventories		44,371	38,859
Finance receivables		293,037	290,017
Other receivables, deferred expenses and contract assets		8,572	10,955
Reverse annuity mortgages		4,913	8,294
Investment property		5,650	5,650
Financial assets at fair value through OCI		1,000	-
Property, plant and equipment		52,788	39,084
Right-of-use assets		24,850	-
Intangible assets		166,843	166,734
Total assets		708,392	654,182
Liabilities			
Other payables		27,340	33,906
Financial liability at fair value through profit or loss		-	116
Contract liabilities		2,793	2,642
Deferred tax		10,080	13,918
Tax payables		2,772	4,570
Derivative financial instruments		985	524
Borrowings		350,364	312,863
Lease liabilities		32,511	-
Life investment contract liabilities		7,072	7,484
Insurance contract liabilities		51,420	51,785
Total liabilities		485,337	427,808
Shareholders' equity			
Share capital		204,327	206,395
Other reserves		(1,344)	452
Retained earnings		20,072	19,527
Total shareholders' equity		223,055	226,374
Total shareholders' equity and liabilities		708,392	654,182
Total assets per share (\$ per share)		8.28	7.53
Net tangible asset per share (\$ per share)		0.77	0.85

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 and term deposits, disclosed in financial assets through the profit or loss, held in the insurance business may not be available for use by the wider Group. DPL Insurance's cash and cash equivalents at 31 March 2020 were \$1.5m (2019: \$2.2m) and term deposits at 31 March 2020 were \$54.6m (2019: \$55.0m).

Investments in unithised funds, disclosed in financial assets through the profit or loss, underwrite the Life investment policies and are not available for use by the wider Group. Investments in unithised funds at 31 March 2020 were \$7.2m (2019: \$7.7m).

Cash and cash equivalents at 31 March 2020 of \$5.1m (2019: \$4.6m) belong to the Turners Marque Trust 1 and are not available to the Group.

TURNERS AUTOMOTIVE GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	2020 \$'000	2019 \$'000
Cash flows from operating activities		
Interest received	43,874	45,023
Receipts from customers	289,275	279,472
Interest paid	(12,856)	(12,184)
Payment to suppliers and employees	(285,795)	(272,052)
Income tax paid	(11,460)	(10,752)
Net cash inflow from operating activities before changes in operating assets and liabilities	23,038	29,507
Net increase in finance receivables	(27,826)	(34,926)
Net decrease in reverse annuity mortgages	3,964	2,545
Net decrease/(increase) of financial assets at fair value through profit or loss	704	(12,163)
Net contributions from life investment contracts	88	16
Changes in operating assets and liabilities arising from cash flow movements	(23,070)	(44,528)
Net cash (outflow)/inflow from operating activities	(32)	(15,021)
Cash flows from investing activities		
Proceeds from sale of property, plant, equipment and intangibles	913	9,388
Purchase of property, plant, equipment and intangibles	(19,245)	(12,753)
Purchase of investments	(1,310)	41
Sale of investments	473	-
Net cash inflow/(outflow) from investing activities	(19,169)	(3,324)
Cash flows from financing activities		
Net bank loan advances/(repayments)	61,038	20,570
Principal elements of lease payments	(6,998)	-
Proceeds from the issue of shares	(3,192)	7,100
Proceeds from the issue of bonds	-	(561)
Other borrowings	-	(2,837)
Dividend paid	(14,742)	(15,214)
Net cash inflow/(outflow) from financing activities	36,106	9,058
Net movement in cash and cash equivalents	16,905	(9,287)
Add opening cash and cash equivalents	15,866	25,145
Translation difference	-	8
Closing cash and cash equivalents	32,771	15,866
Represented By:		
Cash at bank	32,771	15,866
Closing cash and cash equivalents	32,771	15,866

TURNERS AUTOMOTIVE LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONT)

For the year ended 31 March 2020

RECONCILIATION OF NET SURPLUS WITH CASH FLOWS FROM OPERATING ACTIVITIES

	2020	2019
	\$'000	\$'000
Profit or loss	20,953	22,719
Adjustment for non-cash items		
Impairment charge on finance receivables, reverse annuity mortgages and other receivables	6,044	7,943
Net profit on sale of property, plant and equipment	(33)	(3,660)
Depreciation and amortisation	11,919	5,785
Capitalised reverse annuity mortgage interest	(613)	(846)
Deferred revenue	(2,892)	1,620
Financial assets at fair value through profit and loss	77	(799)
Net annuity and premium change to policyholder accounts	(500)	341
Non-cash long term employee benefits	-	330
Non-cash adjustment to finance receivables effective interest rates	(226)	(209)
Deferred expenses	(2,652)	2,839
Fair value adjustment on investment property	-	(830)
Fair value adjustment to contingent consideration	(116)	-
Write off of intangible brand asset	-	4,300
Adjustment for movements in working capital		
Net (increase)/decrease in receivables and pre-payments	5,251	(259)
Net (increase)/decrease in inventories	(5,512)	(263)
Net increase in current tax payable	(1,806)	(851)
Net increase/(decrease) in payables	(3,544)	(5,220)
Net decrease in contract liabilities	(1,694)	132
Net increase in finance receivables	(27,826)	(34,926)
Net decrease in reverse annuity mortgages	3,964	2,545
Net decrease of insurance assets at fair value through profit or loss	704	(12,163)
Net (withdrawals)/contributions from life investment contracts	88	16
Net increase in deferred tax	(1,618)	(3,565)
Net cash inflow/(outflow) from operating activities	(32)	(15,021)

TURNERS AUTOMOTIVE GROUP LIMITED

SEGMENTAL INFORMATION

For the year ended 31 March 2020

OPERATING SEGMENTS

Revenue	Total		Revenue from external customers		Revenue from external customers	
	segment revenue	Inter-segment revenue	segment revenue	Total segment revenue	Inter-segment revenue	from external customers
	2020 \$'000	2020 \$'000	2020 \$'000	2019 \$'000	2019 \$'000	2019 \$'000
Automotive retail	229,512	(4,634)	224,878	228,672	(2,963)	225,709
Finance	45,744	-	45,744	44,193	-	44,193
Credit management	17,939	-	17,939	18,196	-	18,196
Insurance	45,236	(1,129)	44,107	49,206	(742)	48,464
Corporate & other	6	-	6	17	-	17
	338,437	(5,763)	332,674	340,284	(3,705)	336,579

Operating profit	2020 \$'000	2019 \$'000
Automotive retail	13,829	18,274
Finance	12,167	11,112
Credit management	6,494	6,321
Insurance	6,215	8,227
Corporate & other	(9,640)	(14,885)
Profit/(loss) before taxation	29,065	29,049
Income tax	(8,112)	(6,330)
Net profit attributable to shareholders	20,953	22,719

	Interest revenue		Interest expense		Depreciation and amortisation expense	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
	Automotive retail	3,904	8,383	(3,967)	(4,206)	(7,960)
Finance	40,579	38,544	(6,912)	(6,596)	(717)	(413)
Credit management	5	9	(39)	-	(249)	(104)
Insurance	2,276	2,434	(91)	-	(2,783)	(2,746)
Corporate & other	6	17	(3,930)	(4,368)	(210)	(65)
	46,770	49,387	(14,939)	(15,170)	(11,919)	(5,785)
Eliminations	(86)	(218)	86	218	-	-
	46,684	49,169	(14,853)	(14,952)	(11,919)	(5,785)

Other material non-cash items	Revenue		Expenses	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
	Automotive retail - impairment provisions	-	-	(126)
Finance - impairment provisions	-	-	(5,888)	(7,436)
Insurance - Reverse annuity mortgage interest	613	846	-	-
Corporate & other - Write down of brand and collateral	-	-	-	(4,570)
	613	846	(6,014)	(12,509)

Segment assets and liabilities	Assets		Liabilities	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
	Automotive retail	129,496	132,839	92,078
Finance	308,696	276,356	241,086	216,996
Credit management	38,268	31,685	7,585	5,686
Insurance	134,236	135,001	73,133	73,293
Corporate & other	216,173	195,673	91,423	83,030
	826,870	771,554	505,305	467,070
Eliminations	(118,478)	(117,372)	(19,968)	(39,262)
	708,392	654,182	485,337	427,808

TURNERS AUTOMOTIVE GROUP LIMITED

SEGMENTAL INFORMATION (CONT)

For the year ended 31 March 2020

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

	Other	
	2020	2019
	\$'000	\$'000
Automotive retail	17,085	11,478
Finance	1,218	671
Credit management	197	135
Insurance	5,949	14,884
Corporate & Other	236	74
	24,685	27,242
Eliminations	(5,440)	(14,489)
	19,245	12,753

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.

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 superannuation products.

Corporate & other - corporate centre.

TURNERS AUTOMOTIVE GROUP LIMITED

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 statement of financial position 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 as 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 statement of financial position 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.

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

	31 March 2020 \$'000	1 April 2019 \$'000
Properties	24,691	28,279
Equipment	159	250
Total right-of-use assets	24,850	28,529

The change in accounting policy affected the following items in the Statement of financial position on 1 April 2019:

	1 April 2019 \$'000
Right-of-use assets	28,529
Other payables	(377)
Deferred tax	(2,203)
Lease liabilities	36,775
Retained earnings	(5,666)

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.

TURNERS AUTOMOTIVE GROUP LIMITED

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

	31 March 2019	1 April 2019	1 April 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	66,252	-	66,252
Trade receivables	12,471	-	12,471
Inventories	38,859	-	38,859
Finance receivables	290,017	-	290,017
Other receivables, deferred expenses and contract assets	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	-	28,529	28,529
Intangible assets	166,734	-	166,734
Total assets	654,182	28,529	682,711
Liabilities			
Other payables	33,906	(377)	33,529
Financial liability at fair value through profit or loss	116	-	116
Contract liabilities	2,642	-	2,642
Deferred tax	13,918	(2,203)	11,715
Tax payables	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	34,195	462,003
Shareholders' equity			
Share capital	206,395	-	206,395
Other reserves	452	-	452
Retained earnings	19,527	(5,666)	13,861
Total shareholders' equity	226,374	(5,666)	220,708
Total shareholders' equity and liabilities	654,182	28,529	682,711

TURNERS AUTOMOTIVE GROUP LIMITED

Presentation of the Statement of comprehensive income for the year ended 31 March 2020 as if NZ IFRS 16 had not been adopted:

	31 March 2020 reported with adopting NZ IFRS 16 \$'000	Year ended 31 March 2020 NZ IFRS 16 adjustments \$'000	31 March 2020 reported without adopting NZ IFRS 16 \$'000
Revenue from continuing operations	332,174	-	332,174
Other income	500	-	500
Cost of goods sold	(135,003)	-	(135,003)
Interest expense	(14,853)	2,034	(12,819)
Impairment provision expense	(6,044)	-	(6,044)
Subcontracted services expense	(17,149)	-	(17,149)
Employee benefits (short term)	(55,458)	-	(55,458)
Commission	(13,368)	-	(13,368)
Advertising expense	(2,743)	-	(2,743)
Depreciation and amortisation expense	(11,919)	6,300	(5,619)
Property and related expenses	(1,688)	(8,806)	(10,494)
Systems maintenance	(1,747)	-	(1,747)
Claims	(25,952)	-	(25,952)
Movement in life insurance liabilities	(836)	-	(836)
Insurance deferred acquisition costs	(701)	-	(701)
Impairment of intangible brand asset	-	-	-
Other expenses	(16,148)	-	(16,148)
Profit before taxation	29,065	(472)	28,593
Taxation expense	(8,112)	132	(7,980)
Profit from continuing operations	20,953	(340)	20,613
Other comprehensive income for the period (which may subsequently be reclassified to profit/loss), net of tax			
Cash flow hedges	(447)	-	(447)
Revaluation of financial assets at fair value through OCI	(310)	-	(310)
Foreign currency translation differences	(12)	-	(12)
Total comprehensive income for the period	20,184	(340)	19,844
Earnings per share (cents per share)			
Basic earnings per share	24.35	(0.40)	23.95

TURNERS AUTOMOTIVE GROUP LIMITED

Presentation of the Statement of financial position as at 31 March 2020 as if NZ IFRS 16 had not been adopted:

	31 March 2020 reported with adopting NZ IFRS 16 \$'000	Year ended 31 March 2020 NZ IFRS 16 adjustments \$'000	31 March 2020 reported without adopting NZ IFRS 16 \$'000
Assets			
Cash and cash equivalents	32,771	-	32,771
Financial assets at fair value through profit or loss	64,988		
Trade receivables	8,609	-	8,609
Inventories	44,371	-	44,371
Finance receivables	293,037	-	293,037
Other receivables, deferred expenses and contract assets	8,572	-	8,572
Reverse annuity mortgages	4,913	-	4,913
Investment property	5,650	-	5,650
Financial assets at fair value through OCI	1,000	-	1,000
Property, plant and equipment	52,788	-	52,788
Right-of-use assets	24,850	(24,850)	-
Intangible assets	166,843	-	166,843
Total assets	708,392	(24,850)	618,554
Liabilities			
Other payables	27,340	264	27,604
Contract liabilities	2,793	-	2,793
Deferred tax	10,080	2,071	12,151
Tax payables	2,772	-	2,772
Derivative financial instruments	985	-	985
Borrowings	350,364	-	350,364
Lease liabilities	32,511	(32,511)	-
Life investment contract liabilities	7,072	-	7,072
Insurance contract liabilities	51,420	-	51,420
Total liabilities	485,337	(30,176)	455,161
Shareholders' equity			
Share capital	204,327	-	204,327
Other reserves	(1,344)	-	(1,344)
Retained earnings	20,072	5,326	25,398
Total shareholders' equity	223,055	5,326	228,381
Total shareholders' equity and liabilities	708,392	(24,850)	683,542
Total assets per share (\$)	8.28		7.23
Net tangible assets (\$)	0.77		0.86

TURNERS AUTOMOTIVE GROUP LIMITED

Presentation of the Segment information as at 31 March 2020 as if NZ IFRS 16 had not been adopted:

Operating profit	31 March 2020 reported with adopting NZ IFRS 16 \$'000	Year ended 31 March 2020 NZ IFRS 16 adjustments \$'000	31 March 2020 reported without adopting NZ IFRS 16 \$'000
Automotive retail	13,829	(514)	13,315
Finance	12,167	(43)	12,124
Credit management	6,494	1	6,495
Insurance	6,215	55	6,270
Corporate & other	(9,640)	29	(9,611)
Profit/(loss) before taxation	29,065	(472)	28,593
Income tax	(8,112)	132	(7,980)
Profit attributable to shareholders	20,953	(340)	20,613
Interest expense			
Automotive retail	(3,967)	1,847	(2,120)
Finance	(6,912)	43	(6,869)
Credit management	(39)	39	-
Insurance	(91)	91	-
Corporate & other	(3,930)	14	(3,916)
	(14,939)	2,034	(12,905)
Eliminations	86	-	86
	(14,853)	2,034	(12,819)
Depreciation and amortisation expense			
Automotive retail	(7,960)	5,472	(2,488)
Finance	(717)	343	(374)
Credit management	(249)	153	(96)
Insurance	(2,783)	191	(2,592)
Corporate & other	(210)	141	(69)
	(11,919)	6,300	(5,619)
Segment assets			
Automotive retail	129,496	(23,141)	106,355
Finance	308,696	(1,165)	307,531
Credit management	38,268	(589)	37,679
Insurance	134,236	(1,372)	132,864
Corporate & other	216,173	(654)	215,519
	826,870	(26,921)	799,949
Eliminations	(118,478)	2,071	(116,407)
	708,392	(24,850)	683,542
Segment liabilities			
Automotive retail	92,078	(28,221)	63,857
Finance	241,086	(1,221)	239,865
Credit management	7,585	(660)	6,925
Insurance	73,133	(1,463)	71,670
Corporate & other	91,423	(682)	90,741
	505,305	(32,247)	473,058
Eliminations	(19,968)	2,071	(17,897)
	485,337	(30,176)	455,161

TURNERS AUTOMOTIVE GROUP LIMITED

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.

Until the 2020 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 payments:

- 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.

A deferred tax asset is raised for the tax impact of the changes in recognised lease relates assets and liabilities.

A lease is contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The application of NZ IFRS 16 has an impact on the consolidated Statement of cash flows of Group.

Under NZ IFRS 16, lessees must present:

- Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities;
- Cash paid for the interest portion of a lease liability as either operating activities or financing activities, as permitted by NZ IAS 7 Statement of Cash Flows (the Group has opted to include interest paid as part of operating activities, consistent with its presentation of interest paid on financial liabilities); and
- Cash payments for the principal portion for a lease liability, as part of financing activities. Under NZ IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities.

Consequently, the net cash generated by operating activities has increased by \$6.998m, being the lease payments, and net cash used in financing activities has increased by the same amount.

The adoption of NZ IFRS 16 did not have an impact on net cash flows.

TURNERS AUTOMOTIVE GROUP LIMITED

USE OF ESTIMATES AND JUDGEMENTS

In preparing the financial statements in accordance with NZ IFRS, the Board and management are required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The principal areas of judgement in preparing these financial statements affected by the responses to COVID-19 pandemic are considered as follows:

Inventory provisioning

Expected credit losses on loan receivables

The impairment of the carrying value of intangibles - goodwill and brand

COVID-19

The COVID -19 pandemic and responses has reduced the ability from many businesses to operate and reduced the demand for many goods and services resulting in significant volatility and instability in financial markets. The Group's four businesses experienced significant declines in new business during lockdown level 4 and level 3, however three of the four businesses earn annuity income and were profitable during this period. The COVID-19 pandemic and responses continue to effect general activity and confidence levels in the economy. While the scale and duration of these effects remain uncertain, the Group continues to monitor developments and initiate plans to mitigate adverse impacts and maximise opportunities.

These financial statements have been prepared based upon conditions existing as at 31 March 2020 and consider those events occurring subsequent to that date that provide evidence of conditions that existed at the end of the reporting period. As the outbreak of the COVID-19 pandemic occurred before 31 March 2020 its impacts are considered an event that is indicative of conditions that arose prior to reporting period. Accordingly, as at the date of signing these financial statements, all reasonably known and available information with respect to the COVID-19 pandemic has been taken into consideration in the critical accounting estimates and judgements applied by Management and all reasonably determinable adjustments have been made in preparing these financial statements.

When assessing the possible future impact of COVID-19 on the carrying value of assets and liabilities, the Group reviewed past experience, including the impact of the global financial crisis, on the Group's performance and aligned the forecast and estimates with this experience.

Inventories - impairment provision

Inventories comprise primarily motor vehicles held for sale and are stated at the lower of cost or net realisable value. Cost comprises the purchase price, shipping cost, compliance cost and other sundry related costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Estimated selling prices are based upon recent observed vehicle sales prices for comparable vehicles. Management has estimated the net realisable value of inventories based on their estimate of the selling price in a post lockdown market.

Based on the work done the inventories impairment provision includes \$0.5m for any economic uncertainty associated with the COVID-19 pandemic and its potential impact on the expected impact on inventory provisions.

Finance receivables - expected credit losses

The Group recognises a loss allowance for expected credit losses (ECL) on financial assets that are measured at amortised cost and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

ECL are measured as an allowance equal to 12 month ECL for performing assets, or lifetime ECL for those assets that have experienced a significant increase in credit risk since origination. Expectations about future losses are initially derived from past experience. In the current year, when measuring ECL the Group has used reasonable and supportable forward looking information, which is based on estimates for the future movement of different economic drivers (i.e. unemployment rates and government stimulus) and how these drivers will affect each other. As a result of the present economic circumstances with respect to COVID-19 there remains inherent uncertainty of the impact on these economic drivers will have on the ECL. When assessing the impact of COVID-19 Management determined the likely impact will be an increase in the estimated probability of default. Management's assessment included reviewing past experience during the global financial crisis and a review of loans in at risk related industries.

Based on the work done the finance receivables expected credit loss provision includes \$1.0m for any economic uncertainty associated with the COVID-19 pandemic and its potential impact on the expected impact on credit losses.

Indefinite life intangibles - goodwill and brand

Forecast cash flows over a minimum projected period of five years factor into the impairment assessment for goodwill and brand. The Group prepared revised cash flow forecasts for the purposes of the Group's annual impairment testing of goodwill and brand. The revised cash flow forecasts considered the impact of COVID-19 and responses on the performance of the Group. Management's assessment included sensitivity analysis by changing key inputs into the value-in-use calculation as the discount rate and long term growth rate.

This assessment has not identified any impairment of the carrying value of the goodwill and brand assets as at 31 March 2020.