

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

Reporting Period	6 months to 30 September 2018	
Previous Reporting Period	6 months to 30 September 2017	
	Amount (NZD000s)	Percentage change
Revenue from ordinary activities	168,291	3%
Operating profit after tax - ordinary activities	12,885	28%
Net profit attributable to security holders	12,756	28%
Interim Dividend	Amount per security	Imputed amount per security
	\$0.04000	\$0.01556
Record Date	22 January 2019	
Dividend Payment Date	30 January 2019	
Comments:		

TURNERS AUTOMOTIVE GROUP LIMITED

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2018

	Six months ended 30/09/2018 Unaudited \$'000	Six months ended 30/09/2017 Unaudited \$'000	Year ended 31/03/2018 Audited \$'000
Revenue from continuing operations	164,573	162,979	325,047
Other income	3,718	863	5,423
Cost of goods sold	(65,274)	(71,430)	(137,332)
Interest expense	(7,975)	(6,532)	(14,344)
Impairment provision expense	(3,951)	(2,276)	(6,380)
Subcontracted services expense	(6,839)	(5,375)	(10,777)
Employee benefits (short term)	(27,108)	(25,589)	(51,911)
Commission	(6,943)	(5,439)	(12,107)
Advertising expense	(1,963)	(1,905)	(4,001)
Depreciation and amortisation expense	(2,706)	(2,689)	(5,627)
Property and related expenses	(5,693)	(5,118)	(10,644)
Systems maintenance	(784)	(870)	(1,822)
Claims	(13,527)	(15,920)	(32,021)
Other expenses	(8,731)	(6,455)	(12,371)
Profit before taxation	16,797	14,244	31,133
Taxation expense	(3,912)	(4,213)	(7,773)
Profit from continuing operations	12,885	10,031	23,360
Other comprehensive income for the year (which may subsequently be reclassified to profit/loss), net of tax			
Cash flow hedges	(121)	(43)	(170)
Foreign currency translation differences	(8)	-	2
Total other comprehensive income for the year	(129)	(43)	(168)
Total comprehensive income for the year	12,756	9,988	23,192
Earnings per share (cents per share)			
Basic earnings per share	15.19	13.36	29.26
Diluted earnings per share	14.89	13.24	28.87

TURNERS AUTOMOTIVE GROUP LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Share Capital \$'000	Share Options \$'000	Translation Reserve \$'000	Cash flow hedge reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 31 March 2017 (audited)	168,809	208	(23)	6	2,716	171,716
<i>Transactions with shareholders in their capacity as owners</i>						
Capital contributions (net of issue costs)	25,149	-	-	-	-	25,149
Employee share based payments	-	217	-	-	-	217
Dividend paid	-	-	-	-	(6,334)	(6,334)
Total transactions with shareholders in their capacity as owners	25,149	217	-	-	(6,334)	19,032
<i>Comprehensive income</i>						
Profit	-	-	-	-	10,031	10,031
Other comprehensive income	-	-	-	(43)	-	(43)
Total comprehensive income for the period, net of tax	-	-	-	(43)	10,031	9,988
Balance at 30 September 2017 (unaudited)	193,958	425	(23)	(37)	6,413	200,736
<i>Transactions with shareholders in their capacity as owners</i>						
Capital contributions (net of issue costs)	5,190	-	-	-	-	5,190
Employee share based payments	-	276	-	-	-	276
Dividend paid	-	-	-	-	(5,083)	(5,083)
Total transactions with shareholders in their capacity as owners	5,190	276	-	-	(5,083)	383
<i>Comprehensive income</i>						
Profit	-	-	-	-	13,329	13,329
Other comprehensive income	-	-	2	(127)	-	(125)
Total comprehensive income for the period, net of tax	-	-	2	(127)	13,329	13,204
Balance at 31 March 2018 (audited)	199,148	701	(21)	(164)	14,659	214,323
<i>Change in accounting policy</i>	-	-	-	-	(1,839)	(1,839)
<i>Transactions with shareholders in their capacity as owners</i>						
Employee share based payments	-	163	-	-	-	163
Dividend paid	-	-	-	-	(8,056)	(8,056)
Total transactions with shareholders in their capacity as owners	-	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)	17,649	217,347

TURNERS AUTOMOTIVE GROUP LIMITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	30/09/2018 Unaudited \$'000	30/09/2017 Unaudited \$'000	31/03/2018 Audited \$'000
Assets			
Cash and cash equivalents	24,085	69,472	25,145
Financial assets at fair value through profit or loss			
- Insurance	51,693	7,345	49,749
- Other	3,579	3,620	3,629
Trade receivables	11,505	12,095	11,323
Inventory	42,877	42,143	38,596
Finance receivables	290,091	269,229	289,799
Other receivables and deferred expenses	14,291	10,238	11,747
Reverse annuity mortgages	9,287	8,967	9,997
Investment property	4,820	4,000	4,820
Property, plant and equipment	35,122	23,736	35,945
Intangible assets	170,843	171,527	170,982
Total assets	658,193	622,372	651,732
Liabilities			
Other payables	28,010	29,721	34,875
Financial liability at fair value through profit or loss	174	2,767	226
Deferred revenue	6,113	5,766	5,506
Deferred tax	17,614	20,044	18,786
Tax payable	856	1,681	5,029
Derivative financial instruments	295	43	111
Borrowings	330,291	306,786	317,373
Life investment contract liabilities	7,573	8,079	7,127
Life insurance contract liabilities	49,920	46,749	48,376
Total liabilities	440,846	421,636	437,409
Shareholders' equity			
Share capital	199,148	193,958	199,148
Other reserves	550	365	516
Retained earnings	17,649	6,413	14,659
Total shareholders' equity	217,347	200,736	214,323
Total shareholders' equity and liabilities	658,193	622,372	651,732
Total assets per share (\$)	7.76	7.50	7.69
Net tangible assets (\$)	0.76	0.59	0.73

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 financial assets at fair value through profit or loss 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 2018 were \$12.8m (30 September 2017: \$48.1m; 31 March 2018: \$9.2m).

Cash and cash equivalents at 30 September 2018 of \$2.9m (30 September 2017: \$8.0m; 31 March 2018: \$4.9m) belongs to the Turners Marque Warehouse Trust 1 and is not available to the Group.

TURNERS AUTOMOTIVE GROUP LIMITED

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2018

	Six months ended 30/09/2018 Unaudited \$'000	Six months ended 30/09/2017 Unaudited \$'000	Year ended 31/03/2018 Audited \$'000
Cash flows from operating activities			
Interest received	25,037	18,873	41,925
Receipts from customers	138,210	144,415	281,031
Interest paid	(6,782)	(4,009)	(9,609)
Payment to suppliers and employees	(150,395)	(139,330)	(266,124)
Income tax paid	(8,671)	(4,465)	(5,824)
Net cash inflow/(outflow) from operating activities before changes in operating assets and liabilities	(2,601)	15,484	41,399
Net increase in finance receivables	(9,770)	(54,372)	(75,248)
Net decrease in reverse annuity mortgages	1,146	672	66
Net (increase)/decrease of financial assets at fair value through profit or loss	(1,348)	305	(41,937)
Net (withdrawals)/contribution from life investment contracts	124	(4,877)	(5,765)
Changes in operating assets and liabilities arising from cash flow movements	(9,848)	(58,272)	(122,884)
Net cash (outflow)/inflow from operating activities	(12,449)	(42,788)	(81,485)
Cash flows from investing activities			
Proceeds from sale of property, plant, equipment and intangibles	8,858	152	3,944
Purchase of property, plant, equipment and intangible assets	(5,811)	(6,116)	(22,698)
Purchase of subsidiaries and investments	-	(3,733)	(3,754)
Net cash inflow from investing activities	3,047	(9,697)	(22,508)
Cash flows from financing activities			
Net bank loan advances	16,398	34,756	39,005
Proceeds from the issue of share issue	-	24,466	29,656
Proceeds from the issue of bonds	-	-	-
Other borrowings	-	-	2,837
Dividend paid	(8,056)	(6,334)	(11,417)
Net cash inflow/(outflow) from financing activities	8,342	52,888	60,081
Net movement in cash and cash equivalents	(1,060)	403	(43,912)
Add opening cash and cash equivalents	25,145	69,069	69,069
Cash included with purchase of subsidiaries	-	-	-
Translation difference	-	-	(12)
Closing cash and cash equivalents	24,085	69,472	25,145

TURNERS AUTOMOTIVE GROUP LIMITED

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2018

	Six months ended 30/09/2018 Unaudited \$'000	Six months ended 30/09/2017 Unaudited \$'000	Year ended 31/03/2018 Audited \$'000
RECONCILIATION OF NET SURPLUS WITH CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss)	12,885	10,031	23,360
Adjustment for Non-cash items and other items			
Impairment (charge)/ release on finance receivables, reverse annuity mortgages and other receivables	3,994	2,281	6,390
Net (profit)/loss on sale fixed assets	(3,610)	(227)	(1,000)
Depreciation and amortisation	2,706	2,689	5,627
Capitalised reverse annuity mortgage interest	(451)	(432)	(869)
Deferred revenues	1,702	282	917
Fair value adjustments on assets/liabilities at fair value through profit and loss	(548)	(929)	(1,139)
Net annuity and premium change to policyholders accounts	322	109	45
Non-cash long term employee benefits	160	238	516
Non-cash adjustments to finance receivables effective interest rates	(42)	51	109
Deferred expenses	(1,129)	(5,909)	(7,135)
Fair value adjustment on investment property	-	-	(820)
Fair value adjustment to contingent consideration	-	-	(2,845)
Adjustment for Movements in Working Capital			
Net (increase)/decrease receivables and pre-payments	(2,280)	(1,823)	1,009
Net (increase)/decrease in inventories	(4,281)	2,578	5,958
Net increase/(decrease) in payables	(7,254)	6,797	9,443
Net increase in finance receivables	(9,770)	(54,372)	(75,248)
Net decrease in reverse annuity mortgages	1,146	672	66
Net (increase)/decrease of insurance assets at fair value through profit or loss	(1,348)	305	(41,937)
Net contributions/(withdrawals) from life investment contracts	124	(4,877)	(5,765)
Net (decrease)/increase in deferred tax liability	(4,159)	1,214	(48)
Net (decrease)/increase in tax payable	(616)	(1,466)	1,881
Net Cash inflow/(outflow) from Operating Activities	(12,449)	(42,788)	(81,485)

TURNERS AUTOMOTIVE GROUP LIMITED

SEGMENTAL INFORMATION

OPERATING SEGMENTS

Revenue	Total	Inter-	Revenue	Total	Inter-	Revenue	Total	Inter-	Revenue
	segment	segment	from	segment	segment	from	segment	segment	from
	revenue	revenue	external	revenue	revenue	external	revenue	revenue	external
	30/09/2018	30/09/2018	customers	30/09/2017	30/09/2017	customers	31/03/2018	31/03/2018	customers
Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited	Audited	Audited	
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Automotive retail	112,765	(969)	111,796	115,694	(2,211)	113,483	226,434	(3,222)	223,212
Finance	21,564	-	21,564	17,791	-	17,791	39,747	-	39,747
Collection Services	9,249	-	9,249	10,189	-	10,189	18,677	-	18,677
Insurance	25,660	-	25,660	22,369	-	22,369	46,923	-	46,923
Corporate & Other	147	(125)	22	10	-	10	1,911	-	1,911
	169,385	(1,094)	168,291	166,053	(2,211)	163,842	333,692	(3,222)	330,470

Operating profit	30/09/2018	30/09/2017	31/03/2018
	Unaudited	Unaudited	Audited
	\$'000	\$'000	\$'000
Automotive retail	8,013	8,771	16,550
Finance	5,423	5,537	11,735
Collection Services	3,076	3,413	6,069
Insurance	6,414	2,627	5,731
Corporate & Other	(6,129)	(6,104)	(8,952)
Profit/(loss) before taxation	16,797	14,244	31,133
Income tax	(3,912)	(4,213)	(7,773)
Profit attributable to shareholders	12,885	10,031	23,360

	Interest revenue			Interest expense			Depreciation and amortisation expenses		
	30/09/2018	30/09/2017	31/03/2018	30/09/2018	30/09/2017	31/03/2018	30/09/2018	30/09/2017	31/03/2018
	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Audited
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Automotive retail	4,691	4,289	9,311	(2,456)	(2,302)	(4,767)	(1,215)	(1,242)	(2,351)
Finance	18,969	15,710	34,432	(3,372)	(2,643)	(5,829)	(172)	(152)	(348)
Collection Services	4	5	12	-	-	-	(43)	(40)	(93)
Insurance	1,167	993	1,997	-	-	-	(144)	(105)	(681)
Corporate & Other	147	9	22	(2,412)	(1,748)	(4,438)	(1,132)	(1,150)	(2,154)
	24,978	21,006	45,774	(8,240)	(6,693)	(15,034)	(2,706)	(2,689)	(5,627)
Eliminations	(265)	(161)	(690)	265	161	690	-	-	-
	24,713	20,845	45,084	(7,975)	(6,532)	(14,344)	(2,706)	(2,689)	(5,627)

Other material non-cash items

	Revenue			Expenses		
	30/09/2018	30/09/2017	31/03/2018	30/09/2018	30/09/2017	31/03/2018
	Unaudited \$'000	Unaudited \$'000	Audited \$'000	Unaudited \$'000	Unaudited \$'000	Audited \$'000
Automotive retail - impairment provisions	-	-	-	(219)	(207)	(423)
Finance - impairment provisions	-	-	-	(3,657)	(2,016)	(5,929)
Insurance - impairment provisions	-	-	-	(75)	(53)	(28)
Automotive retail - revaluation of investment	-	590	-	-	-	-
Collection services - deferred revenue	84	241	433	-	-	-
Insurance - reverse annuity mortgage interest	451	432	869	-	-	-
	535	1,263	1,302	(3,951)	(2,276)	(6,380)

2.2 SEGMENT ASSETS AND LIABILITIES

	Segment assets			Segment liabilities		
	30/09/2018	30/09/2017	31/03/2018	30/09/2018	30/09/2017	31/03/2018
	Unaudited \$'000	Unaudited \$'000	Audited \$'000	Unaudited \$'000	Unaudited \$'000	Audited \$'000
Automotive retail	152,295	134,963	152,006	109,844	103,255	115,071
Finance	249,401	228,077	255,937	192,228	178,439	199,374
Collection Services	29,944	28,477	28,780	6,123	8,582	6,937
Insurance	126,589	117,862	124,358	67,055	64,413	69,213
Corporate & Other	270,107	285,026	298,912	70,642	72,386	89,443
	828,336	794,405	859,993	445,892	427,075	480,038
Eliminations	(170,143)	(172,033)	(208,261)	(5,046)	(5,439)	(42,629)
	658,193	622,372	651,732	440,846	421,636	437,409

2.3 AUTOMOTIVE RETAIL SEGMENT ANALYSIS

	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
	30/09/2018 Unaudited \$'000	30/09/2018 Unaudited \$'000	30/09/2018 Unaudited \$'000	30/09/2017 Unaudited \$'000	30/09/2017 Unaudited \$'000	30/09/2017 Unaudited \$'000	31/03/2018 Audited \$'000	31/03/2018 Audited \$'000	31/03/2018 Audited \$'000
Auctions	22,872	(218)	22,654	21,899	(607)	21,292	41,655	(472)	41,183
Finance	8,195	(751)	7,444	7,313	(194)	7,119	14,711	(143)	14,568
Fleet	49,480	-	49,480	56,114	-	56,114	108,047	-	108,047
Buy Right Cars	32,218	-	32,218	30,368	(1,410)	28,958	62,021	(2,607)	59,414
	112,765	(969)	111,796	115,694	(2,211)	113,483	226,434	(3,222)	223,212

Operating profit

	30/09/2018 Unaudited \$'000	30/09/2017 Unaudited \$'000	31/03/2018 Audited \$'000
Auctions	1,659	2,459	3,410
Finance	3,343	2,956	5,724
Fleet	2,509	1,993	4,970
Buy Right Cars	502	1,363	2,446
	8,013	8,771	16,550

Division assets and liabilities

	Assets			Liabilities		
	30/09/2018	30/09/2017	31/03/2018	30/09/2018	30/09/2017	31/03/2018
	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Audited
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Auctions	39,738	26,583	44,395	11,111	7,194	24,038
Finance	62,467	61,463	66,294	58,665	58,319	60,133
Fleet	18,466	20,651	14,595	14,436	16,565	8,373
Buy Right Cars	31,624	26,266	28,549	25,632	21,177	23,045
	152,295	134,963	153,833	109,844	103,255	115,589
Eliminations	-	-	(1,827)	-	-	(518)
	152,295	134,963	152,006	109,844	103,255	115,071

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.

Change in accounting policies

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make adjustments to opening retained earnings as a result of adopting the following standards:

- NZ IFRS 9 'Financial Instruments'; and
- NZ IFRS 15 'Revenue from Contracts with Customers'

The impact of the adoption of these standards and the new accounting policies are disclosed below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustment.

NZ IFRS 9 'Financial Instruments'

NZ IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in NZ IAS 39, 'Financial Instruments: Recognition and Measurement', that relates to the classification and measurement of financial instruments.

The Group has chosen not to restate comparative information and adjustments required by the application of the new standard have been made to the opening balance of retained earnings recognised in the Statement of changes in equity for the six months ended 30 September 2018.

The Group's classification measure of financial assets and liabilities under NZ IFRS 9 remains largely the same as it was under NZ IAS 39.

Impairment

The adoption of NZ IFRS 9 has fundamentally changed the Group's accounting for impairment for financial assets by replacing NZ IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

NZ IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at Fair value in profit or loss.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The Group has calculated ECLs on 12 months of expected losses where there has not been a significant increase in credit risk and lifetime expected losses where there has been a significant increase. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain circumstances, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancement held by the Group. The adoption of the ECL requirements of NZ IFRS 9 resulted in increases in impairment allowances for the Group's Finance receivables. The increase in allowance resulted in (\$1,555,000) adjustment to Retained earnings.

NZ IFRS 15 'Revenue from Contracts with Customers'

NZ IFRS 15 introduces a five step process for revenue recognition with the core principle being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contract with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling the contract.

The Group elected to apply the retrospective cumulative effect method, with no restatement of comparative period amounts. The cumulative effect of applying the new standard is included as an adjustment to the opening balance of retained earnings recognised in the Statement of changes in equity for the six months ended 30 September 2018.

The Group's revenue recognition policies remain largely the same with the following exception:

Sales of service- Collection income

The Group has concluded that collection income should be recognised when the service is rendered. The adoption of NZ IFRS 15 has impacted the timing of when some collection income and the related costs are recognised resulting (\$284,000) adjustment to opening retained income.

Summary of NZ IFRS 9 and NX IFRS 15 adjustment to opening retained income:

	\$'000
Balance at 1 April 2018	14,659
<i>NZ IFRS 9 adjustments:</i>	
Change in impairment	(2,160)
Deferred tax	605
<i>NZ IFRS 15 Adjustment</i>	
Change in collection income	(617)
Change in collection expenses	348
Tax payable	23
Deferred tax	(38)
Adjusted balance at 1 April 2018	12,820

Subsequent events after balance date

On 1 October 2018, the 6.5% convertible bonds were settled by repaying \$7,505,000 in cash, exchanging \$4,814,000 for the new 5.5% subordinated bonds and issuing 4,646,037 ordinary shares at \$2.85 per share (\$13,241,000). On the same day \$25,000,000 5.5% subordinated bonded with a 3 year term were issued.

Contingent liabilities

DPL Insurance Limited (DPL) and Vero Insurance New Zealand Limited (Vero) have agreed to an expert determination to decide the appropriate level of insurance reserves to be transferred to DPL Insurance for the acquisition of the Autosure business. Both parties are seeking a payment. The directors consider that on balance of probabilities DPL is likely to receive a payment. Pending the outcome of the determination, DPL may be required to make a payment to Vero. The date of the hearing is set for 28 November 2018 with the outcome expected to be announced before the end of the year. At the date of this report, the timing and amount of any payment could not be reliably estimated.