# Turners. LIMITED


ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2016

## Turners Limited: An integrated financial services group, primarily operating in the automotive sector and providing strength in three integrated areas

### Customer Origination.

**Controlling the buying and selling transactions to earn a transactional margin and delivering cross-sell opportunity for Finance and Insurance**

Turners Group is the largest second hand vehicle retailer in New Zealand and allows us direct access to vehicle buyers and sellers and the opportunity to cross-sell our finance and insurance offer.

### Finance and Insurance.

**Helping customers with simple and attractive finance and insurance products**

We have a portfolio of reputable businesses offering finance and insurance products to customers across New Zealand, including personal, motor vehicle and commercial loans.

### Debt Management Services.

**Helping businesses of any size in New Zealand and Australia with better management of their credit challenges**

We have a growing presence in the debt management sector in both New Zealand and Australia through our EC Credit business.

# WE'RE PROUD OF OUR GROWTH STORY.

Our company is being transformed as we continue to focus on growth.

We've taken our traditional finance and insurance businesses and found new ways to make them stronger, better, more competitive and more profitable.

We're investing in growth, through smart mergers and acquisitions that build our capability.

We're realising growth in each of our businesses - more customers, more products and services, and more channels to market.

We're taking advantage of the synergies across our group to cross-sell our products, and develop a common operating and funding platform.

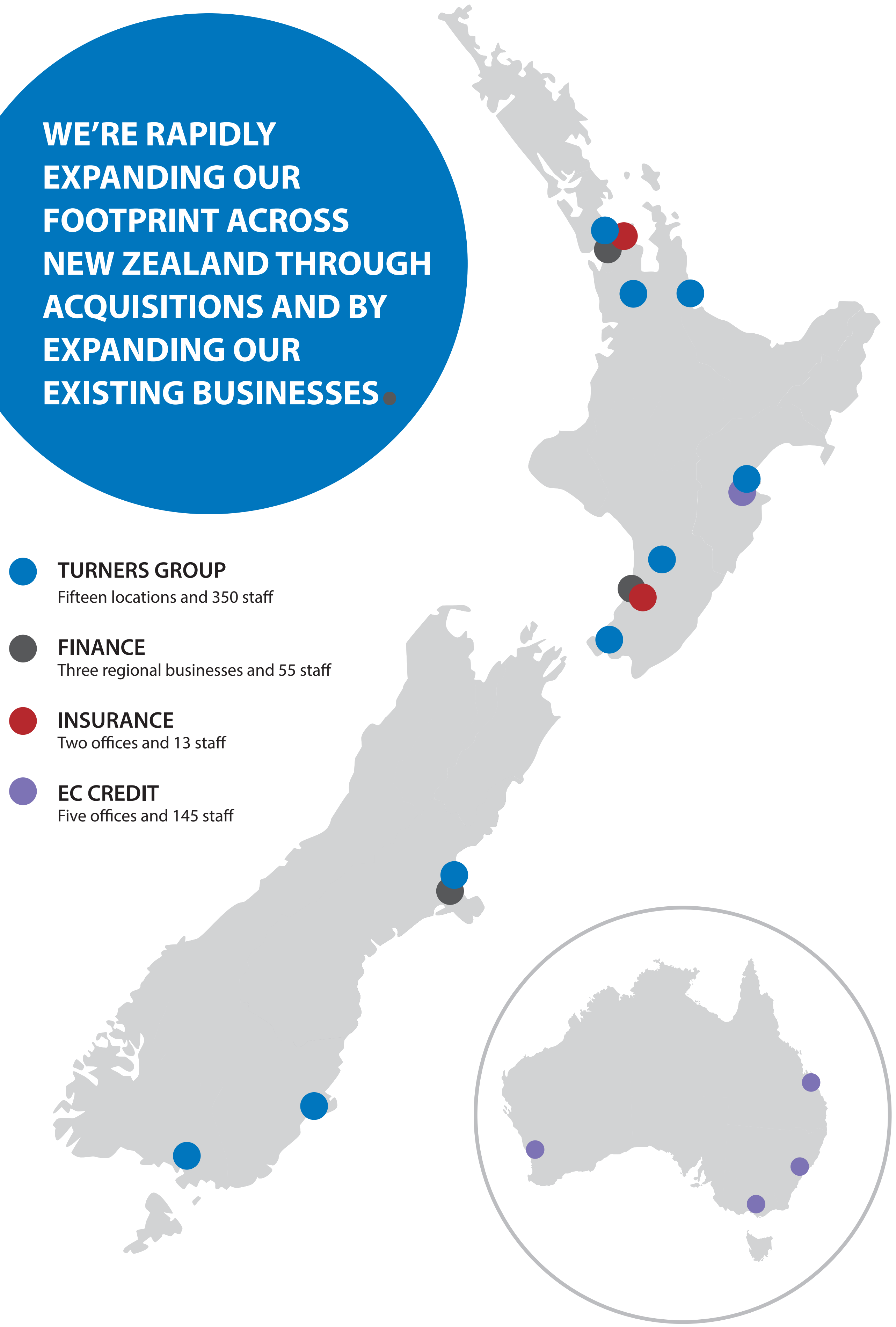
2016 was another stellar year for the company as we continued to deliver increasing shareholder value, higher dividends and a record profit before tax.

On behalf of the Board and management, we are pleased to present the Turners Limited Annual Report for 2016.

**Grant Baker**
Chairman

**Paul Byrnes**
Executive Director

## WE'RE RAPIDLY EXPANDING OUR FOOTPRINT ACROSS NEW ZEALAND THROUGH ACQUISITIONS AND BY EXPANDING OUR EXISTING BUSINESSES.




# FY16 HIGHLIGHT EVENTS

| | |
|---|---|
| **April 2015** | Acquisition of Greenwich Life |
| **August 2015** | Acquisition of Southern Finance |
| **September 2015** | Announced offer to acquire shares in Motor Trade Finance (MTF) |
| **October 2015** | Todd Hunter appointed as Chief Operating Officer of Turners Limited |
| | Investment in MTF increased to 8% |
| **December 2015** | Completed buyback of small shareholdings with purchase of 1,093,663 shares from approx. 450 shareholders |
| **February 2016** | Alistair Petrie appointed to the Board to represent the interests of Bartel Holdings, following the death of Michael Dossor |
| **March 2016** | 1:10 share consolidation completed |

## FOLLOWING YEAR END

| | |
|---|---|
| **May 2016** | Acquisition of Pacific Life |
| **June 2016** | Succession of Todd Hunter as CEO; Paul Byrnes to remain in an executive role, focussing on merger and acquisition activity, under a two-year contract |
| | Introduction of quarterly dividend payment structure from FY17 onwards |

# FY16 RESULTS AT A GLANCE

**INCREASED TRADING PROFIT FROM ALL BUSINESSES**
A number of businesses delivered operating profits significantly ahead of both last year and budget

**OPERATING REVENUE $172M, UP 76%**
Strategic acquisitions are opening up new opportunities and helping to drive growth

**FINANCE BOOK GREW TO $168M**
Motor vehicle lending continues to drive strong growth in our finance book

**SHAREHOLDERS FUNDS $129.8M**
The value of shareholders' interests in the company has grown 437% in the past five years

**RECORD $21.6M NPBT**
In FY16, Turners' Net Profit Before Tax grew by 13% to a record $21.6 million

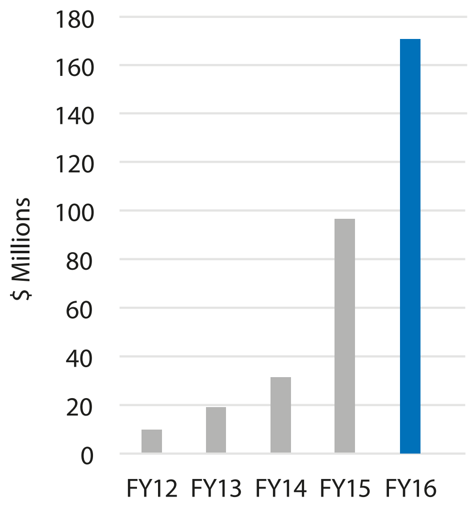
**STRONG NET PROFIT AFTER TAX OF $15.6M**
Remaining tax losses to be fully utilised in FY17

**GEARING REMAINS BELOW 57%**
We have capacity to continue our M&A and expansion strategy

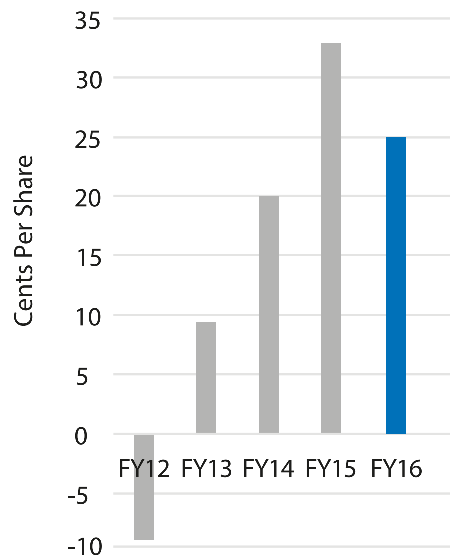
**FINAL DIVIDEND 7CPS**
Shareholders are benefitting from Turners growth success with attractive dividend payouts

**SHAREHOLDER VALUE IN THE COMPANY HAS GROWN FIVE-FOLD IN THE PAST FIVE YEARS.**

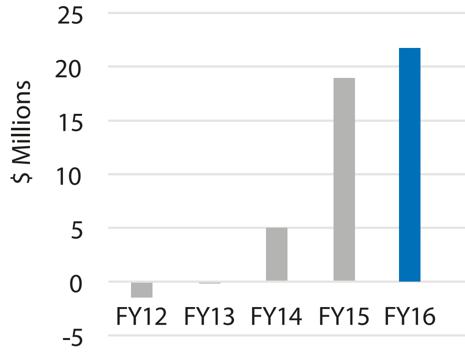
**OPERATING REVENUE**



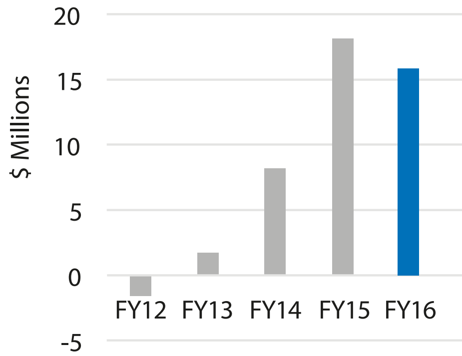

**EARNINGS PER SHARE***



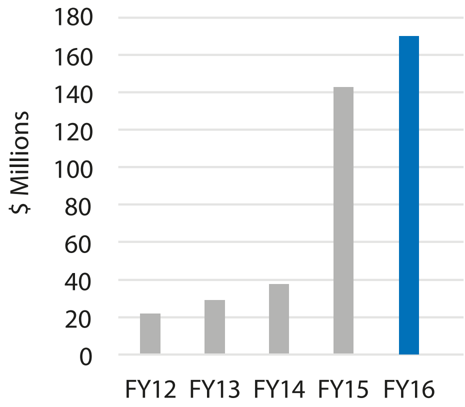

**NET PROFIT BEFORE TAX**



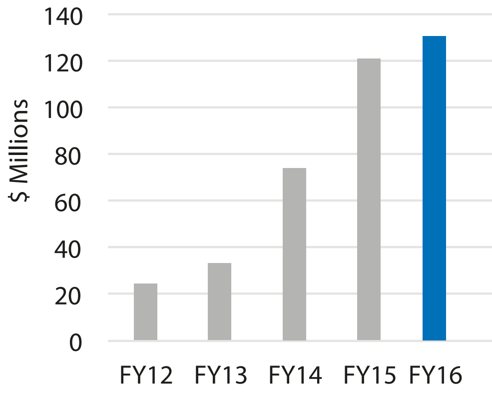

**NET PROFIT AFTER TAX**




**FINANCE RECEIVABLES**




**SHAREHOLDERS' FUNDS**




* Historic EPS has been calculated as if the share consolidation occurred on 1 April 2011

**THE 2016 FINANCIAL YEAR WAS ONE OF WHICH WE ARE VERY PROUD.**

**Paul Byrnes Executive Director, Grant Baker Chairman, Todd Hunter CEO**

# THE YEAR IN REVIEW

The 2016 financial year was one of which we are very proud. We continued to deliver on our growth strategy and this was reflected in another year of strong results.

We have a clear vision – to build an integrated financial services organisation where we not only provide valuable finance, insurance and credit management products and services, but also have the ability to capture a large and highly targeted group of customers at source.

Pleasingly, all of our operating divisions delivered an improved trading result, with a number of our businesses significantly ahead of both last year and budget. The acquisitions we have made have strengthened our organisation and we are continuing to build on our positioning as an integrated financial services group.

At the core of our success is our focus on providing services and products which add value to people's lives.

Every day, we hand over the keys to more than 100 people who buy a vehicle, truck or machinery item from us. We assist more than 11,000 customers with loans every year and we provide peace of mind to a further 10,000 plus people with our insurance solutions. We also work with hundreds of companies across Australia and New Zealand to help them manage their credit and debt collection.

Our people are key to our growth strategy. Many of our employees are long term and have worked with our businesses for many years. They are passionate, experienced and have a deep understanding and knowledge of the industries in which they work. We encourage them to continually seek new and better ways to service their customers which will in turn deliver growing returns to our company. On behalf of the Board and management, I would like to thank every Turners employee for their part in delivering this year's positive result.

## FINANCIAL PERFORMANCE

The result for the year ended 31 March 2016 includes a full year trading contribution from Turners Group NZ (formerly Turners Auctions) and eight months trading from Southern Finance, the Christchurch based finance company which was acquired in August 2015.

Net profit before tax was up 13% on the previous year to $21.6 million. Excluding $5.0 million of net one-off gains in the previous year, the result was more than 50% higher.

Net profit after tax was $15.6 million (FY15: $18.1 million). We have already been paying tax in respect of profits from businesses recently acquired, however, actual tax payments for FY16 are lower as tax losses on the balance sheet are utilised. We expect to fully utilise any remaining tax losses in the financial year to 31 March 2017.

Shareholder funds at 31 March 2016 were $129.8 million, up on FY15 shareholder funds of $121.0 million. During the year, we undertook a share buyback of small shareholdings (less than 5,000 shares) and the sale of minimum holdings under 1,000 shares and also carried out a 1:10 share consolidation to strengthen our share price.

Turners has an equity ratio (shareholder funds to total assets) of 36%, with a gearing ratio (debt to debt plus shareholder funds) of 57%. This provides sufficient headroom for further debt-funded growth activity and a number of potential acquisitions are under review. We carry out detailed due diligence and research on any potential acquisition, to ensure it will be value accretive for our group and our shareholders.

# THE YEAR IN REVIEW *continued*

### DIVIDEND

We were pleased to declare a final un-imputed dividend of 7 cents per share, an increase of 17% on the previous year. As previously advised, we are now moving to quarterly dividend payments from 1 April 2016 onwards, with the first dividend, if declared, expected to be paid in mid-September 2016.

This is a reflection of the reliable earnings stream being generated by Turners' businesses and will deliver a more regular earnings stream to investors.

Our policy remains a pay-out of between 50% and 55% of underlying tax paid profit. We expect future dividends to be fully imputed and existing imputation credits, together with imputation credits arising from tax paid over coming months, will be applied to the September 2016 quarterly dividend.

### TRADING PERFORMANCE

The 2016 financial year was very positive, with all our trading operations delivering increased operating profits, and a number of the businesses significantly ahead of both last year and budget.

#### Turners Group NZ

Turners Group NZ (previously Turners Auctions) had an outstanding first reporting year under full ownership as it continued to deliver on its multi-channel strategy. Activity levels across auctions, fleet and finance were well up on the previous year. Two properties have already been purchased to accommodate the growing truck and machinery business, reflecting the strategy of separating trucks and machinery premises from the traditional car business. Further investments will follow. The business achieved a trading profit before tax of just over $10 million for the full year, 47% ahead of the Turners Auctions pre-acquisition profit of $6.8 million.

#### Finance

Dorchester Finance and Oxford Finance both finished the year strongly with operating profits around 20% ahead of forecast, despite increasing price competition in the second tier motor vehicle finance market. Oxford Finance recorded an operating profit of $5 million compared to the pre-acquisition profit level of approximately $3 million. A digital loan approval platform, "AutoApp", has been developed over the last 12 months with an initial launch by Dorchester Finance in May 2016. This system will be rolled out to Oxford Finance and Southern Finance over the next 12 months and will deliver internal efficiencies and better customer experience for dealers/brokers. Total finance receivables across the group increased by 17% to $168 million at year end. The book comprises predominantly motor vehicle secured lending.

#### Insurance

In DPL Insurance, the growth in gross written premium and new policy sales of Mainstream consumer insurance products has continued. Sales of motor vehicle breakdown and private motor vehicle insurance policies through the group channels (Turners Group and the group's finance companies) now exceed 500 new policies per month with further growth through these channels expected. The recent acquisitions of Greenwich Life and Pacific Life will enable insurance policies with some life cover, such as funeral plan and accidental death, to be marketed through existing client channels of these businesses.

#### EC Credit

The EC Credit debt recovery business had a record year with increased contingency commission revenue from the major New Zealand banks and institutional clients. Improved collection systems and IT investment are delivering improving collection rates off client debt. Australian revenues accounted for approximately 50% of total income. The Australian market still represents the greatest opportunity for growth from SME and corporate clients in that market.

### CEO SUCCESSION

Chief Operating Officer (COO) of Turners Limited, Todd Hunter, has been appointed as Chief Executive Officer (CEO), effective from 1 June 2016. This is part of a succession plan put in place a year ago to ensure a seamless transition and retain knowledge and expertise in the business.

We are fortunate to have, in Todd, an already highly regarded CEO who can take over leadership of the business. Todd has been with Turners Group for nine years and was appointed CEO of that business in 2013 while it was separately listed. In October 2015, he was appointed COO of Turners Limited which saw him take on additional responsibilities for the wider group.

Paul Byrnes will remain on the Board as an Executive Director, focussing on merger and acquisition activity, under a two-year contract.

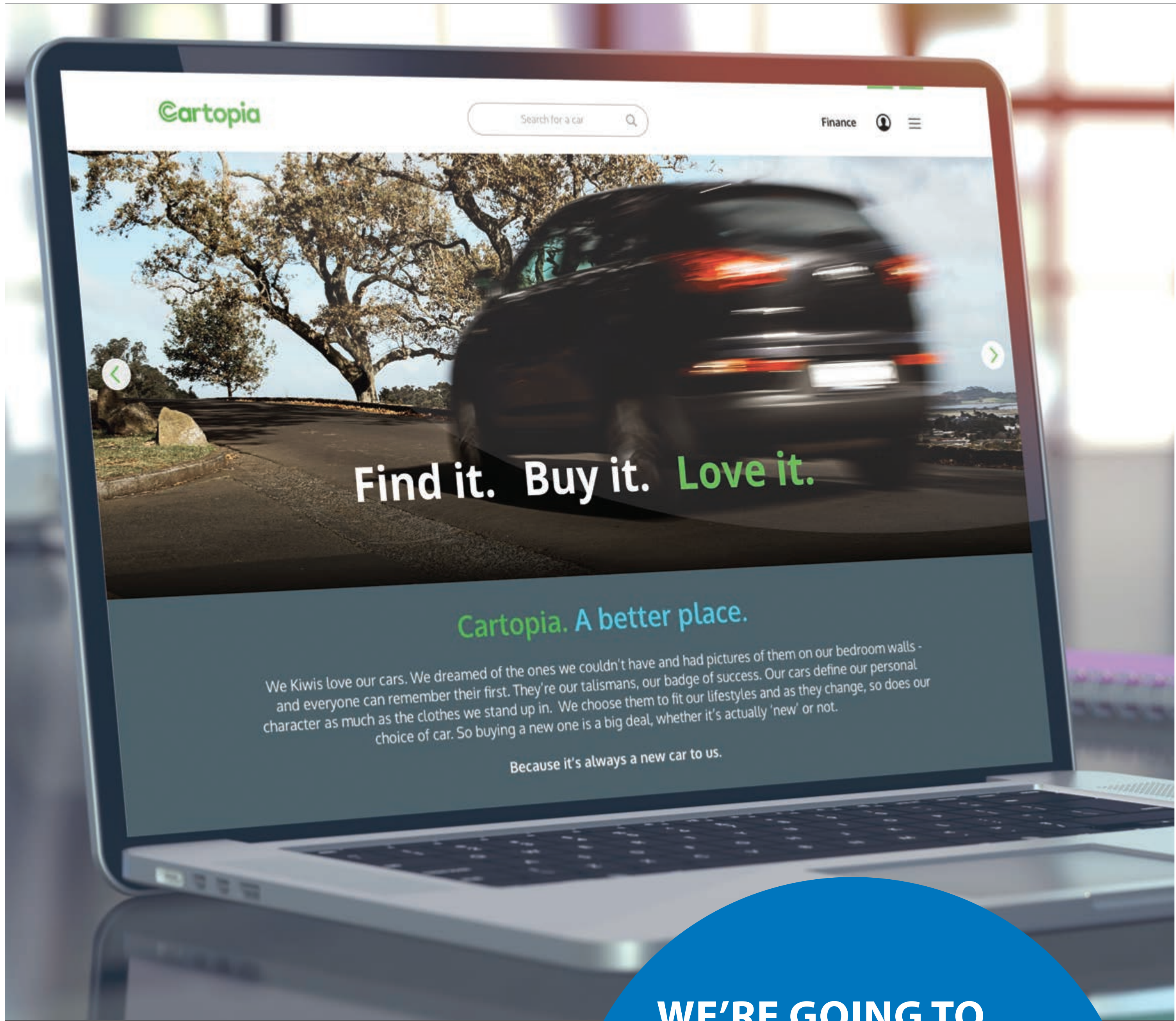
### GOVERNANCE

We were very sad to lose Director Michael Dossor in early 2016. Michael was a director of Turners Auctions since its listing in 2002 and was chairman from 2003 until its takeover by Turners Limited in November 2014. He oversaw some major changes and steady growth in performance of the Turners Auctions business over that time and was very supportive of Turners Auctions becoming part of the larger Turners Limited group. He was appointed to the Turners Limited Board in January 2015 and contributed actively and positively to the wider business.

Alistair Petrie was appointed to the Board of Turners Limited to fill the vacancy created by Michael's death and to represent the interests of Bartel Holdings which is a significant shareholder in Turners Limited.

Alistair has held senior executive roles over 20 years in both private and listed companies in New Zealand and overseas. This included 10 years with Turners and Growers Limited at the time the Turners Auctions business was part of that group before it was separately floated on the NZX. He has extensive experience in sales and marketing and has been involved in a considerable number of successful merger and acquisition transactions.

Alistair will stand for election by shareholders at the next annual meeting.




The dynamics of the marketplace are changing and consumers are demanding convenient, hassle-free ways to purchase goods, including vehicles, online.

Cartopia is a new, premium car website and brand developed by Turners Group NZ to take advantage of the growing popularity of online-only car purchases. Cartopia will deliver an exceptional customer experience, backed by the trusted Turners brand, very attractive pricing and a 7 day right of return.

This innovative new sales channel will be launched to market in the next few months, extending Turners' nationwide 'bricks and mortar' presence online.

**WE'RE GOING TO REVOLUTIONISE THE WHOLE USED CAR BUYING EXPERIENCE WITH THE LAUNCH OF THIS BUSINESS.**

# LOOKING FORWARD

Our growth strategy is bearing fruit as we build an integrated financial services group across vehicle buying and selling, loan and insurance origination, and debt management and recovery. Earnings are growing, we are gaining market share and shareholder value is increasing.

We will continue to build our business through smart acquisitions and through realising organic growth opportunities to attract more customers, deliver more products and services, and open up more channels to market.

Turners Group multi-channel retail strategy and its increased focus on retail customers is proving very successful and we will continue to build on this going forward. We have identified an opportunity in the Trucks & Machinery market and have separated this out from our traditional cars business, with two new standalone yards opened in the last 18 months.

We've taken our traditional finance and insurance businesses and found new ways to make them stronger, better, more competitive and more profitable. We have an increasing ability to cross-sell financial and insurance products and services across the group, and are also investigating a securitisation program to reduce funding costs.

EC Credit is a reputable, full service credit management provider in the SME market and we are looking to build on this as well as target the corporate debt collection market, particularly in Australia.

Investing into our systems and infrastructure is also important, and we're seeing a greater sharing of resources across our group, such as Human Resources and IT.

Digital and mobile initiatives are playing an increasingly important role, as we look to move to where customers are transacting online, connect with them and make it easy for them to take advantage of Turners offer. Our new Cartopia online-only car store, and the launch of our online loan approval platform, AutoApp, are a reflection of our increased focus on identifying and developing new and innovative channels to market.

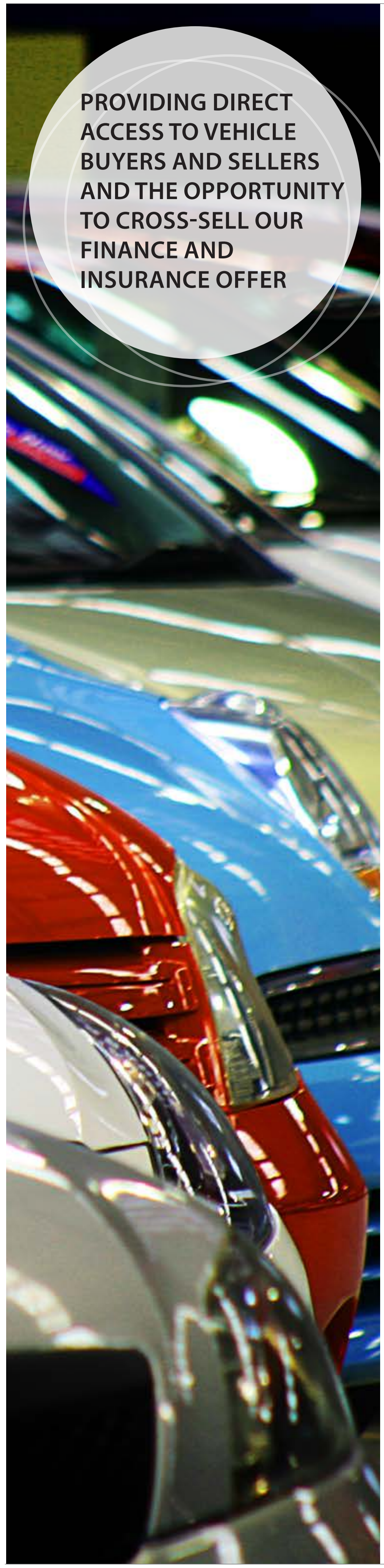
We're investing in growth, through smart mergers and acquisitions that build our capability, and this will remain a core part of our growth strategy.

Our teams are highly capable and motivated to drive growth and innovation in their businesses. We are excited about our future and looking forward to another year of strong growth.

**Grant Baker**
CHAIRMAN

**Paul Byrnes**
EXECUTIVE DIRECTOR

**Todd Hunter**
CHIEF EXECUTIVE OFFICER



**PROVIDING DIRECT ACCESS TO VEHICLE BUYERS AND SELLERS AND THE OPPORTUNITY TO CROSS-SELL OUR FINANCE AND INSURANCE OFFER**

## TURNERS GROUP
### CONTROLLING CUSTOMER ORIGINATION

Turners Group NZ (Turners) is the leading second hand car, truck and machinery retailer in New Zealand and also sells a wide range of other goods.

In recent years, there has been an increased focus on retail customers as the company has rolled out its growth strategy with a goal to source more product for sale and resale, sell more product through a variety of retail and wholesale channels, and write more finance.

The business provides the wider Turners group with access to a highly targeted customer base at source, to whom finance and insurance products can be sold.

There are over 1.3 million used car, truck and machinery transactions New Zealand every year. It is a highly fragmented market, particularly in used car sales, and Turners holds less than 10% total market share.

Turners is a household name with strong brand qualities and recognition, and there is an enormous opportunity for Turners to grow its share of the market, especially in the retail sector.

#### YEAR IN REVIEW

Turners continued to transition further into the retail market, with a growing online presence to support its bricks and mortar footprint. The business has continued to introduce new initiatives in this space including a new mobile-friendly website with Buy Now functionality allowing for online transactions. The separation of Trucks & Machinery from the traditional car yards, and investment into two standalone sites in Auckland and Christchurch has been delivering positive results. We have seen an 26% year on year increase in trucks and machinery sales in the past year and have opened a third site in Tauranga on the back of this success. Boosted investment into sales training and marketing helped generate record retail sales volumes in FY16, with Buy Now sales up 61% on the previous year.

#### LOOKING FORWARD

For the past two years, we have been focused on transitioning our business towards the retail market, which offers higher margins and more opportunities for add on sales of our finance and insurance products. As an example, our fixed price Buy Now sales to retail customers has increased 61% in the two years since we first introduced our multi-channel strategy. We will continue this focus in FY17, with an increased presence online through the launch of our new Cartopia online-only car sale channel, and the introduction of online auctions for damaged vehicles and cars. We are also looking to further expand our physical footprint in both Trucks & Machinery, and cars.

Turners

**BUILDING A FINANCE AND INSURANCE ENGINE**

## FINANCE

Turners' finance group is made up of four reputable brands and businesses providing a range of personal and commercial finance solutions. The majority of lending (75%) is for motor vehicle loans to consumers, arranged both directly and through dealers and brokers. In addition, Turners Group shareholding in Motor Trade Finance (MTF) increased to 8% during the FY16 year.

Up to 30% of car sales through a dealer are estimated to have some level of finance over them. This provides a huge opportunity for Turners' businesses and there is a clear focus on further developing relationships with the important dealer customer.

#### YEAR IN REVIEW

Turners' finance businesses continued to grow in FY16, with increasing customer numbers and improving conversion rates resulting in a combined finance book ledger of $168m at year end, up 17% on the prior year. The regional brands – Oxford Finance and Southern Finance Limited - continue to appeal to local customers and while the market is increasingly competitive, customer loyalty remains high. Integration of Southern Finance into the Turners group was an important focus for management. Turners Group finance book is now also included in the wider finance group.

More group synergies are now starting to be realised, with a significant uplift in cross-selling products and services across the group. A new account management model was introduced into a number of the finance businesses during the year, to consolidate and build on existing dealer and broker relationships as well as actively seek new business. Management remains focused on delivering solutions that improve ease of business and make for an improved customer experience, such as the new AutoApp online loan platform. The development of new targeted products, such as a low interest rate product for South Island dealers, are also an important element in driving growth.

Industry regulation and compliance remains essential and the finance group is benefiting from the appointment of a Turners Limited Compliance Manager in FY16.

#### LOOKING FORWARD

FY17 will be a continuation of the previous year, as we look to build on existing relationships, identify new business, introduce new targeted products and develop initiatives that improve our customer experience. To support this activity, we will be recruiting further specialist staff to our sales teams. Investment into innovation, particularly digital and mobile technologies, will also be an important focus going forward. The finance group is currently bank funded and management are looking towards a securitisation funding model, which will reduce costs and risk.

Dorchester Finance | Oxford FINANCE | SFL SOUTHERN FINANCE LTD | Turners Finance


## INSURANCE

DPL Insurance Limited is the owner of a number of brands, providing mechanical breakdown and motor vehicle insurance as well as life and other non-life insurance products.

Mainstream Insurance provides consumer vehicle and finance related products to the motor industry which are onsold through car dealers. Dorchester Life, Greenwich Life and Pacific Life all provide easy to transact, guaranteed acceptance life insurance products distributed through intermediated insurance advisers.

There are number of large and small players, with providers needing to differentiate through more specialised products, customer service and online offerings. Approximately 45% of revenue is generated from Mainstream Insurance.

### YEAR IN REVIEW

There has been an increasing focus on cross-selling across the wider Turners Limited group, with stronger relationships developed between the insurance and finance businesses. Over 1,200 policies are sold every month, with approximately 40% of these sold direct through a Turners Limited business and the remainder through broker/dealer channels. A new Turners Insurance branded product has been developed specifically for Turners Group, and is proving very successful. Mainstream Insurance has also expanded its geographic footprint into the South Island where new business development managers are sharing offices and working alongside the Turners Limited finance businesses in the region.

### LOOKING FORWARD

FY17 will see a strengthening of relationships and further synergies being realised between the insurance and finance businesses. The Mainstream Insurance brand will continue to grow its presence in the South Island and build relationships with the car dealer network. The latest version of Mainstream's SmartQuote software for dealers is being developed and will be launched in FY17, providing a more user friendly interface for tablets and smartphones.


## EC CREDIT

### DEBT MANAGEMENT SERVICES

EC Credit is a recognised leader in the debt collection and credit management industries. It prides itself on providing a full service offer to the SME market as well as a collection facility to major corporates including banks, government departments, insurance and other sectors.

The business has a unique position in the Australasian SME credit management and collections market, and competes successfully against much larger players in the corporate debt collection market.

### YEAR IN REVIEW

The main focus for FY16 was on improving business efficiencies, with the introduction of improved internal systems, greater digitisation and automation of processes and the setting of new performance benchmarks and criteria. Several new services were introduced including an implementation service to support customers who have purchased Terms of Trade to help them implement it effectively across their business. A strengthened account management team has been proactively working to re-establish relationships and re-introduce existing clients to EC Credit's services, in addition to seeking new business. The business benefitted from the strong New Zealand economy, however, growth was dampened in Australia due to the economic slowdown.

### LOOKING FORWARD

There is still plenty of room for growth in the corporate market and new corporate country sales managers have recently been appointed, in New Zealand and Australia, to focus on driving new business in this area. We differentiate ourselves with our personal account management philosophy and will continue to improve on this during the year. Based on historical success, we have identified some key industries we will be targeting for the next financial year which will provide us with better quality debt.

The SME market in New Zealand and Australia remains an important area for us and we are identifying clients, via industry and client type. We see an opportunity to provide a better service to our clients and will be looking to build on our unique position in the market as a 'one stop shop', providing a range of credit management and debt collection services for SME clients.

# INTRODUCING YOUR BOARD

Each Turners Director brings complementary and valuable skills, expertise and experience to the Board. They provide oversight on the development and implementation of Turners Limited strategy and are focused on growing the company and improving shareholder value.

L to R: John Roberts, Alistair Petrie, John Gosney, Matthew Harrison, Grant Baker, Paul Byrnes, Antony Vriens

**John Roberts** *Independent Director, Appointed June 2015*

John Roberts has extensive experience in the financial services industry having the role Managing Director of credit bureau Veda International for 10 years during which time the Veda Advantage business was successfully listed on the ASX. John previously had over 15 years in advertising agencies with CEO roles with Saatchi & Saatchi n New Zealand and Asia Pacific before heading up Master Card in New Zealand for three years. John holds Accounting and Business Studies qualifications.

**Alistair Petrie** *Non-executive Director, Appointed February 2016*

Alistair Petrie has over 20 years senior management experience in both private and listed companies in the agribusiness sector. He has extensive knowledge in sales and marketing in both international and domestic environments. Alistair represents the interests of Bartel Holdings which has a 6.96% shareholding in Turners Limited. Alistair has an Agricultural Marketing degree (Hons) from Newcastle upon Tyne (UK), and an Executive Master of Business Administration from the University of Melbourne (EMBA).

**John Gosney** *Non-executive Director, Appointed May 2008*

John Gosney is a professional company director with extensive management experience and a background in finance and investment. He joined the Dorchester Board in May 2008 and represents the interests of Hugh Green Investments Limited. John is a director of a number of private companies and has interests in commercial and industrial property. John holds a Bachelor of Commerce and Masters of Business Administration from Otago University.

**Matthew Harrison** *Non-executive Director, Appointed December 2012*

Matthew Harrison has extensive management experience and a background in finance and business administration. He is the former Managing Director of EC Credit Control, the debt recovery business acquired in 2012. He joined EC Credit Control in 1998 following senior management roles in the courier industry. Matthew joined the Turners Limited board in 2012 and represents his family interests. He is also a director of a number of private companies. Matthew holds a Bachelor of Commerce in Economics from Otago University.

**Grant Baker** *Non-executive Chairman, Appointed September 2009*

Grant Baker is a founding Partner of venture capital firm The Business Bakery and has wide experience at a senior level in both public and private New Zealand Companies. He has been Chairman since September 2009. Grant is also Chairman of The Gastro Intestinal Cancer Institute and a director of Trilogy International Limited.

**Paul Byrnes** *Deputy Chairman and Executive Director, Appointed February 2004*

Paul Byrnes is a professional director and investor with over 25 years' experience in senior and CEO roles in private and listed companies. His career has included the management buyout of previously listed Holeproof Industries, consulting and participation in merger and acquisition opportunities and business 'turn around' management. Paul was appointed CEO and Executive Director of Dorchester Pacific (now Turners Limited) in May 2008, handing over the CEO role to Todd Hunter from 1 June 2016 but retained in an executive role focussing on merger and acquisition activity under a two year contract. He is Chairman of power company Top Energy and a director of listed Hellaby Holdings.

**Antony Vriens** *Independent Director, Appointed January 2015*

Antony Vriens has been a director and Chairman of Turners' insurance subsidiary DPL Insurance Limited since 2012, he joined the main board in January 2015. Antony is a highly experienced and commercial financial service professional with demonstrated success as a senior executive and consultant in insurance and wealth management businesses with Australia and New Zealand.

# OUR LEADERSHIP TEAM


**1. Todd Hunter**
***CEO Turners Limited and Turners Group NZ***

Todd is a strong and experienced senior executive, with a background in marketing, sales and accounting in both large global and domestic businesses. He joined Turners Group NZ in 2006 and has held roles including General Manager Sales and Marketing and Chief Operating Officer. He was appointed CEO in August 2013. In 2015, he was appointed COO of the wider Turners Limited group and named CEO in 2016. Todd holds a Bachelor of Commerce and is a member of the New Zealand Institute of Chartered Accountants.

**2. Barbara Badish**
***Group Financial Controller, Turners Limited***

Barbara joined Turners Limited in 2010 at the time of the Capital Restructure Plan for Dorchester Pacific. Barbara has held senior management positions in the financial services, banking and accounting sectors in companies both in New Zealand and overseas including Geneva Finance, HSBC and KPMG. Barbara is a full member of the New Zealand Institute of Chartered Accountants.

**3. Sonya Rose**
***Group Human Resources Manager, Turners Limited***

Sonya joined Turners in August 2012. She has over 12 years' experience in all aspects of human resources, with particularly strong knowledge of employment relations, change management employee engagement. Sonya has worked across a range of industries and organisations including central and local government and private enterprise. She holds a Bachelor of Education from Auckland University and Diploma in HR from Open Polytechnic.

**4. Campbell Smith**
***GM – Sales & Channel Development, Turners Limited***

Campbell joined Turners Limited in 2015, and is responsible for the development and management of the Group's sales and distribution network. Campbell has held senior sales and operation management positions with a broad range of institutions in the finance and banking sector, most recently with Westpac Corporate and Institutional Bank. Campbell holds a Bachelor of Business Degree from Auckland University of Technology.

**5. Simon Gould-Thorpe**
***Chief Information Officer, Turners Limited***

Simon joined Turners Group NZ in 2010, with over 20 years of achievement and demonstrated success in Information Technology. He has brought with him extensive experience in multiple industries including finance & insurance, food production and automotive.

**6. Darryl French**
***General Manager, Dorchester and Oxford Finance***

Darryl joined Turners Limited in 2002 and during his time in the company has worked in the roles of Credit and Recovery Manager and Group Operations Manager. He was appointed to his current role in April 2015. Darryl's career has spanned over 24 years in the banking and finance sector in senior roles in consumer lending, commercial lending, credit control and debt recovery including 12 years with Westpac Banking Group.

**7. James Searle**
***General Manager, DPL Insurance***

James is responsible for operational performance and development of life and consumer (vehicle and finance related) insurance products. James has over 25 years' experience in the New Zealand insurance industry having worked across underwriting, portfolio management, relationship management and marketing roles for major insurance companies including IAG and Lumley General Insurance. James holds a Graduate Diploma in Business Studies (marketing).

**8. David Wilson**
***Chief Executive Officer, EC Credit Control***

Dave joined EC Credit in 2007 and was previously in the role of Group Sales Manager. He was appointed to his current role in April 2015. Dave has worked in the credit management industry since 2001 and has over 20 years' experience and held senior positions in banking, finance and recruitment industries. Dave holds a Bachelor of Commerce from Massey University.

**9. Aaron Saunders**
***Chief Operating Officer (Cars)/CFO, Turners Group NZ***

Aaron joined Turners Group NZ in 2006. He has a strong background in financial and management accounting, at both a strategic and operating level in local and international markets. Over the last 20 years, Aaron has worked across a broad range of company sizes and industries including vehicle importation and distribution, broadcasting and the finance sector. Aaron is a full member of the New Zealand Institute of Chartered Accountants.


Turners Group is the largest nationwide retailer of used trucks and machinery in New Zealand. Consumer demand is increasing, particularly for light and medium size commercial vehicles and Turners is well placed to meet customers' needs.

Three new standalone sites have been opened in the last 18 months, in Christchurch, Auckland and most recently, in Tauranga. The success of this strategy is clear with a 26% increase in Trucks & Machinery sales in the past financial year.

Turners is looking to expand its physical footprint in this area, as it continues to build on its leadership position and brand reputation.

**WE ARE BUILDING ON OUR LEADERSHIP POSITION TO TAKE ADVANTAGE OF THE GROWING, MULTI-MILLION DOLLAR OPPORTUNITY IN THE TRUCKS AND MACHINERY MARKET WITH STAND-ALONE SALES SITES AROUND THE COUNTRY.**

Turners. LIMITED

# FINANCIAL REPORTS

## FOR THE YEAR ENDED 31 MARCH 2016

# INDEPENDENT AUDITOR'S REPORT
for the year ended 31 March 2016

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staplesrodway
CHARTERED ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**
**TO THE SHAREHOLDERS OF TURNERS LIMITED**

**Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Turners Limited (the 'Company') and its subsidiaries (together the 'Group') on pages 24 to 72, which comprise the consolidated statement of financial position of the Group as at 31 March 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

*Directors' Responsibility for the Financial Statements*

The Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the Group's preparation and fair presentation of the consolidated financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor and providers of other assurance services we have no relationship with, or interests in, the Group. The provision of these services has not impaired our

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BAKER TILLY
INTERNATIONAL



# INDEPENDENT AUDITOR'S REPORT cont.
for the year ended 31 March 2016

staplesrodway
CHARTERED ACCOUNTANTS

independence.

*Opinion*

In our opinion, the consolidated financial statements on pages 24 to 72 present fairly, in all material respects, the financial position of the Group as at 31 March 2016, and of its financial performance and its cash flows for the year then ended in accordance New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

**Matters Relating to the Electronic Presentation of the Audited Financial Statements**

This audit report relates to the financial statements of Turners Limited and its subsidiaries for the year ended 31 March 2016 included on Turners Limited's website. The Group's Board of Directors is responsible for the maintenance and integrity of Turners Limited's website. We have not been engaged to report on the integrity of Turners Limited's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyper linked to / from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 22 June 2016 to confirm the information included in the audited financial statements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Staples Rodway

**STAPLES RODWAY AUCKLAND**
AUCKLAND

22 June 2016

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2016

| | Notes | 2016 $'000 | 2015 $'000 |
|---|---|---|---|
| **Revenue from continuing operations** | 7 | **171,195** | 90,195 |
| **Other income** | 7 | **522** | 7,098 |
| Cost of goods sold | | **(58,964)** | (22,576) |
| Interest expense | 7 | **(11,436)** | (7,381) |
| Movement in impairment provisions | 7 | **(1,041)** | (1,607) |
| Subcontracted services expense | | **(6,960)** | (2,650) |
| Employee benefits (short term) | | **(33,424)** | (18,204) |
| Commission | | **(7,889)** | (6,926) |
| Advertising expense | | **(2,118)** | (1,593) |
| Depreciation and amortisation expense | 7 | **(2,144)** | (1,504) |
| Property and related expenses | | **(8,877)** | (3,922) |
| Systems maintenance | | **(1,152)** | (526) |
| Claims | | **(3,228)** | (1,284) |
| Life fund movement | | **(953)** | (697) |
| Credit legal fee service expense | | **(806)** | (789) |
| Other expenses | | **(11,174)** | (9,370) |
| **Net operating profit** | | **21,551** | 18,264 |
| Share of profit of equity-accounted investment (net of tax) | 17 | **-** | 742 |
| **Profit before taxation** | | **21,551** | 19,006 |
| Taxation (expense)/benefit | 8 | **(5,949)** | (956) |
| **Profit for the year** | | **15,602** | 18,050 |
| **Other comprehensive income for the year (which may subsequently be reclassified to profit/loss), net of tax** | | | |
| Cash flow hedges | | **(35)** | - |
| Foreign currency translation differences | | **6** | 19 |
| **Total comprehensive income for the year** | | **15,573** | 18,069 |
| **Profit attributable to:** | | | |
| - Owners of the parent | | **15,602** | 17,960 |
| - Non-controlling interests | | **-** | 90 |
| | | **15,602** | 18,050 |
| **Total comprehensive income attributable to:** | | | |
| - Owners of the parent | | **15,573** | 17,979 |
| - Non-controlling interests | | **-** | 90 |
| | | **15,573** | 18,069 |
| **Earnings per share (cents per share)** | | | |
| Basic earnings per share | 9 | **24.70** | 32.77 |
| Diluted earnings per share | 9 | **24.13** | 30.11 |

The accompanying notes form part of these financial statements



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2016

| | Notes | Share Capital $'000 | Translation Reserve $'000 | Cash flow reserve $'000 | Retained Earnings $'000 | Non-controlling interest $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| Balance at 31 March 2014 | | 101,417 | (42) | - | (27,323) | - | 74,052 |
| *Transactions with shareholders in their capacity as owners* | | | | | | | |
| Capital contributions | 25 | 34,060 | - | - | - | - | 34,060 |
| Share buy-back | 25 | (183) | - | - | - | - | (183) |
| Dividend paid | 26 | - | - | - | (4,996) | - | (4,996) |
| | | 33,877 | - | - | (4,996) | - | 28,881 |
| *Comprehensive income* | | | | | | | |
| Profit | | - | - | - | 17,960 | 90 | 18,050 |
| Foreign currency translation differences | | - | 19 | - | - | - | 19 |
| Total comprehensive income for the year, net of tax | | - | 19 | - | 17,960 | 90 | 18,069 |
| Non-controlling interest arising on business combination | 18 | - | - | - | - | 10,832 | 10,832 |
| Acquisition of non -controlling interest | 18 | - | - | - | 90 | (10,922) | (10,832) |
| Total changes in ownership interests in subsidiaries that do not result in a loss of control | | - | - | - | 90 | (90) | - |
| Balance at 31 March 2015 | | 135,294 | (23) | - | (14,269) | - | 121,002 |
| *Transactions with shareholders in their capacity as owners* | | | | | | | |
| Capital contributions | 25 | 1,161 | - | - | - | - | 1,161 |
| Share buy-back | 25 | (328) | - | - | - | - | (328) |
| Dividend paid | 26 | - | - | - | (7,596) | - | (7,596) |
| | | 833 | - | - | (7,596) | - | (6,763) |
| *Comprehensive income* | | | | | | | |
| Profit | | - | - | - | 15,602 | - | 15,602 |
| Foreign currency translation differences | | - | 6 | - | - | - | 6 |
| Cash flow hedge | | - | - | (35) | - | - | (35) |
| Total comprehensive income for the year, net of tax | | - | 6 | (35) | 15,602 | - | 15,573 |
| **Balance at 31 March 2016** | | **136,127** | **(17)** | **(35)** | **(6,263)** | - | **129,812** |

The accompanying notes form part of these financial statements

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
for the year ended 31 March 2016

| | Notes | 2016 $'000 | 2015 $'000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 10 | **13,810** | 12,339 |
| Financial assets at fair value through profit or loss | 11 | **18,455** | 17,350 |
| Trade receivables | 12 | **9,575** | 7,394 |
| Inventory | 13 | **14,156** | 8,984 |
| Finance receivables | 14 | **167,598** | 142,827 |
| Other receivables and deferred expenses | 15 | **8,505** | 5,946 |
| Reverse annuity mortgages | 16 | **9,734** | 13,253 |
| Property, plant and equipment | 19 | **11,108** | 8,319 |
| Tax receivables | | **-** | 433 |
| Deferred tax asset | 20 | **4,024** | 8,532 |
| Intangible assets | 21 | **105,338** | 103,595 |
| **Total assets** | | **362,303** | 328,972 |
| **Liabilities** | | | |
| Other payables | 22 | **22,270** | 17,790 |
| Deferred revenue | 23 | **6,049** | 7,476 |
| Tax payables | | **990** | 71 |
| Derivative financial instruments | | **49** | - |
| Borrowings | 24 | **174,816** | 156,995 |
| Life investment contract liabilities | 32 | **15,629** | 16,378 |
| Insurance contract liabilities | 32 | **12,688** | 9,260 |
| **Total liabilities** | | **232,491** | 207,970 |
| **Shareholders' equity** | | | |
| Share capital | 25 | **136,127** | 135,294 |
| Other reserves | | **(52)** | (23) |
| Retained earnings | | **(6,263)** | (14,269) |
| **Total shareholders' equity** | | **129,812** | 121,002 |
| **Total shareholders' equity and liabilities** | | **362,303** | 328,972 |

For and on behalf of the Board

**G.K. Baker**
**Chairman Director**

**P.A. Byrnes**
**Executive Director**

Authorised for issue on 22 June 2016

The accompanying notes form part of these financial statements



# CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 March 2016

| | Notes | 2016 $'000 | 2015 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Interest received | | **25,303** | 18,960 |
| Receipts from customers | | **138,586** | 68,409 |
| Interest paid | | **(7,712)** | (5,646) |
| Payment to suppliers and employees | | **(136,694)** | (69,441) |
| Income tax paid | | **(659)** | (1,797) |
| **Net cash outflow from operating activities before changes in operating assets and liabilities** | | **18,824** | 10,485 |
| Net increase in finance receivables | | **(11,638)** | (18,748) |
| Net decrease in reverse annuity mortgages | | **4,623** | 5,996 |
| Net decrease of financial assets at fair value through profit or loss | | **2,173** | 1,579 |
| Net (withdrawals)/contributions from life investment contracts | | **(992)** | (626) |
| **Changes in operating assets and liabilities arising from cash flow movements** | | **(5,834)** | (11,799) |
| **Net cash (outflow)/inflow from operating activities** | 28 | **12,990** | (1,314) |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of property, plant, equipment, intangibles and held for sale assets | | **320** | 123 |
| Dividends received from associate | | **-** | 1,710 |
| Purchase of property, plant, equipment and intangibles | | **(5,141)** | (1,464) |
| Purchase of subsidiaries | | **(6,715)** | (48,382) |
| **Net cash inflow/(outflow) from investing activities** | | **(11,536)** | (48,013) |
| **Cash flows from financing activities** | | | |
| Net bank loan advances/(repayments) | | **7,056** | 81,282 |
| Proceeds from the issue of shares | | **139** | 16,749 |
| Proceeds from the issue of bonds | | **-** | 7,044 |
| Repayment of non bank funding | | **-** | (49,600) |
| Dividend paid | | **(7,596)** | (4,996) |
| **Net cash inflow/(outflow) from financing activities** | | **(401)** | 50,479 |
| **Net movement in cash and cash equivalents** | | **1,053** | 1,152 |
| Add opening cash and cash equivalents | | **12,339** | 5,555 |
| Cash included with purchase of subsidiaries | | **409** | 5,636 |
| Translation difference | | **9** | (4) |
| **Closing cash and cash equivalents** | | **13,810** | 12,339 |
| **Represented By:** | | | |
| Cash at bank | 10 | **13,810** | 12,339 |
| **Closing cash and cash equivalents** | | **13,810** | 12,339 |

The accompanying notes form part of these financial statements

# NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016

**1. REPORTING ENTITY**
Turners Limited, ('the Company') is incorporated and domiciled in New Zealand. Turners Limited is registered under the Companies Act 1993.

Turners Limited is a FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013.

The consolidated financial statements of Turners Limited and its subsidiaries (together ' the Group') have been prepared in accordance with the Companies Act 1993 and the Financial Markets Conduct Act 2013.

The Group is a for profit entity.

The Group's principal activities are:
- financial services (the Group offers loans, insurance products and credit collection services); and
- auctions & fleet - 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.

The financial statements were authorised for issue by the directors on 22 June 2016.

***2.* BASIS OF PREPARATION**
**2.1 Statement of Compliance**
These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable Financial Reporting Standards, as appropriate for profit oriented entities. These financial statements also comply with International Financial Reporting Standards ('IFRS').

**2.2 Basis of measurement**
The financial report has been prepared under the historical cost convention, as modified by revaluations for certain classes of assets and liabilities to fair value and life insurance contract liabilities and related assets to net present value as described in the accounting policies below.

**2.3 Functional and Presentation Currency and Rounding**
These financial statements are presented in New Zealand Dollars ($) which is the Company's functional currency. All values are rounded to the nearest thousand ($000), except when otherwise indicated.

**3. SIGNIFICANT ACCOUNTING POLICIES**
The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

**3.1 *New standards and interpretation***
*Adoption of new and amended accounting standards that are mandatory for first time adoption.*

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2015:

***Annual Improvements to NZ IFRSs – 2010-2012 Cycle and 2011 – 2013 Cycle***
The adoption of the improvements made in the 2012-2012 Cycle has required additional disclosures in our segment note. Other than that, the adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

***Statutory Funds (Amendments to Appendix C of NZ FRS 4 'Insurance Contracts') – Life Insurance Entities***
The amendments are consistent with the Amendments to the Insurance (Prudential Supervision) Act 2010, Appendix C of NZ IFRS 4 now requires disclosures in relation to the statutory funds of life insurance entities under that Act. In addition, entities are now required to disclose disaggregated information for each life fund (previously entities distinguished only between investment linked business and non-investment linked business). The adoption of this amendment had a disclosure only impact on the Company's financial statements.

No other new standards, amendments and interpretations to existing standards mandatory to the first time for the financial year commencing 1 April 2015 have been adopted by the Group in preparing these financial statements.

*The following new standards, amendments and interpretations are issued but not yet effective for the Group's accounting periods beginning on or after 1 April 2015 or later periods. The Group has not early adopted them.*

*NZ IFRS 15 Revenue from Contracts with Customers*
NZ IFRS 15 provides a five-step model to be applied to the recognition of revenue arising from contracts with customers:
- identify the contract with the customer
- identify the performance obligations in the contract
- determine the transaction price
- allocate the transaction price to the performance obligations in the contract
- recognise revenue when (or as) the entity satisfies a performance obligation.

New disclosures about revenue are also introduced.

Management is still assessing the impact that adoption of NZ IFRS 15 will have on the Group and intends to adopt NZ IFRS 15 no later than the accounting period beginning on or after 1 January 2018.



# NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016

*NZ IFRS 9 Financial Instruments*
NZ IFRS 9 is part of the International Accounting Standards Board's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

The standard introduces amended requirements for classifying and measuring financial assets and liabilities and for undertaking hedge accounting.

Management is still assessing the impact that adoption of NZ IFRS 9 will have on the Group and intends to adopt NZ IFRS 9 no later than the accounting period beginning on or after 1 January 2018.

*NZ IFRS 16 Leases*
NZ IFRS 16 removes the distinction between operating and finance leases and brings all leases onto the statement of financial position, apart from short term or small ticket leases.

Management is still assessing the impact that adoption of NZ IFRS 16 will have on the Group and intends to adopt NZ IFRS 16 is applicable for annual periods beginning on or after 1 January 2019.

**3.2 *Basis of consolidation***
*Business combinations*
Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Group measures goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the aquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount of the identifiable assets acquired and liabilities assumed.

When an excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss or other comprehensive income as appropriate.

*Acquisition of non-controlling interests*
Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

*Subsidiaries*
Subsidiaries are all entities controlled by the Group. The financial statements of subsidiaries are included in consolidated financial statements from the date that control commences until the date that control ceases.

*Loss of control*
On loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on loss of control is recognised in profit or loss. If the Group retains an interest in the previous subsidiary, the interest is measured at fair value at the date control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available for sale assets depending on the influence retained.

*Investments in associates (equity accounted investees)*
Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

*Transactions eliminated on consolidation*
Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

**3.3 *Foreign currency***
*Foreign currency transactions*
Transactions in foreign currencies are translated to the respective functional currency of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in

# NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016

the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical costs are translated using the exchange rate at the date of the transaction.
Foreign currency differences arising on retranslation are recognised in profit or loss.

Foreign operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to New Zealand Dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to New Zealand Dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture, that includes a foreign operation, while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the translation reserve in equity.

**3.4 *Revenue and expense recognition***
Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and that the revenue can be reliably measured. The principal sources of revenue are sales of goods, sales of service, interest income, fees, commissions, and insurance premium income.

*Sales of goods*
Sales of goods comprise sales of motor vehicle and commercial goods owned by the Group. Sales of goods are recognised when the risks and rewards of ownership are transferred, which is when customer gains control of the goods.

*Sales of service*
Sales of service comprise auction commission and other auction revenue, collection income, fee and commission revenue. Sales of service income is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

*Interest income and expense*
Interest income and expense is recognised in them the profit or loss using the effective interest method.

The effective interest method calculates the amortised cost of a financial asset or financial liability and allocates the interest income or interest expense over the relevant period. The calculation includes all fees paid or received and directly related transaction costs that are an integral part of the effective interest rate. The interest income or expense is allocated over the life of the instrument and is measured for inclusion in profit and loss by applying the effective interest rate to the instruments amortised cost.

*Lending and funding - fees and commissions*
Lending fee income (such as booking and establishment fees) that is integral to the effective yield of a loan held at amortised cost is capitalised as part of the amortised cost and deferred over the life of the loan using the effective interest method. Lending fees not directly related to the origination of a loan (account maintenance fee) are recognised over the period of service.

Incremental and directly attributable costs (such as commissions) associated with the origination of a financial asset (such as loans) and financial liabilities (such as borrowings) are capitalised as part of the amortised cost and deferred over the life of the financial instrument using the effective interest method.

*Premium income and acquisition costs*
Premium income on long-term insurance contracts is recognised on an accrual basis. Premium income on temporary life insurance contracts and short-term motor vehicle contracts is recognised in the period in which the premium is earned during the term of the contract.

The proportion of premiums not earned in the profit or loss at the reporting date is recognised in the statement of financial position as unearned premium liability.

Under life investment contracts deposits are received from policyholders which are then invested on behalf of the policyholders. No premium income is recognised as revenue. Fees deducted from members' accounts are accounted for as fee income.

Commissions and other acquisition costs that vary with and are related to securing new and renewing existing insurance contracts are effectively deferred and amortised over the life of the policy, where product profitability can support the recovery of acquisition costs. All other acquisition costs are recognised as expenses in profit or loss when incurred.



# NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016

*Voucher income*
Pre-paid voucher income is recognised when the voucher is redeemed or after a period of time based on historical redemption patterns. Estimates are readjusted as necessary based on movements in the actual redemption patterns.

*Other income*
Dividend income is recorded in the profit or loss when the Group's right to receive the dividend is established.

*Claims expense*
Claims expenses represent claim payments adjusted for the movement in the outstanding claims liability.

General insurance claims expenses are recognised when claims are notified with the exception of claims incurred but not reported for which a provision is estimated. Life insurance contract claims are recognised when a liability has been established. Claims under life investment contracts represent withdrawals of investment deposits and are recognised as a reduction in the life investment contract liabilities.

*Other expense recognition*
All other expenses are recognised in profit or loss as incurred.

**3.5 Financial assets**
The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

*Financial assets at fair value through profit or loss*
This category has two sub categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges.

The Group's financial assets at fair value through profit or loss comprise investment in unitised funds, fixed interest securities, term deposits and foreign exchange derivatives.

*Loans and receivables*
The Group's loans and receivables comprise cash and cash equivalents, trade receivables, finance receivables, reverse annuity mortgages and other receivables.

*Held to maturity investments*
The Group does not have any financial assets classified as held to maturity.

*Available for sale financial assets*
The Group does not have any financial assets classified as available for sale.

Purchases and sales of investments are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Investments in equity instruments that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are recognised and subsequently carried at cost.

Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in profit or loss in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of securities classified as available for sale are recognised in other comprehensive income, except for foreign exchange movements on monetary assets, which are recognised in profit or loss. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in profit or loss as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. Investments in equity instruments that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are recognised and subsequently carried at cost.

The Group assesses at each balance date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016

**3.6 Cash and cash equivalents**
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings on the statement of financial position.

**3.7 Finance and trade receivables**
Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Collectability of receivables is reviewed on an ongoing basis. Individual debts which are known to be uncollectible are written off. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered objective evidence of impairment.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed and the reversal is recognised in profit or loss.

Subsequent recoveries of amounts written off are recognised in profit or loss.

**3.8 Trade and other payables**
These amounts represent unsecured liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. As trade and other payables as usually paid within 30 days, they are carried at face value.

**3.9 Borrowings**
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

**3.10 Derivative financial instruments and hedge accounting**
The Group uses derivative financial instruments (forward exchange contracts and interest rate swaps) to hedge its risks associated with foreign currency and interest rate fluctuations. In the money derivative financial instruments are financial assets, while out of the money derivative financial instruments are financial liabilities.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges); or (c) hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

*Cash flow hedge*
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts accumulated in equity are reclassified in profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory), the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

*Derivatives that do not qualify for hedge accounting*
Certain derivative instruments do not qualify for hedge accounting or hedge accounting has not been adopted in relation to them. Changes in the fair value of these derivative instruments are recognised immediately in profit or loss.

**3.11 Insurance contracts**
Insurance contracts are those contracts that transfer significant insurance risk and are accounted for in accordance with the requirements of NZ IFRS 4 Insurance Contracts. The Group issues the following insurance contracts:

- Long-term insurance contracts with fixed and guaranteed terms, these contracts insure events associated with human life (for example, death) over a long duration;



# NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016

- Temporary life insurance contracts covering death disablement, disability and redundancy risks; and
- Short term motor vehicle contracts covering comprehensive, third party and mechanical breakdown risks.

The Company has determined that all assets of DPL Insurance limited are assets backing policy liabilities and are managed and reported in accordance with a mandate approved by the DPL Insurance Board.

The liability for insurance contracts has been determined in accordance with Appendix C of NZ IFRS 4 Insurance Contracts and Professional Standard No 20 of the New Zealand Society of Actuaries. In terms of these standards, the liability is determined using the methodology referred to as Margin on Service (MoS). Under MoS the excess premium received over claims and expenses, 'the profit margin', is recognised over the life of the contract in a manner that reflects the pattern of risk accepted from the policyholder 'the service'. Longer-term lines of business (annuities, Funeral plan) are valued using the Projection method, and shorter-term life and motor contracts, and longer-term life contracts written on yearly renewable premiums, are valued using the Accumulation method, as provided for in NZ IFRS 4. Liability adequacy testing is performed in terms of NZ IFRS 4 in order to test the adequacy of all insurance liabilities recorded in the statement of financial position, net of deferred acquisition costs. Liability adequacy testing is performed at a portfolio level of contracts that are subject to broadly similar risks and are managed together as a single portfolio.

**3.12 Life investment contracts**
Life investment contracts are those contracts with minimal insurance risk and are accounted for in accordance with NZ IAS 18 Revenue (refer note 3.4) and NZ IAS 39 Financial instruments: Recognition and Measurement (refer note 3.5). The life investment contacts are unit-linked and fair value of a unit linked contract is determined using the current unit values that reflect the fair value of the financial assets backing the contract, multiplied by the number of units attributable to the contract holder.

**3.13 Inventories**
Inventories comprise primarily motor vehicles held for sale and are stated at the lower of cost or net realisable value. Costs comprises purchase price, shipping cost, compliance cost and other sundry related costs. Estimated selling prices are based upon recent observed vehicle sales prices for comparable vehicles. 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.

**3.14 Property, plant and equipment**
Property, plant and equipment are recognised in the statement of financial position at cost less accumulated depreciation and impairment losses. Land is not depreciated. Depreciation is calculated on all other property, plant and equipment on a diminishing value or straight-line basis to allocate the costs, net of any residual amounts, over their useful lives. The rates for the following asset classes are:

| | Diminishing value | Straight line |
|---|---|---|
| Leasehold improvements, furniture and fittings, office equipment | 7.5 - 60.0% | 3 - 15 years |
| Computer equipment | 31.2 - 48.0% | 3 - 5 years |
| Motor vehicles and equipment | 26.0 – 31.2% | 3 -7 years |
| Signs and flags | - | 3 – 12 years |

**3.15 Intangible assets**
Intangible assets comprise goodwill, acquired separable corporate brands, acquired customer relationships and computer software. Goodwill and corporate brands are indefinite life intangibles subject to annual impairment testing.

Goodwill represents the excess of fair value attributed to investments in subsidiaries over the fair value of the underlying net assets, including intangible assets, at the date of acquisition.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

Corporate brands and customer relationships acquired as part of a business combination are capitalised separately from goodwill as intangible assets if their value can be measured reliably on initial recognition and it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group.

The carrying value of corporate brands is reviewed at least annually for impairment.

Corporate relationship assets are amortised on the straight line basis over the expected life (3 – 5 years) of the relationship and are recognised in the statement of financial position at cost less accumulated amortisation and impairment losses.

Computer software is recognised in the statement of financial position at cost less accumulated amortisation and impairment losses.

Direct costs associated with the purchase and installation of software licences and the development of software for internal use are capitalised where project success is probable and the capitalisation criteria is met. Cost associated with planning and evaluating computer software and maintaining a system after implementation are expensed. Computer software costs are amortised on a diminishing value basis (rate of 50%) or on a straight-line basis (one to five years).

**3.16 Leases in which the Group is lessee**
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

# NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016

**3.17 Leases in which the Group is lessor**
Leases where substantially all risks and rewards incidental to ownership of the leased assets are transferred to the lessees, are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

When the leased asset is subject to a sale and lease back arrangement and the lease meets the definition of a finance lease, in substance the arrangement is a loan secured over the leased asset. In this situation the arrangement is classified as a loan and is included within finance receivables.

**3.18 Taxation**
Income tax for the period comprises current and deferred tax. Current and deferred tax are recognised as an expense or income in the profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at balance date after taking advantage of all allowable deductions under current taxation legislation and any adjustment to tax liabilities in respect of previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the amount of assets and liabilities, using tax rates enacted or substantively enacted as at balance date.

Deferred taxation assets arising from temporary differences or income tax losses, are recognised only to the extent that it is probable that a future taxable profit will be available against which the asset can be utilised. Deferred taxation assets are reduced to the extent that it is no longer probable that the related tax asset will be realised. Any reduction is recognised in profit or loss.

**3.19 Impairment of non-financial assets**
Intangible assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired. Intangible assets not yet available for use are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment losses directly reduce the carrying amount of assets and are recognised in profit or loss.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

**3.20 Managed funds and other fiduciary activities**
DPL Insurance Limited, a wholly owned subsidiary, acted as a promoter for a number of superannuation funds with assets managed by a third party investment manager. The assets and liabilities of these funds are included in the financial statements.
Arrangements exist to ensure the activities of the superannuation funds are managed independently from the other activities of the company.

**3.21 Employee benefits**
*Wages, salaries and annual leave* Liabilities for wages, salaries and annual leave are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

*Long service leave*
The liability for long service leave is recognised in the provision for employee benefits and measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

*Profit sharing and bonus plans*
The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises an accrual where contractually obliged or where there is a practice that has created a constructive obligation.



NOTES TO THE FINANCIAL STATEMENTS
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*Superannuation plans*
The Group pays contributions to superannuation plans, such as Kiwisaver. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**3.22 Statement of cash flows**
The statement of cash flows has been prepared using the direct approach modified by netting certain cash flows in order to provide more meaningful disclosure to better reflect the activities of the Group's customers or the party providing funding to the Group than those of the Group. These include reverse annuity mortgages, finance receivables, borrowings and secured notes.

**3.23 Comparatives**
Where necessary, comparative information has been reclassified and represented for consistency with current year disclosures (refer note 29 for further details).

**4. Use of Estimates and Judgements**
In preparing the financial statements in accordance with NZ GAAP management has made judgements, estimates and assumptions that affect the application of accounting policies and about the future that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. 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 are set out below.

*Provision for impairment on financial assets*
An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loan and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgment to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics and adjusted as necessary on the basis of current observable data to reflect the effect of current conditions. If the expectation is different from the estimation, such difference will impact the carrying value of receivables (refer notes 7 and 14).

*Fair value of financial instruments*
The fair value of financial instruments that are not quoted in active markets are determined using discounted cash flow models. To the extent practical, models use observable data however normal volatilities require management to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments (refer note 11).

*Business combinations*
Management uses valuation techniques to determine the fair values of the various elements of a business combination. Judgement is used in the determination of the fair value of the consideration and the value on intangible assets arising on acquisition (for example corporate brands and customer relationships) The fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability (see note 18).

*Deferred tax asset*
The Group has recorded a deferred tax asset in its statement of financial position. Significant judgement is required in determining the utilisation of deferred tax asset is probable. The Directors have reviewed the forecast earnings of the Group and have determined that the utilisation of the deferred tax is probable (refer note 20).

*Impairment of goodwill*
The carrying value of goodwill is assessed at least annually to ensure that it is not impaired. Performing this assessment generally requires management to estimate future cash flows to be generated by the related investment or cash-generating unit, which entails making judgements, including the expected rate of growth of revenues, margins expected to be achieved and the appropriate discount rate to apply when valuing future cash flows (refer note 21).

*Impairment of corporate brands*
The carrying value of brand is assessed at least annually to ensure that it is not impaired. Performing this assessment generally requires management to estimate future cash flows to be generated by the related investment or a cash-generating unit, which entails making judgements, including the expected rate of growth of revenues, margins expected to be achieved and the appropriate discount rate to apply when valuing future cash flows (refer note 21).

*Liabilities arising from claims made under insurance contracts*
Liabilities arising from claims made under insurance contracts are estimated based on the terms of cover provided under an insurance contract.

The estimation of the ultimate liability arising from claims made under insurance contracts is based on a number of actuarial techniques that analyse experience, trends and other relevant factors. The estimate process involves using Group specific data, relevant industry data and general economic data, including but not limited to, claim frequencies, average claim sizes and historical trends (refer note 32A).

*Unredeemed voucher liabilities*
The Group's estimate of the unredeemed voucher liability is based on historic redemption patterns. Changes in the redemption pattern of unredeemed vouchers could affect the reported value of this liability (note 23).

# NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016

**5. Financial risk management**
The financial condition and operating results of the Group are affected by a number of key financial and non-financial risks. Financial risks include credit risk, liquidity risk and market risk. The non-financial risks include insurance risk which is covered in note 32.

**5.1 Financial instrument by category**

| *Carrying value* | **2016 $'000** | 2015 $'000 |
|---|---|---|
| **Financial assets** | | |
| Financial assets at fair value through profit or loss | **18,455** | 17,350 |
| *Loans and receivables* | | |
| Cash and cash equivalents | **13,810** | 12,339 |
| Trade receivables | **9,575** | 7,394 |
| Finance receivables | **167,598** | 142,827 |
| Other receivables and deferred expenses | **3,843** | 2,860 |
| Reverse annuity mortgages | **9,734** | 13,253 |
| | **223,015** | 196,023 |
| **Financial liabilities** | | |
| Other payables | **15,061** | 15,766 |
| Borrowings | **174,816** | 156,995 |
| | **189,877** | 172,761 |

**5.2 Credit risk**
Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents, derivative financial instruments, financial assets at fair value through profit or loss (excluding equities held in unitised funds), trade receivables, finance receivables, reverse annuity mortgages, and other receivables.

The Group's cash and cash equivalents, derivative financial instruments and financial assets at fair value through profit or loss (excluding equities in unitised funds) are place with registered banks or invested in government stock.

Management assesses the credit quality of trade customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on these assessments. The use of credit limits by trade customers is regularly monitored by management. Sales to public customers are settled in cash, bank cheques or using major credit cards, mitigating the credit risk.

To manage credit on finance receivables the Group performs credit evaluations on all customers requiring advances. The approval process considers a number of factors including: borrower's past performance, ability to repay, amount of money to be borrowed against the security and the creditworthiness of the guarantor/co-borrower involved.

The Group operates a lending policy with various levels of authority depending on the size of the loan. A lending and credit committee operates and overdue loans are assessed on a regular basis by this body.

Risk grades categorise loans according to the degree of risk of financial loss faced and focuses management on the attendant risks. The current risk grading framework consists of three grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. They are as follows:
- neither past due or impaired - compliance with all terms, good security value, and no adverse events affecting the borrower;
- past due but not impaired - payments past due, compliance with most of the terms, concerns over security value, concerns over future events that may affect the borrower; and
- impaired - non-compliance with terms or evidence of impairment of security held, or adverse event affecting the borrower.

The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for finance receivables are:
- mortgages over properties, with the maximum loan to value rate being 75%;
- mortgages over houses for reverse annuity mortgages;
- charges over vehicle stock for dealer floorplans;
- chattel paper where the Group acts as a wholesale funder;
- charges over business assets such as equipment; and
- charges over motor vehicles.

For motor vehicle and equipment finance receivables, estimates of the value of collateral are assessed at the time of borrowing, and are not updated unless the receivable is being assessed for specific impairment. The allowance for impairment includes the Group's estimate of the value of collateral held.

For Life investment linked contracts the investments credit risk is appropriate for each particular product and the risk is borne by the policy holder. There is no significant risk assumed by the Group.



# NOTES TO THE FINANCIAL STATEMENTS
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**5.3 Liquidity risk**
Liquidity risk is the risk that the Group will not be able to meet its obligations associated with financial liabilities as they fall due.

The Group endeavours to maintain sufficient funds to meet its commitments based on forecasted cash flow requirements. Due to the dynamic nature of the underlying businesses, flexibility is maintained by having diverse funding sources and adequate committed credit facilities. Management has internal control processes and contingency plans to actively manage the lending and borrowing portfolios to ensure the net exposure to liquidity risk is minimised. The exposure is reviewed on an on-going basis from daily procedures to monthly reporting as part of the Group's liquidity management process.

The liquidity risk for cash flows payable on the life investment contracts liabilities that are unit linked contracts is managed by holding a pool of readily tradable investment assets (included in financial assets at fair value through profit or loss) and deposits on call. The liability and supporting assets have been excluded from the maturity analysis below because there is no contractual or expected maturity date for the life investment contracts and the readily tradable investment assets offset any liquidity risk. The liquidity risk on other insurance cash flows is managed by holding at least 25% of the insurance business assets in liquid assets such as cash and cash equivalents.

The table below analyses the Group's financial liabilities and net settled derivative financial instruments into relevant maturity groupings based on the remaining period at reporting date to contractual maturity date. The amounts disclosed in the tables are the contractual and the expected undiscounted cash flows.

| | 0-6 months $'000 | 7-12 months $'000 | 13-24 months $'000 | 25-60 months $'000 | 60+ months $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **2016** | | | | | | |
| Other payables | **15,061** | **-** | **-** | **-** | **-** | **15,061** |
| Derivative cash flow hedges | **1,393** | **-** | **-** | **-** | **-** | **1,393** |
| Borrowings | **115,679** | **10,984** | **22,423** | **37,106** | **-** | **186,192** |
| | **132,133** | **10,984** | **22,423** | **37,106** | **-** | **202,646** |
| *Expected undiscounted cash flows:* | | | | | | |
| Other payables | **15,061** | **-** | **-** | **-** | **-** | **15,061** |
| Derivative cash flow hedges | **1,393** | **-** | **-** | **-** | **-** | **1,393** |
| Borrowings | **37,833** | **12,393** | **20,187** | **46,223** | **129,802** | **246,438** |
| | **54,287** | **12,393** | **20,187** | **46,223** | **129,802** | **262,892** |
| 2015 | | | | | | |
| Other payables | 15,766 | - | - | - | - | 15,766 |
| Derivative cash flow hedges | 1,207 | - | - | - | - | 1,207 |
| Borrowings | 83,618 | 35,841 | 38,854 | 10,467 | - | 168,780 |
| | 100,591 | 35,841 | 38,854 | 10,467 | - | 185,753 |
| *Expected undiscounted cash flows:* | | | | | | |
| Other payables | 15,766 | - | - | - | - | 15,766 |
| Derivative cash flow hedges | 1,207 | - | - | - | - | 1,207 |
| Borrowings | 14,016 | 14,247 | 45,853 | 31,559 | 120,528 | 226,203 |
| | 30,989 | 14,247 | 45,853 | 31,559 | 120,528 | 243,176 |

**5.4 Market Risk**
Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments.

**5.4.1 Insurance business**
For the investment linked policies the market risk is transferred to the policy holder. The Group earns fees on investment linked policies that are based on the amount of assets invested and it may receive lower fees should markets fall. Asset allocation for investment linked policies is decided by the Policy Holder.
In the other insurance business, market risk arises when there is a mismatch between the insurance policy liabilities and the assets backing those liabilities. Refer to note 32K for insurance liabilities interest rate sensitivity. The insurance business has no significant currency and equity risk.

**5.4.2 Interest rate risk**
Interest rate risk is the risk of loss to the Group arising from adverse changes in interest rates. The Group's financing activities are exposed to interest rate risk in respect of its interest earning assets and interest bearing liabilities. Changes to interest rates can impact the Group's financial results by affecting the interest spread earned on these assets and liabilities.

Interest rates are managed by assessing the demand for funds, new lending, expected debt repayments and maintaining a portfolio of financial assets and liabilities with a sufficient spread between the Group's lending and borrowing activities. Exposure to interest rates is monitored by the Board of Directors on a monthly basis.

# NOTES TO THE FINANCIAL STATEMENTS
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The interest rates earned on finance receivables are fixed over the term of the contract. When approving interest rates for individual loan advances, interest rate risk is measured in accordance with the approved lending policy. Turners Finance Limited borrows at fixed rates to fund finance receivables. The terms and the amounts of the finance payables are matched to each corresponding finance receivable, for which the lending rates are also fixed at inception, thus eliminating the cash flow interest rate risk on these financial instruments

The table below summarises the sensitivity of the Group's financial assets and liabilities to interest rate risk.

*Interest rate risk*

| | Carrying amount $'000 | -1% Profit $'000 | -1% Equity $'000 | +1% Profit $'000 | +1% Equity $'000 |
|---|---|---|---|---|---|
| **2016** | | | | | |
| **Financial Assets** | | | | | |
| Cash and cash equivalents | **13,810** | **(138)** | **(99)** | **138** | **99** |
| Financial assets at fair value through profit or loss | **365** | **(4)** | **(3)** | **4** | **3** |
| Finance receivables | **167,598** | **(1,294)** | **(932)** | **1,294** | **932** |
| Reverse annuity mortgages | **9,734** | **(97)** | **(70)** | **97** | **70** |
| **Financial Liabilities** | | | | | |
| Derivative cash flow hedges | **49** | **-** | **28** | **-** | **(28)** |
| Borrowings | **174,816** | **1,362** | **981** | **(1,362)** | **(981)** |
| **Total increase/(decrease)** | | **(171)** | **(95)** | **171** | **95** |
| 2015 | | | | | |
| **Financial Assets** | | | | | |
| Cash and cash equivalents | 12,339 | (123) | (89) | 123 | 89 |
| Financial assets at fair value through profit or loss | 877 | (9) | (6) | 9 | 6 |
| Finance receivables | 142,827 | (1,046) | (753) | 1,046 | 753 |
| Reverse annuity mortgages | 13,253 | (133) | (96) | 133 | 96 |
| **Financial Liabilities** | | | | | |
| Derivative cash flow hedges | - | - | - | - | - |
| Borrowings | 156,995 | 1,183 | 852 | (1,183) | (852) |
| **Total increase/(decrease)** | | (128) | (92) | 128 | 92 |

**5.4.3 Currency risk**

The Group is exposed to currency risk arising from various currency exposures, primarily with respect to the Australian Dollars ('AUD') and Japanese Yen ('JPY'). Currency risk arises from the future commercial transactions, recognised assets and liabilities and net investment in foreign operations.

To ensure the net exposure to EC Credit Control (Aust) Pty Ltd, which has AUD as its functional currency, is kept to an acceptable level, the Group has a comprehensive transfer pricing policy and converts the AUD unredeemed voucher liability (refer note 23) into a NZD liability by selling the AUD liability to the New Zealand entity that will be providing the relevant services to settle the liability when the voucher is redeemed.

To limit its exposure to JPY, the Group hedges the anticipated cash flows (mainly purchased inventory) when the commitment is made. All projected purchases qualify as 'highly probable' forecast transactions for hedge accounting purposes.

The table below summarises the Group's financial exposure to currency risk.

| in NZD'000 | **2016 NZ$'000** | 2015 NZ$'000 |
|---|---|---|
| Net exposure to AUD | **295** | 203 |
| Net exposure to JPY | **-** | - |

The table below summaries the Group's sensitivity to +/- 10% foreign exchange fluctuations.

| In NZD'000 | -10% Profit | -10% Equity | +10% Profit | +10% Equity |
|---|---|---|---|---|
| **2016** | | | | |
| AUD | **-** | **27** | **-** | **(30)** |
| JPY | **-** | **244** | **-** | **(198)** |
| 2015 | | | | |
| AUD | **-** | 20 | - | (18) |
| JPY | **-** | 97 | - | (80) |



# NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016

**5.5 Financial assets and liabilities carried at fair value**:

The fair value of financial assets and liabilities carried at fair value as well as the methods used to calculate fair value are summarised in the table below.

Level 1 the fair value is calculated using quoted prices in active markets.
Level 2 the fair value is estimated using inputs other than quoted prices in level 1 that are observable for the assets or liability, either directly (as prices) or indirectly (derived from prices).
Level3 the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

| | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| **2016** | | | | |
| Financial assets: | | | | |
| Financial assets at fair value through profit or loss - Insurance | **-** | **15,813** | **-** | **15,813** |
| Financial assets at fair value through profit or loss - investment in equities | **-** | **2,277** | **-** | **2,277** |
| Financial assets at fair value through profit or loss - term deposits | **365** | **-** | **-** | **365.00** |
| | **365** | **18,090** | **-** | **18,090** |
| Financial liabilities: | | | | |
| Derivative cash flow hedges | **-** | **49** | **-** | **49** |
| 2015 | | | | |
| Financial assets: | | | | |
| Financial assets at fair value through profit or loss - Insurance | 512 | 16,473 | - | 16,985 |
| Financial assets at fair value through profit or loss - term deposits | 365 | - | - | 365 |
| | 877 | 16,473 | - | 17,350 |

*Financial assets insurance*

The financial assets in this category have been designated at inception as fair value through profit or loss because they back life insurance contract liabilities or life investment contract liabilities. Purchases and sales of these securities are recorded on a trade basis. Insurance investments include:

- Shares in Listed Companies and Managed Funds; and
- Shares and managed funds are recognised at fair value based on the bid market price quoted by the stock exchange or fund manager.

*Fixed Interest Securities*

Fixed interest securities are recognised at fair value based on quoted bid market price.

*Financial assets - investment in equities*

The fair value of equity investments is determined by reference to their quoted market price on the in the ShareMart trading system.

*Financial assets - term deposits*

The financial assets in this category are performance bonds deposited with high quality credit institutions.

*Derivative cash flow hedge*

The fair value of forward exchange contracts is determined using forward exchange rates at balance date, with the resulting value discounted to present value.

# NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016

**6. SEGMENTAL INFORMATION**

**6.1 DESCRIPTION OF SEGMENTS**

Management has determined the operating segments based on the components of the Group that engage in business activities, which have discrete financial information available and whose operating results are regularly reviewed by the Group's chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors. The Board of Directors makes decisions about how resources are allocated to the segments and assesses their performance. Geographically the Group's business activities are located in New Zealand and Australia. Geographical revenue information is based on the location of the office in which the transactions are booked and assets on the location of the assets.

During the financial year the Group acquired Southern Finance Limited (refer Acquisitions of subsidiaries) (2015: Oxford Finance Limited). Southern Finance Limited has been aggregated into the 'finance' segment as Southern Finance Limited (2015: Oxford Finance Limited), together with Dorchester Finance Limited and Oxford Finance Limited (2015: together with Dorchester Finance Limited), operate in the finance industry providing asset based finance to consumers and SME's.

Five reportable segment have been identified as follows:
Auctions & Fleet - 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 secured finance to consumers and SME's.
Insurance - marketing and administration of a range of life and consumer insurance and superannuation products.
Corporate & other - corporate services.

For financial reporting purposes in the prior year, Turners Limited elected to retain the segment disclosures previously presented by the legacy Turners Group NZ Limited group. In the current year, in line with the information presented to Turners Limited's Board of Directors, the legacy Turners Group NZ Limited group has been reported as a single operating segment. The reportable segment disclosure has been restated to reflect Turners Limited's current reportable segment structure.

**6.2 OPERATING SEGMENTS**

| **Revenue** | Total segment revenue | Inter-segment revenue | Revenue from external customers | Total segment revenue | Inter-segment revenue | Revenue from external customers |
|---|---|---|---|---|---|---|
| | **2016** | **2016** | **2016** | 2015 | 2015 | 2015 |
| | **$'000** | **$'000** | **$'000** | $'000 | $'000 | $'000 |
| Auctions & fleet | **118,640** | **(866)** | **117,774** | 44,399 | - | 44,399 |
| Finance | **24,415** | **(27)** | **24,388** | 19,512 | - | 19,512 |
| Collection services - New Zealand | **13,014** | **(3,238)** | **9,776** | 12,672 | (2,958) | 9,714 |
| Collection services - Australia | **8,555** | **-** | **8,555** | 8,533 | - | 8,533 |
| Insurance | **10,577** | **-** | **10,577** | 6,940 | - | 6,940 |
| Corporate & other | **647** | **-** | **647** | 8,195 | - | 8,195 |
| | **175,848** | **(4,131)** | **171,717** | 100,251 | (2,958) | 97,293 |

Revenue from external customers reported to the Board of Directors is measured on the same basis as revenue reported in the profit or loss. Inter-segment transactions are done on an arm's length basis. The Group has no customers representing 10% or more of the Group's revenues.

| **Operating profit** | **2016** | 2015 |
|---|---|---|
| | **$'000** | $'000 |
| Auctions & fleet | **10,009** | 3,145 |
| Finance | **9,786** | 6,024 |
| Collection services - New Zealand | **5,823** | 4,684 |
| Collection services - Australia | **213** | 223 |
| Insurance | **1,398** | 799 |
| Corporate & other | **(5,678)** | 3,389 |
| Operating profit | **21,551** | 18,264 |
| Share of profit of equity-accounted investment (net of tax) | **-** | 742 |
| Profit/(loss) before taxation | **21,551** | 19,006 |
| Income tax | **(5,949)** | (956) |
| Profit for the year | **15,602** | 18,050 |



# NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016

| | Interest revenue | | Interest expense | | Depreciation and amortisation expense | |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 |
| | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 |
| Auctions & fleet | **7,261** | 2,781 | **(3,393)** | (1,301) | **(1,769)** | (795) |
| Finance | **21,182** | 16,661 | **(4,379)** | (4,198) | **(173)** | (173) |
| Collection services - New Zealand | **6** | 6 | **(161)** | - | **(68)** | (333) |
| Collection services - Australia | **-** | - | **(12)** | - | **(2)** | (2) |
| Insurance | **822** | 718 | **(2)** | (9) | **(78)** | (128) |
| Corporate & other | **448** | 883 | **(3,577)** | (1,873) | **(54)** | (73) |
| | **29,719** | 21,049 | **(11,524)** | (7,381) | **(2,144)** | **(1,504)** |
| Eliminations | **(88)** | - | **88** | - | **-** | **-** |
| | **29,631** | 21,049 | **(11,436)** | (7,381) | **(2,144)** | **(1,504)** |

| Other material non-cash items | Revenue | | Expenses | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Auctions & fleet - impairment provisions | **-** | - | **(467)** | (144) |
| Finance - impairment provisions | **-** | - | **(554)** | (1,441) |
| Insurance - impairment provisions | **-** | - | **(10)** | (13) |
| Corporate & Other - impairment provisions | **-** | - | **(10)** | (9) |
| Collection services - New Zealand - deferred revenue | **1,811** | 1,550 | **-** | - |
| Insurance - Reverse annuity mortgage interest | **727** | 559 | **-** | - |
| Corporate & other - Reverse annuity mortgage interest | **385** | 816 | **-** | - |
| | **2,923** | 2,925 | **(1,041)** | (1,607) |

**6.3 SEGMENT ASSETS AND LIABILITIES**

| | Segment assets | | Segment liabilities | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Auctions & fleet | **83,092** | 70,986 | **62,625** | 54,948 |
| Finance | **152,320** | 124,325 | **113,736** | 94,940 |
| Collection services - New Zealand | **25,533** | 25,651 | **13,991** | 16,713 |
| Collection services - Australia | **1,641** | 986 | **1,346** | 1,188 |
| Insurance | **39,018** | 34,269 | **30,310** | 26,160 |
| Corporate & Other | **219,114** | 228,107 | **50,668** | 53,948 |
| | **520,718** | 484,324 | **272,676** | 247,897 |
| Eliminations | **(158,415)** | (155,352) | **(40,185)** | (39,927) |
| | **362,303** | 328,972 | **232,491** | 207,970 |

The non-current assets in Australia are property, plant and equipment (2016: $9,000; 2015: $9,000).

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

| | Business combinations | | Other | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Auctions & fleet | **-** | 9,229 | **6,555** | 1,233 |
| Finance | **171** | 373 | **176** | 115 |
| Collection services - New Zealand | **-** | - | **75** | 40 |
| Collection services - Australia | **-** | - | **-** | 1 |
| Insurance | **-** | - | **108** | 66 |
| Corporate & Other | **-** | - | **88** | 10 |
| | **171** | 9,602 | **7,002** | 1,465 |

| **Acquisition of inventory** | Business combinations | | Other | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Auctions & fleet | **-** | 9,770 | **14,156** | 8,984 |

# NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016

**7. PROFIT BEFORE TAX**

| | Notes | 2016 $'000 | 2015 $'000 |
|---|---|---|---|
| **Revenue from continuing operations includes:** | | | |
| **Interest income** | | | |
| Bank accounts, short term deposits and investments | | **353** | 366 |
| Finance receivables | | **28,166** | 19,308 |
| Reverse annuity mortgages | | **1,112** | 1,375 |
| **Total Interest Income** | | **29,631** | 21,049 |
| **Other revenue** | | | |
| Sales of goods | | **70,457** | 26,340 |
| Commission and other auction revenue | | **37,829** | 14,471 |
| Finance related insurance commissions | | **1,666** | 612 |
| Loan fee income | | **2,041** | 1,668 |
| Insurance and life investment contract income | | **9,776** | 6,172 |
| Collection income | | **18,325** | 18,241 |
| Bad debts recovered | | **1,199** | 1,165 |
| Other revenue | | **271** | 477 |
| **Total Other Revenue** | | **141,564** | 69,146 |
| **Total Operating Revenue** | | **171,195** | 90,195 |
| **Other income comprises:** | | | |
| Revaluation gain on stepped acquisition in Turners Group NZ Limited | | **-** | 7,058 |
| Revaluation gain on investments | | **200** | - |
| Dividend income | | **252** | 30 |
| Gain of sale of property, plant and equipment | | **70** | 10 |
| | | **522** | 7,098 |
| **Interest expense** | | | |
| Bank borrowings and other | | **9,316** | 6,491 |
| Bonds | | **2,120** | 890 |
| **Total Interest Expense** | | **11,436** | 7,381 |
| **Movement in impairment provisions** | | | |
| Provisions for: | | | |
| Specific impaired finance receivables | 14 | **(544)** | 20 |
| Collective impairment provision for finance receivables | 14 | **526** | 207 |
| Collective impairment on reverse annuity mortgages | 16 | **18** | 5 |
| Finance receivables bad debts written off | | **1,041** | 1,375 |
| **Movement** | | **1,041** | 1,607 |
| **Net operating profit includes the following specific expenses** | | | |
| Depreciation | | | |
| - Plant, equipment & motor vehicles | | **413** | 193 |
| - Leasehold improvements, furniture, fittings & office equipment | | **500** | 268 |
| - Computer equipment | | **273** | 190 |
| - Signs & flags | | **89** | 56 |
| Amortisation of software | | **869** | 546 |
| Amortisation of corporate relationships | | **-** | 251 |
| | | **2,144** | 1,504 |
| Tax advisory fees | | **160** | 113 |
| Donations | | **7** | 11 |
| Directors' fees | | **458** | 353 |
| Post-employment benefits | | **755** | 451 |
| Loss on sale of property, plant and equipment | | **30** | 121 |



# NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **Fees paid to auditor** | | |
| ***Staples Rodway Auckland (auditor of the Group)*** | | |
| **Audit of financial statements** | | |
| Audit of annual financial statements | **308** | 204 |
| **Other services** | | |
| *Other assurance services* | | |
| - audit of DPL Insurance Limited solvency return | **3** | 3 |
| - audit of Turners Limited share registry | **1** | 1 |
| - Special purposes audit for Turners Limited in relation to financial information in the Simplified Disclosure Prospectus | **-** | 9 |
| - Agreed Upon Procedures in relation to the EC Credit Control Limited final acquisition payment | **-** | 6 |
| - Agreed Upon Procedures in relation to the EC Credit Control Limited trust account | **3** | 3 |
| - To act as scrutineer at annual meeting | **-** | - |
| Total other services | **7** | 22 |
| Total fees paid to Staples Rodway Auckland | **315** | 226 |
| ***PwC Auckland (component auditors of Turners Group NZ Limited and its subsidiaries)*** | | |
| **Audit of financial statements** | | |
| Audit and review of financial statements | **-** | 52 |
| Provision of licence for financial reporting software | **-** | 2 |
| Total fees paid to PwC Auckland | **-** | 54 |

**8. TAXATION**

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Net operating profit before taxation | **21,551** | 18,264 |
| Income tax expense at prevailing rates | **(6,038)** | (5,117) |
| Tax impact of income not subject to tax | **128** | 2,237 |
| Tax impact of expenses not deductible for tax purposes | **(160)** | (194) |
| Tax assets recognised | **-** | 2,107 |
| Under provision in prior years | **121** | 11 |
| **Taxation (expense)/benefit** | **(5,949)** | (956) |
| Comprising: | | |
| Current | **(4,275)** | (1,461) |
| Deferred | **(1,795)** | 516 |
| Under provision in prior years | **121** | (11) |
| | **(5,949)** | (956) |

**9. EARNINGS PER SHARE**

*Basic earnings per share*

The calculation of basic earnings per share at 31 March was based on the profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding, adjusted for the share consolidation (refer note 25) as if the share consolidation had occurred on 1 April 2014, as follows:

| | 2016 | 2015 |
|---|---|---|
| Profit for the year ($'000) | **15,602** | 18,050 |
| Weighted average number of ordinary shares at 31 March | **63,160,163** | 55,079,214 |
| Basic earnings per share (cents per share) | **24.70** | 32.77 |

# NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016

| | 2016 | 2015 |
|---|---|---|
| **Weighted number of shares** | | |
| Opening balance | **63,078,516** | 49,399,096 |
| Shares issued for the purchase of insurance assets | **-** | 68,894 |
| Shares issued to institutional investors | **-** | 787,068 |
| Shares issued for the purchase of ECCC | **-** | 236,290 |
| Shares issued as part of the capital raising | **-** | 1,916,874 |
| Shares issued for the purchase of Turners | **-** | 2,534,187 |
| Shares issued in lieu of Turners' special dividend | **-** | 148,815 |
| Shares issued under the Turners Limited Employee Share Scheme | **160,480** | - |
| Treasury shares | **(78,833)** | (12,010) |
| | **63,160,163** | 55,079,214 |

*Diluted earnings per share*

The calculation of diluted earnings per share at 31 March was based on the diluted profit attributable to shareholders and a diluted weighted average number of ordinary shares outstanding, adjusted for the share consolidation (refer note 25) as if the share consolidation has occurred on 1 April 2014, as follows:

| | $'000 | $'000 |
|---|---|---|
| Continuing operations | **15,602** | 18,050 |
| Add: interest expense relating to optional convertible bonds, net of tax | **1,505** | 869 |
| Profit for the year | **17,107** | 18,919 |

| | | |
|---|---|---|
| *Weighted number of ordinary shares (diluted)* | | |
| Weighted average number of shares (basic) | **63,160,163** | 55,079,214 |
| Effect of the conversion of bonds | **7,743,526** | 7,743,526 |
| Weighted average number of shares (diluted) | **70,903,689** | 62,822,740 |
| | | |
| Diluted earnings per share (cents per share) | **24.13** | 30.11 |

**10. CASH AND CASH EQUIVALENTS**

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| The carrying value of cash and cash equivalents are denominated in the following currencies: | | |
| Australian dollars | **278** | 111 |
| New Zealand dollars | **13,532** | 12,228 |
| | **13,810** | 12,339 |

The Group's insurance business is required to comply with solvency standards for licenced 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 a available for use by wider Group. DPL Insurance's cash and cash equivalents at 31 March 2016 were $7,600,000 (2015: $3,700,000).

**11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **Insurance:** | | |
| Investments in unitised funds | **15,813** | 16,473 |
| Fixed Interest securities - Government Stock | **-** | 512 |
| **Other:** | | |
| Term deposits | **365** | 365 |
| Investment in equities | **2,277** | - |
| **Total** | **18,455** | 17,350 |
| | | |
| **Investments in unitised funds comprise:** | | |
| New Zealand and overseas equities | **5,673** | 6,874 |
| Fixed Interest securities | **2,390** | 2,268 |
| Cash | **3,128** | 2,545 |
| New Zealand and overseas property securities | **4,622** | 4,786 |
| **Total** | **15,813** | 16,473 |



# NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **Investments with external investment managers** | | |
| OnePath (NZ) Limited - Unitised Funds | **15,813** | 16,473 |

The carrying amounts of the financial assets at fair value through profit or loss, excluding investments in unitised funds, are denominated in the following currencies:

| | | |
|---|---|---|
| Australian dollars | **5** | 4 |
| New Zealand dollars | **2,637** | 873 |
| | **2,642** | 877 |

*Interest rate and currency risk*

A summarised analysis of the sensitivity of financial assets at fair value through profit or loss, excluding investments in unitised funds (as market risk on unitised funds is transferred to the policy holder), to interest rate risk and currency risk can be found in note 5.4.

*Credit risk*

The maximum exposure to credit risk at the reporting date is the carrying value of financial assets at fair value through profit or loss, excluding investments in unitised funds. The financial assets in this category are invested in government bonds or term deposits with banks. For Life investment linked contracts (investment in unitised funds) the investments credit risk is borne by the policy holder, there is no significant credit risk assumed by the Group.

Refer to note 5 for more information on the risk management policies of the Group.

**12. TRADE RECEIVABLES**

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Neither past due nor impaired | **8,062** | 6,077 |
| Past due but not impaired | **1,513** | 1,287 |
| Impaired | **204** | 141 |
| | **9,779** | 7,505 |
| Impairment provision | **(204)** | (111) |
| Net trade receivables | **9,575** | 7,394 |

Trade receivables is a current asset.

*Impaired receivables*

If a trade receivable falls overdue and the Group is unable to enter into an arrangement to recover the amount owed then the receivable is classified as impaired.

| | | |
|---|---|---|
| The age of impaired trade receivables is as follows: | | |
| Past due up to 30 days | **28** | 5 |
| Past due 30 – 60 days | **3** | 27 |
| Past due 60 – 90 days | **-** | 1 |
| Past due 90+ days | **173** | 108 |
| | **204** | 141 |

| | | |
|---|---|---|
| The age of past due but not impaired trade receivables is as follows: | | |
| Past due up to 30 days | **464** | 867 |
| Past due 30 – 60 days | **180** | 215 |
| Past due 60 – 90 days | **238** | 95 |
| Past due 90+ days | **631** | 110 |
| | **1,513** | 1,287 |

# NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Movement in the impairment provision: | | |
| Opening balance | **111** | 43 |
| Acquisition impairment balance | **-** | 41 |
| Impairment charge/(release) included in other operating expenses | **(70)** | 160 |
| Amounts written off | **163** | (133) |
| | **204** | 111 |

Amounts charged to the impairment provision are generally written off when there is no expectation of recovering additional cash.

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| The carrying amounts of the Group's trade receivables are denominated in the following currencies: | | |
| Australian dollars | **990** | 844 |
| New Zealand dollars | **8,585** | 6,550 |
| | **9,575** | 7,394 |

*Currency risk*
A summarised analysis of the sensitivity of financial liabilities included in other payables to currency risk can be found in note 5.4.

*Fair value and credit risk*
Due to the short-term nature of trade receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of trade receivables. Credit risk is concentrated predominantly in New Zealand within the motor trade sector and private household sector, there is no concentration of credit risk on any individual customer.

Refer to note 5 for more information on the risk management policies of the Group.

### 13. INVENTORIES

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Motor vehicles | **14,156** | 8,972 |
| Commercial goods | **-** | 12 |
| | **14,156** | 8,984 |

Inventories are a current asset.

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| *Movement in provisions* | | |
| Opening balance | **444** | 330 |
| Movement | **24** | 114 |
| Closing balance | **468** | 444 |

### 14. FINANCE RECEIVABLES

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Commercial loans | **20,116** | 16,943 |
| Consumer loans | **147,490** | 127,008 |
| Property development & investment loans | **8,069** | 6,400 |
| Gross finance receivables | **175,675** | 150,351 |
| Specific impairment provision | **(1,952)** | (2,505) |
| Collective impairment provision | **(4,824)** | (4,481) |
| Deferred fee revenue and commission expenses | **(1,301)** | (538) |
| | **167,598** | 142,827 |
| Current | **75,735** | 74,174 |
| Non-current | **91,863** | 68,653 |
| | **167,598** | 142,827 |

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| *Impaired finance receivables* | | |
| Gross finance receivables are summarised as follows: | | |
| Neither past due nor impaired | **154,111** | 131,088 |
| Past due but not impaired | **15,164** | 13,691 |
| Impaired | **6,400** | 5,572 |
| Gross | **175,675** | 150,351 |

# NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| The age of impaired finance receivables is as follows: | | |
| Past due up to 30 days | **298** | - |
| Past due 30 – 60 days | **54** | - |
| Past due 60 – 90 days | **109** | - |
| Past due 90+ days | **5,939** | 5,572 |
| | **6,400** | 5,572 |
| The age of past due but not impaired finance receivables is as follows: | | |
| Past due up to 30 days | **7,378** | 7,407 |
| Past due 30 – 60 days | **2,281** | 1,688 |
| Past due 60 – 90 days | **1,088** | 584 |
| Past due 90+ days | **4,417** | 4,012 |
| | **15,164** | 13,691 |
| Specific impaired financial receivables | | |
| Opening balance | **5,572** | 4,740 |
| Acquisition impaired financial receivables | **-** | 972 |
| Additions | **1,957** | 162 |
| Amounts now collectively assessed | **(25)** | (25) |
| Amounts recovered | **(672)** | (33) |
| Amounts written off | **(432)** | (244) |
| | **6,400** | 5,572 |

| Movement in the impairment provisions: | 2016 $'000 | 2015 $'000 |
|---|---|---|
| *Specific impairment provision* | | |
| Opening balance | **2,505** | 2,061 |
| Acquisition impairment balance | **-** | 424 |
| Impairment charge/(release) through profit or loss | **(544)** | 20 |
| Amounts written off | **(9)** | - |
| | **1,952** | 2,505 |
| *Collective impairment provision* | | |
| Opening balance | **4,481** | 3,459 |
| Acquisition impairment balance | **159** | 815 |
| Impairment charge/(release) through profit or loss | **526** | 207 |
| Amounts written off | **(342)** | - |
| | **4,824** | 4,481 |
| Total impairment provision | **6,776** | 6,986 |

*Interest rate and foreign exchange risk*
A summarised analysis of the sensitivity of finance receivables to interest rate risk can be found in note 5.4.2.

The Group's finance receivables are all denominated in NZD.

*Fair value and credit risk*

| | Carrying amount 2016 $'000 | Fair value 2016 $'000 | Carrying amount 2015 $'000 | Fair value 2015 $'000 |
|---|---|---|---|---|
| Finance receivables | **167,598** | 166,786 | 142,827 | 143,454 |

The fair values are based on cash flows discounted using a weighted average interest rate of 15.40% (2015: 16.23%).

The maximum exposure to credit risk is represented by the carrying amount of finance receivables which is net of any provision for impairment. The reported credit risk exposure does not take into account the fair value of any collateral, in event of the counterparties failing to meet their contractual obligation.

Refer to note 5 for more information on the risk management policies of the Group.

# NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016

**15. OTHER RECEIVABLES AND DEFERRED EXPENSES**

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Deferred acquisition costs | **3,865** | 2,976 |
| Other receivables and prepayments | **4,640** | 2,970 |
| | **8,505** | 5,946 |
| Current | **7,348** | 4,616 |
| Non-current | **1,157** | 1,330 |
| | **8,505** | 5,946 |
| Carrying amount of financial assets included in other receivables | **3,843** | 2,860 |

The carrying amounts of the financial assets included in other receivables are denominated in the following currencies:

| | | |
|---|---|---|
| Australian dollars | **6** | 4 |
| New Zealand dollars | **3,837** | 2,856 |
| | **3,843** | 2,860 |

*Fair value and credit risk*
The carrying value of these receivables is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the fair value of the financial assets included in other receivables. There is no concentration of credit risk to any individual customer or sector.

Refer to note 5 for more information on the risk management policies of the Group.

**16. REVERSE ANNUITY MORTGAGES**

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Reverse annuity mortgages - encumbered securing bank borrowing (refer note 24) | **2,820** | 4,940 |
| Reverse annuity mortgages - DPL Insurance Limited (unencumbered) | **6,966** | 8,365 |
| Total reverse annuity mortgages | **9,786** | 13,305 |
| Deferred fee revenue and commission expenses | **-** | (18) |
| Provision for impairment | **(52)** | (34) |
| | **9,734** | 13,253 |
| Current | **1,366** | 1,603 |
| Non-current | **8,368** | 11,650 |
| | **9,734** | 13,253 |
| Movement in provisions for impairment | | |
| Opening balance | **34** | 29 |
| Impairment charge/(release) through profit or loss | **18** | 5 |
| Closing balance | **52** | 34 |

*Interest rate*
A summarised analysis of the sensitivity of reverse annuity mortgages to interest rate risk can be found in note 5.4.2.



# NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016

The Group's reverse mortgage annuities are all denominated in NZD.

*Fair value and credit risk*

| | Carrying amount 2016 $'000 | Fair value 2016 $'000 | Carrying amount 2015 $'000 | Fair value 2015 $'000 |
|---|---|---|---|---|
| Reverse annuity mortgages | **9,734** | **11,400** | 13,253 | 15,041 |

The fair value of reverse annuity mortgages is estimated using a discounted cash flow model based on a current market interest rate for similar products after making allowances for impairment.

The maximum exposure to credit risk is represented by the carrying amount of reverse annuity mortgages which is net of any provision for impairment. The reported credit risk exposure does not take into account the fair value of any collateral, in event of the counterparties failing to meet their contractual obligation. All reverse annuity mortgages are secured by residential property in New Zealand.

**17. INVESTMENT IN ASSOCIATE**

In 2014 the Group held a 19.85% voting and equity interest in Turners Group NZ Limited. Although the Group held less than 20% of the equity shares and less than 20% of the voting power of Turners Group NZ Limited, the Group was considered to exercise significant influence by virtue of having a director on the Turners Group NZ Limited's board. During the 2015 financial year Turners Group NZ Limited became a wholly owned subsidiary (refer note 18). Prior to becoming a wholly owned subsidiary, Turners Group NZ Limited reporting date was 31 December.

Movement in the carrying amount of the Group's investment in associate:

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Opening balance | **-** | 10,209 |
| Share of profits of associate | **-** | 742 |
| Share of dividends | **-** | (1,710) |
| Associated derecognised on becoming a subsidiary | **-** | (9,241) |
| Closing balance | **-** | - |

Summarised financial information in respect of the Group's associate is set out below:

| **Consolidated statement of comprehensive income** | **8 months Oct 2014 $'000** |
|---|---|
| Total revenue | **87,043** |
| Profit for the period | **3,737** |
| Group's share of associates profits | **742** |

# NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016

**18. INVESTMENT IN SUBSIDIARIES**

| | | Ownership Interest Held 2016 | 2015 |
|---|---|---|---|
| **Subsidiary** | | | |
| DPL Insurance Limited | Insurance | **100.0%** | 100.0% |
| Turners Group NZ Limited | Auctions | **100.0%** | 100.0% |
| EC Credit Control (NZ) Limited | Collection services | **100.0%** | 100.0% |
| EC Credit Control (Aust) Pty Limited | Collection services | **100.0%** | 100.0% |
| Estate Management Services Limited | Collection services | **100.0%** | 100.0% |
| Payment Management Services Limited | Collection services | **100.0%** | 100.0% |
| Dorchester Finance Limited | Finance | **100.0%** | 100.0% |
| Oxford Finance Limited | Finance | **100.0%** | 100.0% |
| Southern Finance Limited | Finance | **100.0%** | - |
| Turners Finance Limited | Finance | **100.0%** | 100.0% |
| Emerald Gisborned Hotel Property Trust Management Limited (formerly Dorchester Hotel Property Trust Management Limited) | Hotel property management | **100.0%** | 100.0% |
| Dorchester RAMS Limited | Reverse annuity mortgages | **100.0%** | 100.0% |
| Dorchester Staff Share Plan Trustees Limited | Trustee | **100.0%** | 100.0% |
| Dorchester Life Trustees Limited | Trustee for retirement plans | **100.0%** | 100.0% |
| Dorchester Life Management Limited | Trustee for superannuation funds | **100.0%** | 100.0% |
| Turners Fleet Limited | Vehicle and commercial goods trade | **100.0%** | 100.0% |
| EC Web Services Limited | Web services | **66.6%** | 66.6% |
| Smart Group Services Limited | Dormant | **100.0%** | 100.0% |
| Turners International Holdings Limited | Dormant | **100.0%** | 100.0% |
| Turners Technology Solutions Limited | Dormant | **100.0%** | 100.0% |
| Turners Auto Auctions Incorporated | Dormant | **100.0%** | 100.0% |
| Turners Smart Auto Centre Limited | Dormant | **100.0%** | 100.0% |

All subsidiaries have a balance date of 31 March and, with the exception of EC Credit Control (Aust) Pty Limited (incorporated in Australia) and Turners Auto Auctions Incorporated (incorporated in Canada), all subsidiaries are incorporated in New Zealand.

Emerald Gisborne Hotel Property Trust Trading Limited (formerly Dorchester Hotel Property Trust Trading Limited) ("EGHPTTL") is a wholly owned subsidiary of Emerald Gisborne Hotel Property Trust Management Limited (formerly Dorchester Hotel Property Trust Management Limited). EGHPTTL was established to manage the operations of the property held by the Emerald Gisborne Property Trust (formerly Dorchester Property Trust) and does not meet the control test under NZ IFRS 10. It is therefore not a subsidiary and is not included in the Group financial statements.

**Acquisition of businesses in the year ending 31 March 2016**
On 31 July 2015, the Group acquired 100% of the equity in Southern Finance Limited, a Christchurch based finance company. The acquisition strengthens the Group's Finance business with loan portfolio metrics in line with the Group's receivables book and significantly increases the Group's Finance business geographic presence in the South Island.

| | **31 July 2015 $'000** |
|---|---|
| ***Fair value of consideration transferred*** | |
| Amount settled in cash on settlement date | 4,856 |
| | |
| ***Identified assets acquired and liabilities assumed*** | |
| Cash and cash equivalents | 409 |
| Finance receivables | 9,527 |
| Trade and other receivables | 56 |
| Fixed assets | 171 |
| Intangible assets | 69 |
| Trade and other payables | (253) |
| Borrowings | (6,800) |
| Identifiable net assets | 3,179 |
| | |
| Goodwill on acquisition | 1,677 |



# NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016

| | **31 July 2015 $'000** |
|---|---|
| Consideration transferred settled in cash | 4,856 |
| Cash and cash equivalent acquired | (409) |
| Net cash outflow on acquisition | 4,447 |
| Acquisition costs charged to expenses | 56 |
| Net cash paid relating to acquisition | 4,503 |

*Borrowings*
Borrowings represents bank borrowing with a first ranking security deed over the assets of the Southern Finance Limited.

*Identified assets acquired and liabilities assumed*
The fair value of finance receivables and borrowings was determined using the income approach, discounting future estimated cash flows by an appropriate discount factor. The fair value of all other assets and liabilities was determined using the cost approach.

*Goodwill*
Goodwill of $1,677,000 is primarily related to growth expectations, expected future profitability and the substantial skill and expertise of the work force. Goodwill is not deductible for tax purposes.

*Contribution to Group results*
In the eight months to 31 March 2016 the business contributed revenue of $1.2 million and profit of $350,000 to the Group's consolidated results. If the acquisition had occurred on 1 April 2015, management estimates that the contribution to the Group consolidated revenue would have been $1.8 million and the contribution to the Group consolidated profit for the year would have been $525,000. In determining these amounts, management has assumed the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 April 2015.

**Acquisition of businesses in the year ending 31 March 2015**

**Oxford Finance Limited**
On 1 April 2014, the Group acquired 100% of the equity in Oxford Finance Limited, a Levin based finance company. The acquisition strengthens the Group's Finance business with loan portfolio metrics in line with the Dorchester Finance's receivables book and significantly increases the Group's Finance business geographic presence outside of the Auckland and Hamilton regions.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

| | 2015 $'000 |
|---|---|
| ***Consideration transferred*** | |
| Amount settled in cash on settlement date | 6,836 |
| Fair value of future payments | 4,701 |
| Fair value of contingent consideration | 942 |
| Total | 12,479 |
| | |
| ***Identified assets acquired and liabilities assumed*** | |
| Cash and cash equivalents | 1,266 |
| Finance receivables | 49,953 |
| Trade and other receivables | 472 |
| Property, plant and equipment | 344 |
| Software | 29 |
| Deferred tax | 249 |
| Trade and other payables | (1,329) |
| Borrowings | (46,100) |
| Identifiable net assets | 4,884 |
| | |
| Goodwill on acquisition | 7,595 |

# NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016

| | 2015 $'000 |
|---|---|
| Consideration transferred settled in cash | 6,836 |
| Cash and cash equivalents acquired | (1,266) |
| Net cash outflow on acquisition | 5,570 |
| Acquisition costs charged to expenses | 180 |
| Net cash paid relating to the acquisition | 5,750 |

***Fair value of future payments and fair value of contingent consideration***

The purchase agreement included an earn-out arrangement whereby the purchase price could be reduced if the earnings targets for the year to 31 March 2015 were not met. The $942,000 fair value initially recognised for the contingent consideration represents the present value of the Group's probability weighted estimate of the future settlement. It reflects management's estimate of a weighted range of probable outcomes and was discounted using a rate of 6%.

The full purchase price was settled on 27 March 2015. There was no material difference between managements estimate of the amount due and the amount settled.

***Identified assets acquired and liabilities assumed***

The fair value of finance receivables and borrowings was determined using the income approach, discounting future estimated cash flows by an appropriate discount factor. The fair value of all other assets and liabilities was determined using the cost approach.

***Goodwill***

Goodwill of $7.6 million is primarily related to growth expectations, expected future profitability and the substantial skill and expertise of the work force. Goodwill is not deductible for tax purposes.

**Contribution to Group results**

In the year to 31 March 2015, Oxford Finance contributed revenue of $11.0 million and profit of $3.6 million to the Group's consolidated results.

**Turners Group NZ Limited**

On 28 July 2014, the Company announced it had entered into a Lock Up Agreement with a 20.8% shareholder in Turners Group NZ Limited, an associated company in which Group had a 19.85% holding, and advised that it intended to make a full takeover offer for 100% of Turners Group NZ Limited's equity securities under Rule 8 of the Takeovers Code. Finance and insurance on motor vehicles are key drivers in both businesses. On 17 October 2014, the Company purchased 18,331,261 shares in Turners Group NZ Limited taking its shareholding to 86.8%

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

| | 2015 $'000 |
|---|---|
| ***Consideration transferred*** | |
| Cash | 27,016 |
| Ordinary shares (51,582,972) | 12,896 |
| Bonds (15,083,457) | 15,083 |
| Total | 54,995 |
| Fair value of equity interest in Turners Group NZ Limited before the business combination | 16,299 |
| Total consideration | 71,294 |
| | |
| ***Identified assets acquired and liabilities assumed*** | |
| Cash and cash equivalents | 4,370 |
| Inventories | 9,770 |
| Finance receivables | 34,910 |
| Trade and other receivables | 5,887 |
| Property, plant and equipment | 7,108 |
| Software | 2,123 |
| Deferred tax | 997 |
| Trade and other payables | (16,310) |
| Borrowings | (35,188) |
| Identifiable net assets | 13,667 |



# NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016

| | 2015 $'000 |
|---|---|
| Non-controlling interest | (10,832) |
| Brand | 45,600 |
| Goodwill | 22,859 |
| Total | 73,309 |
| | |
| Consideration transferred settled in cash | 27,016 |
| Cash and cash equivalents acquired | (4,370) |
| Net cash outflow on acquisition | 22,646 |
| Acquisition costs charged to expenses | (675) |
| Net cash paid relating to the acquisition | 21,971 |

***Equity instruments and bonds issued***

The fair value of the ordinary shares purchased and ordinary shares and bonds issued was determined using the market approach which arrives at fair value of an asset or liability by obtaining consensus of what others in the market-place have judged it to be.

***Identified assets acquired and liabilities assumed***

The fair value of finance receivables and borrowings was determined using the income approach, discounting future estimated cash flows by an appropriate discount factor. The fair value of brand was determined by an independent valuer using the income approach and by applying the discounted cash flow valuation method. The fair value of all other assets and liabilities was determined using the cost approach.

***Goodwill***

Goodwill of $22.9 million is primarily related to growth expectations, expected future profitability and the substantial skill and expertise of the work force. Goodwill is not deductible for tax purposes.

***Transaction with non-controlling interests***

On 27 November 2014, the Group acquired the remaining 13.2% of the issued shares of Turners Group NZ Limited for a purchase of consideration of $10.8 million. The Group now holds a 100% of the equity share capital of Turners Group NZ Limited. The Group derecognised non-controlling interests of $10.9 million and recorded an increase in equity attributable to owners of the parent of $90,000. The effect of the ownership interest in Turners Group NZ Limited on the equity attributable owners of the Company during the year is summarised as follows:

| | 2015 $'000 |
|---|---|
| Carrying amount of non-controlling interests | 10,922 |
| *Consideration paid to non-controlling interests* | |
| Cash | (7,095) |
| Ordinary shares (10,536,240) | (2,634) |
| Bonds (402,564) | (1,103) |
| Profit on purchase | 90 |

**Contribution to Group results**

In the five months to 31 March 2015 the business contributed revenue of $44.4 million and profit of $3.1 million to the Group's consolidated results. If the acquisition had occurred on 1 April 2014, management estimates that the contribution to the Group consolidated revenue would have been $106.6 million and the contribution to the Group consolidated profit for the year would have been $7.4 million. In determining these amounts, management has assumed the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 April 2014.

# NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016

## 19. PROPERTY, PLANT & EQUIPMENT

| | Land | Plant, equipment & motor vehicles | Leasehold improvements, furniture, fittings & office equipment | Computer equipment | Signs & flags | Total |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **2016** | | | | | | |
| At cost | **4,262** | **1,419** | **2,946** | **1,992** | **340** | **10,959** |
| Accumulated depreciation | **-** | **(226)** | **(902)** | **(1,456)** | **(56)** | **(2,640)** |
| Opening carrying amount | **4,262** | **1,193** | **2,044** | **536** | **284** | **8,319** |
| Additions - business combinations | - | 51 | 120 | - | - | 171 |
| Additions | 1,950 | 789 | 1,118 | 234 | 76 | 4,167 |
| Disposals, transfers & translation difference | - | (257) | (16) | (1) | - | (274) |
| Depreciation | - | (413) | (500) | (273) | (89) | (1,275) |
| Closing carrying amount | **6,212** | **1,363** | **2,766** | **496** | **271** | **11,108** |
| At cost | **6,212** | **2,002** | **4,155** | **1,827** | **416** | **14,612** |
| Accumulated depreciation | **-** | **(639)** | **(1,389)** | **(1,331)** | **(145)** | **(3,504)** |
| Closing carrying amount | **6,212** | **1,363** | **2,766** | **496** | **271** | **11,108** |
| 2015 | | | | | | |
| At cost | - | 70 | 1,161 | 1,681 | - | 2,912 |
| Accumulated depreciation | - | (48) | (744) | (1,525) | - | (2,317) |
| Opening carrying amount | - | 22 | 417 | 156 | - | 595 |
| Additions - business combinations | 4,210 | 1,280 | 1,569 | 219 | 174 | 7,452 |
| Additions | 52 | 212 | 358 | 366 | 194 | 1,182 |
| Disposals, transfers & translation difference | - | (128) | (32) | (15) | (28) | (203) |
| Depreciation | - | (193) | (268) | (190) | (56) | (707) |
| Closing carrying amount | 4,262 | 1,193 | 2,044 | 536 | 284 | 8,319 |
| At cost | 4,262 | 1,419 | 2,946 | 1,992 | 340 | 10,959 |
| Accumulated depreciation | - | (226) | (902) | (1,456) | (56) | (2,640) |
| Closing carrying amount | 4,262 | 1,193 | 2,044 | 536 | 284 | 8,319 |



# NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016

## 20. DEFERRED TAXATION

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current assets against current liabilities and when the deferred income taxes relate to the same fiscal authority. The movement on the deferred tax account is as follows:

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| *Deferred tax* | | |
| Opening balance | **8,532** | 6,761 |
| Deferred tax acquired | **69** | 1,246 |
| Tax payment converted to losses | **-** | 9 |
| Prepaid tax refunded | **(2,796)** | - |
| Charge to hedging reserve | **14** | - |
| Charge to profit or loss | **(1,795)** | 516 |
| Closing balance | **4,024** | 8,532 |
| The charge to profit or loss is attributable to the following items: | | |
| Tax losses | **(2,025)** | (2,189) |
| Prepaid tax | **(9)** | 2,796 |
| Loan impairment provision | **(84)** | (471) |
| Insurance deductible reserves | **144** | (62) |
| Provisions and accruals | **179** | 442 |
| | **(1,795)** | 516 |
| The deferred tax asset is attributable to the following item: | | |
| Tax losses | **994** | 3,019 |
| Prepaid tax | **-** | 2,805 |
| Loan impairment provision | **1,916** | 1,956 |
| Insurance deductible reserves | **83** | (61) |
| Provisions and accruals | **1,031** | 813 |
| | **4,024** | 8,532 |
| Deferred tax asset to be recovered after more than 12 months | **3,030** | 4,430 |
| Deferred tax asset to be recovered within 12 months | **994** | 4,102 |
| Closing balance | **4,024** | 8,532 |

The deferred tax asset has been recognised at 28%, the tax rate at which it is expected to reverse.

| **Imputation credit memorandum account** | | |
|---|---|---|
| Opening balance | **2,452** | 187 |
| Income tax payments/(refunds received) | **659** | 1,599 |
| Imputation credits received | **-** | 666 |
| Closing balance | **3,111** | 2,452 |

**Policy holder tax losses**

The policy holder tax losses carried forward at 31 March 2016 are $4,136,000 (2015: $3,944,000).

The policy holder taxation losses are only available to be offset against future policy holder income.

# NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016

### 21. INTANGIBLE ASSETS

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **Brand** | | |
| Opening carrying amount at cost | 45,600 | - |
| Addition (Turners Group NZ Limited) | - | 45,600 |
| Closing carrying amount | 45,600 | 45,600 |
| **Goodwill** | | |
| Opening carrying amount at cost | 55,484 | 25,012 |
| Addition (Southern Finance, refer note 18) | 1,677 | 30,454 |
| Foreign exchange adjustment | (41) | 18 |
| Closing carrying amount | 57,120 | 55,484 |
| **Software** | | |
| At cost | 3,844 | 1,818 |
| Accumulated amortisation | (1,719) | (1,555) |
| Closing carrying amount | 2,125 | 263 |
| Additions - business combinations | - | 2,152 |
| Additions | 976 | 282 |
| Disposals and transfers | - | (26) |
| Amortisation | (869) | (546) |
| Closing carrying amount | 2,232 | 2,125 |
| At cost | 4,256 | 3,844 |
| Accumulated amortisation | (2,024) | (1,719) |
| Closing carrying amount | 2,232 | 2,125 |
| **Corporate relationships** | | |
| **Opening balance** | 386 | 637 |
| Amortisation | - | (251) |
| Impairment | - | - |
| Closing carrying amount | 386 | 386 |
| At cost | 1,089 | 1,089 |
| Accumulated amortisation and impairment provision | (703) | (703) |
| Closing carrying amount | 386 | 386 |
| Total intangible assets carrying amount | 105,338 | 103,595 |

The impairment and amortisation is recognised in other operating expenses in profit or loss.

**Impairment testing for cash-generating units (CGU) containing brands and goodwill**

The aggregate carrying amounts of brands and goodwill allocated to the cash generating units are outlined below. Goodwill primarily relates to growth expectations, expected future profitability and the substantial skill and expertise of the work force of the cash generating unit. Management have assessed that there is no foreseeable limit to the period of time over which the goodwill and brand is expected to generate net cash inflows for the Group, and as such goodwill and brand have been assessed as having an indefinite useful life.

| | 2016 | 2015 |
|---|---|---|
| *Goodwill* | | |
| Allocated to the insurance CGU/segment | 1,025 | 1,025 |
| Allocated to collection services CGU/segment | 23,964 | 24,005 |
| Allocated to the finance CGU/segment | 9,272 | 7,595 |
| Allocated to the Turners Group NZ CGU/segment | 22,859 | 22,859 |
| | 57,120 | 55,484 |
| *Brand* | | |
| Allocated to the Turners Group NZ CGU/segment | 45,600 | 45,600 |



# NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016

The recoverable amounts of the units are based on value in use calculations. Value in use was determined based on the following key assumptions:

Forecast cash flows for the first year were extrapolated using a constant growth rate of 2.0% (2015: 2.0% for 9 years) for 4 years. A pre-tax discount rates of 8.13% to 8.60% (2015: 10.0%) was applied in determining the recoverable amount. The discount rate was estimated based on a weighted average cost of capital of similar listed companies.

**Sensitivity Analysis**

In assessing the impairment testing for cash generating units containing goodwill and brands, sensitivity analyses were done. This included changing the growth rate to 0.0% (2015: 0.0%) and changing the discount rates to 10.40% to 10.88%% (2015: 14.5%). These changes in rates did not cause any impairment.

### 22. OTHER PAYABLES

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Accounts payable | 11,680 | 9,578 |
| Employee entitlements (short term) | 2,153 | 2,708 |
| Employee entitlements (long term) | 642 | 201 |
| Other payables and accruals | 7,795 | 5,303 |
| | 22,270 | 17,790 |
| Carrying value of financial liabilities in other payables | 15,061 | 15,766 |
| The carrying amounts of the Group's financial liabilities in other payables are denominated in the following currencies: | | |
| Japanese Yen | 1,393 | 94 |
| Australian dollars | 433 | 277 |
| New Zealand dollars | 13,235 | 15,395 |
| | 15,061 | 15,766 |

*Currency risk*

A summarised analysis of the sensitivity of financial liabilities included in other payables to currency risk can be found in note 5.4.

*Fair value*

Due to the short-term nature of the financial liabilities in other payables, their carrying value is assumed to approximate their fair value.

### 23. DEFERRED REVENUE

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Unredeemed vouchers | 3,306 | 5,118 |
| Prepaid income | 2,743 | 2,358 |
| | 6,049 | 7,476 |

# NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016

## 24. BORROWINGS

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Secured bank borrowings | **109,420** | 95,729 |
| Deferred borrowing costs | **(93)** | (578) |
| | **109,327** | 95,151 |
| Non-bank borrowings - Motor Trade Finance | **42,300** | 38,666 |
| Bonds | **23,231** | 23,231 |
| Deferred issue costs | **(42)** | (53) |
| | **23,189** | 23,178 |
| Total borrowings | **174,816** | 156,995 |
| Current | **121,351** | 110,954 |
| Non-current | **53,465** | 46,041 |
| | **174,816** | 156,995 |

**Secured bank borrowings**
The bank borrowings, together with trade and lease premise guarantees of $3.0 million (2015: $3.0 million), are secured by a first-ranking general security agreement over the assets of the Company and its subsidiaries, excluding DPL Insurance Limited and Turners Finance Limited. Current interest rates are variable and average 4.97% (2015: 5.94%). The Group complied with all banking covenants in the both the current and prior financial year.

**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. The carrying value of the investment is $2,277,000 and is included in Financial asset at fair value through profit or loss (2015: $218,000; included other receivables).

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.

**Bonds**
The bonds are secured by a general security agreement over the assets of the Company and its subsidiaries, excluding DPL Insurance Limited, Turners Group NZ Limited, Turners Finance Limited, Turners Fleet Limited, Smart Group Services Limited, Turners International Holding Limited, Turners Technology Solutions Limited, Turners Auto Auctions Incorporated and Turners Smart Auto Centre Limited, and rank behind secured bank borrowings. The interest on the bonds is fixed at 9.0%.

The bonds have a maturity date of 30 September 2016 and bondholders have the option to convert their bonds into shares or be repaid in cash.

*Foreign currency risk*
All the Group's borrowings are in NZD.

| *Fair value* | Carrying amount **2016** **$'000** | Fair value **2016** **$'000** | Carrying amount 2015 $'000 | Fair value 2015 $'000 |
|---|---|---|---|---|
| Borrowings | **174,816** | **175,131** | 156,995 | 157,626 |

The fair values are based on cash flows discounted using a weighted average borrowing rate of 6.07% (2015: 6.90%).



# NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Contractual repricing dates | | |
| 1 year or less | **126,687** | 110,954 |
| Over 1 to 2 years | **14,144** | 36,404 |
| Over 2 to 5 years | **34,120** | 10,268 |
| | **174,951** | 157,626 |

## 25. SHARE CAPITAL

| | 2016 | 2015 |
|---|---|---|
| **Number of ordinary shares** | | |
| Opening balance | **630,765,588** | 493,971,377 |
| Shares issued under the staff share scheme | **4,642,864** | - |
| Shares issued to institutional investors | **-** | 18,900,000 |
| Shares issued for the purchase of ECCC (refer note 27) | **-** | 6,955,304 |
| Shares issued for the purchase of insurance assets (refer note 27) | **-** | 722,603 |
| Shares issued to part fund the Turners Group NZ Limited takeover | **-** | 45,254,209 |
| Shares issued for the purchase of Turners (refer note 18) | **-** | 62,119,212 |
| Shares issued in lieu of Turners Group NZ's special dividend (refer note 18) | **-** | 3,573,516 |
| Treasury shares | **(1,093,663)** | (730,633) |
| Shares cancelled as a result of share consolidation | **(570,883,152)** | - |
| **Total issued and authorised capital** | **63,431,637** | 630,765,588 |

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **Dollar value of ordinary shares** | | |
| Opening balance | **135,294** | 101,417 |
| Shares issued under the staff share scheme | **1,161** | - |
| Shares issued to institutional investors | **-** | 4,725 |
| Shares issued for the purchase of ECCC | **-** | 1,794 |
| Shares issued as part of capital raising | **-** | 11,314 |
| Shares issued for the purchase of Turners | **-** | 15,530 |
| Shares issued in lieu of Turners Group NZ's special dividend | **-** | 893 |
| Treasury shares | **(328)** | (183) |
| Share issue costs | **-** | (196) |
| **Total issued capital** | **136,127** | 135,294 |

On 22 March 2016, every 10 shares held in the Company was consolidated into 1 share, with all fractional entitlements rounded to the nearest whole number of shares (and fractional entitlement to half a share being rounded up).

At the Annual Meeting on 17 September 2014, shareholders approved the issue of shares at $0.25 per share up to a maximum of $30.0 million to part fund the takeover of Turners Group NZ Limited. The shares were issued to institutional investors, Turners Group NZ Limited shareholders and existing shareholders.

Ordinary shares are fully paid with no par value. All ordinary shares have equal voting rights and share equally in dividends and surplus on winding up.

**Capital management**
The Group's capital consists of share capital, translation reserve, cash flow reserve and retained earnings. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position. The allocation of capital between its specific business operations and activities is, to a large extent, driven by optimisation of the return on the capital allocated. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation. The Group's strategies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

The Group's funding covenants include minimum equity ratios. There have been no breaches of covenants. In addition to the above, the life insurance company is required to retain equity for solvency purposes, refer note 32F.

# NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016

### 26. DIVIDENDS

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Final dividend for the year ended 31 March 2015 of $0.006 (31 March 2014: $0.005) per fully paid ordinary share, un-imputed, paid on 17 July 2015 (23 July 2014) | **3,784** | 2,470 |
| Interim dividend for the year ended 31 March 2016 of $0.006 (31 March 2015: $0.004) per fully paid ordinary share, un-imputed, paid on 15 December 2015 (18 December 2014) | **3,812** | 2,526 |
| | **7,596** | 4,996 |

*Dividends not recognised at year end*

| | | |
|---|---|---|
| In addition to the above dividends, in 2016 after year end the directors recommended the payment of a final dividend of $0.07 (31 March 2015: $0.006) per fully paid ordinary share, un-imputed, payable on 28 July 2016 (17 July 2015). | **4,440** | 3,784 |

### 27. TRANSACTIONS WITH RELATED PARTIES

Major shareholders, directors and closely related persons to them are considered related parties of the Group.

**Shares**

During the financial year ended 31 March 2015, the Company issued shares to part fund the acquisition of Turners Group NZ Limited (refer note 18) and 30,003,520 shares were issued to major shareholders, close members of the family of major shareholders and partners in the Business Bakery LP (major shareholder) as listed below.

| 2015 | Number of shares issued | $'000 |
|---|---|---|
| Hugh Green Investments Limited | **14,400,000** | **3,600** |
| Montezemolo Holdings Limited | **8,707,520** | **2,177** |
| Harrigens Trustees Limited | **4,800,000** | **1,200** |
| Sinclair Investment Trust | **1,600,000** | **400** |
| Ross Venture Trust | **296,000** | **74** |
| Sam and William Harrison | **200,000** | **50** |
| | **30,003,520** | **7,501** |

**Bonds**

During the financial year ended 31 March 2015, the Company issued bonds to part fund the takeover of Turners Group NZ Limited (refer note 18) and 5,379,120 were allocated to major shareholders, close members of the family of major shareholders and partners in the Business Bakery LP (a major shareholder) as listed below.

| | Number of bonds issued | Interest paid on bonds 2016 $'000 | Interest paid on bonds 2015 $'000 |
|---|---|---|---|
| Hugh Green Investments Limited | 2,400,000 | **216** | 90 |
| Montezemolo Holdings Limited | 1,929,120 | **174** | 72 |
| Harrigens Trustees Limited | 800,000 | **72** | 30 |
| Sinclair Investment Trust | 200,000 | **18** | 7 |
| Sam and William Harrison | 50,000 | **5** | 2 |
| | 5,379,120 | **485** | 201 |

**Purchase of Turners Group NZ Limited**

During the financial year ended 31 March 2015, as part of the settlement of the Takeover Offer for Turners Group NZ Limited, the Company issued 41,044,836 shares at $0.25 each and 6,840,804 bonds at $1.00 each to Bartel Holding Limited, a major shareholder of Turners Group NZ Limited, who after the settlement of the Take Over Offer became a major shareholder in the Company. Interest of $616,000 (2015: $256,000) was paid to Bartel Holdings Limited on the bonds during the year.

In the financial year ended 31 March 2015, a further 3,182,875 shares at $0.25 were issued to Bartel Holdings Limited in lieu of the Turners Group NZ Limited special dividend.



NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016

**EC Credit Control Limited**

With effect from 1 October 2012 the Group purchased the business of EC Credit Control Limited with the consideration settled in cash, shares and options. As part of the contingent consideration, in the financial year ended 31 March 2015, 6,955,304 shares at $0.258 per share were issued and $1,794,000 paid to Harrigens Trustees Limited, a company associated with Matthew Harrison a director of the Company.

**Mainstream Insurance Solutions Limited (MISL)**

In April 2012, Dorchester Pacific Limited purchased the trademarks and intellectual property of MSIL, a company related to James Searle (General Manager, DPL Insurance) and Greg Main (Previously CEO, DPL Insurance) by issuing 500,000 shares at $0.10 each. Under the terms of the sale and purchase agreement, further shares up to a maximum of 1,500,000 shares could be issued. During the year ended 31 March 2015 722,603 shares were issued to MSIL in settlement of the tranche 2 payment. Refer note 25.

**Harrison Property Holdings Limited (HPHL)**

The premises leased by the Group in Napier was owned by a HPHL, a company related to Matthew Harrison, a director of the Company. The building was sold to an unrelated party on 30 June 2014. During the year ended 31 March 2015 rent and opex paid to HPHL was $43,000.

**Turners Limited Employee Share Scheme**

During the financial year the Company issued 4,642,864 (464,286 share post share consolidation refer note 25) shares pursuant to an offer under the Turners Limited Employee Share Scheme ('Scheme'), the shares were issued for $0.25, the market value of the shares on that date was $0.28. 750,000 (75,000 shares post share consolidation) shares were settled by a share based payment to executives, 1,887,652 (188,765 post share consolidation) were settled by taking a loan from Turners Limited and the balance settled in cash. Participants in the Scheme may not sell their shares for 18 months following issue or until their loans are repaid, whichever comes later.

As at 31 March 2016, 453,686 shares were allocated to employees under the scheme and 10.000 shares held as unallocated shares.

At 31 March 2016 balance on the loans outstanding to the share scheme were $347,000. The loans bear interest at 5%, are for a 3 year term with fortnightly repayments and the Group has unlimited recourse against the participants in the Scheme.

**Key management personnel compensation**

The key management personnel are all the Directors of the Company and Group General Managers. Compensation of key management personnel for the years ended 31 March 2016 and 31 March 2015 was as follows:

| ($'000) | Short-term benefits $'000 | Post-employment benefits $'000 | Other long-term benefits $'000 | Share-based payments $'000 | Total $'000 |
|---|---|---|---|---|---|
| Year ended 31 March 2016 | **1,832** | **-** | **29** | **156** | **2,017** |
| Year ended 31 March 2015 | 1,945 | - | 25 | **-** | 1,970 |

A loan of $375,000 (2015: $375,000) made to the chief executive officer, $125,000 bearing interest at 7% and $250,000 bearing interest at 5% (2015:$125,000 at 7% and $250,000 at 5%) with a repayment date of 31 March 2017, was outstanding at balance date.

Key management personnel that resigned during the year received no termination benefits and were paid only contractual employment obligations. Key management do not have any post employment entitlements.

Directors that resigned during the year did not receive any termination benefits and directors do not have any post employment entitlements.

The Group has no transactions or loans with key management personnel, other than what is reported above and detailed in the statutory information section on pages 73 to 76. Directors fees are detailed in note 7 and in the shareholder and statutory information section. The details of the director share purchases are included in the statutory and shareholder information section.

# NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016

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

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Profit before tax | **15,602** | 18,050 |
| | | |
| **Adjustment for non-cash items** | | |
| Impairment (charge)/ release on finance receivables, reverse annuity mortgages and other receivables | **1,041** | 1,594 |
| Net (profit)/loss on sale fixed assets | **(40)** | 112 |
| Depreciation and amortisation | **2,144** | 1,504 |
| Capitalised reverse annuity mortgage interest | **(1,112)** | (1,376) |
| Deferred revenues | **1,468** | 1,465 |
| Financial assets at fair value through profit and loss | **(1,201)** | (2,603) |
| Net annuity and premium change to policyholder accounts | **243** | 1,711 |
| Equity accounted income | **-** | (742) |
| Revaluation gain on acquisition of associate | **-** | (7,060) |
| Non-cash long term employee benefits | **25** | (78) |
| Non-cash adjustment to finance receivables effective interest rates | **129** | 78 |
| Fair value adjustment on investments | **-** | 66 |
| Deferred expenses | **(244)** | (189) |
| | | |
| **Adjustment for movements in working capital** | | |
| Net (increase)/decrease in receivables and pre-payments | **(4,799)** | (340) |
| Net (increase)/decrease in inventories | **(5,172)** | (442) |
| Net (increase)/decrease in current tax receivables | **699** | (7) |
| Net increase/(decrease) in payables | **5,473** | (402) |
| Net increase in finance receivables | **(11,638)** | (18,748) |
| Net decrease in reverse annuity mortgages | **4,623** | 5,996 |
| Net decrease of insurance assets at fair value through profit or loss | **2,173** | 1,579 |
| Net (withdrawals)/contributions from life investment contracts | **(992)** | (626) |
| Net increase in deferred tax | **4,591** | (834) |
| Net increase in provisions | **(23)** | (22) |
| **Cash flows from operating activities** | **12,990** | (1,314) |

## 29. RECLASSIFICATION AND PRESENTATION OF COMPARATIVE INFORMATION

*Statement of comprehensive income - movement in life and non-life fund*

In the current year movements in life and non-life fund have reported on the gross basis, for financial reporting purposes in the prior year, movements in the life and non-life fund were shown on a net basis.

*Statement of comprehensive income - other expenses*

To improve disclosure amounts included in 'other expenses' have been disaggregated and the following expenses are now reported separately: property and related expenses, systems maintenance, claims and credit legal fees service expense.

*Share consolidation*

On 25 February 2016, Turners Limited announced that every 10 shares held in the Company on 22 March 2016 would be consolidated into 1 share, with all fractional entitlements rounded to the nearest whole number of shares (and fractional entitlement to half a share being rounded up).

Earnings per share (note 9) has been calculated as if the share consolidation occurred on 1 April 2014.

*Segmental information*

For financial reporting purposes in the prior year, Turners Limited elected to retain the segment disclosures previously presented by the legacy Turners Group NZ Limited group. In the current year, in line with the information presented to Turners Limited's Board of Directors, the legacy Turners Group NZ Limited group has been reported as a single operating segment. The reportable segment disclosure has been restated to reflect Turners Limited's current reportable segment structure.




# NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016


*Statement of cash flows*

*Cash received from customers and cash paid to suppliers*

In the Group financial statements, cash flows are reported on a net basis in accordance with NZ IAS 7 'Statement of Cash Flows' paragraphs 22 and 24. Turners Group NZ Limited group reported cash flows on a gross basis, this is compliant with IFRS but is inconsistent with the Turners Limited Group's cash flow accounting policy.

To ensure consistent cash flow reporting in the Turners Limited Group's financial statements, the Turners Group NZ Limited group reported cash flows have been restated on a net basis considering Turners Group NZ Limited group's agency role. For the purposes of completing the Turners Limited Group's cash flow statement for the year end 31 March 2016 and the 31 March 2015 comparative information, Turners Group NZ Limited group cash flows relating to auction and finance related cash receipts and payments have been represented on the following basis:

- auction related cash receipts and payments netted and shown as' receipts from customers'; and
- finance related cash receipts, being interest income and interest expense, as 'receipts from customers', to match the actual net interest cash flow received from Turners Group NZ Limited group's funder, MTF.

*Taxation*

There has been a reclassification within the deferred taxation balance between insurance reserves and tax losses (note 20).

## 30. COMMITMENTS AND CONTINGENT LIABILITIES

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **Operating lease commitments under non-cancellable operating leases:** | | |
| Not later than 1 year | **7,170** | 6,653 |
| 1-2 years | **6,808** | 6,367 |
| 2-5 years | **13,395** | 14,917 |
| 5+ years | **2,104** | 3,268 |
| | **29,477** | 31,205 |

The group leases various premises under no cancellable operating lease agreements. The lease terms are between 5 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rates.

There are no options to purchase in respect of plant and equipment held under operating lease.

**Capital Expenditure:**

The Group does not currently have any approved capital expenditure commitments at reporting date (2015: nil).

**Loan Commitments:**

The Group has no material undrawn credit commitments at reporting date (2015: nil).

**Contingent Liabilities:**

The Group has no other material contingent liabilities at reporting date (2015: nil).

## 31. SUBSEQUENT EVENTS AFTER BALANCE DATE

**Pacific Life Limited**

On the 10 May 2016 the Group announced that its insurance subsidiary. DPL Insurance Limited, acquired the business assets and intellectual property of Pacific Life Limited. The transaction was settled on 1 June 2016 by a payment of $175,000 to Pacific Life for its assets and intellectual property and a payment from Pacific Life of $143,000 to DPL Insurance Limited for the transfer of the actuarially determined policy solvency reserves.

# NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016

**32. Insurance related disclosures**

**A. Actuarial policies and methods**
The actuarial report on life insurance contract liabilities and prudential reserves for the current reporting period was prepared as at 31 March 2016 by Peter Davies, a Fellow of the New Zealand Society of Actuaries. The value of life insurance contract liabilities has been determined in accordance with Professional Standard No. 20 of the New Zealand Society of Actuaries. After making appropriate checks, the actuary was satisfied as to the accuracy of the data from which the amount of policy liabilities has been determined.

**Overview of MoS methodology**
MoS is designed to recognise profits on life insurance contracts as services are provided to policyholders and income is received. Profits are deferred and amortised over the life of the policy, whereas losses are recognised immediately. Services used to determine profit recognition include the cost of expected claims, maintaining policies, and investment management. The policy service for each of the major product groupings that is used to defer and amortise the profit over the life of the policies are called profit carriers. Life insurance contract liabilities are generally determined as the present value of all future expected payments, expenses, taxes and profit margins reduced by the present value of all future expected premiums. Profit margins for participating businesses are set in relation to the value of supporting assets

MoS profit comprises the following components:
(i) Planned margins of revenues over expenses
At the time of writing a policy and at each balance date, best estimate assumptions are used to determine all expected future payments and premiums. Where actual experience replicates best estimate assumptions, the expected profit margin will be released to profit over the life of the policy.

(ii) The difference between actual and assumed experience
Experience profits/(losses) are realised where actual experience differs from best estimate assumptions. Instances giving rise to experience profits/(losses) include variations in claims, expenses, mortality, discontinuance and investment returns. For example, an experience profit will emerge when the expenses of maintaining all in-force business in a year are lower than the best estimate assumption in respect of those expenses.

(iii) Changes to underlying assumptions
Assumptions used for measuring life insurance contract liabilities are reviewed each year. Where the review leads to a change in assumptions, the change is deemed to have occurred from the end of the year, except for changes in discount rates which are recognised in the year that the rates are changed.

The financial effect of all other changes to the assumptions underlying the measurement of life insurance contract liabilities made during the reporting period is recognised in profit or loss over the future reporting periods during which services are provided to policyholders.

(iv) Loss recognition on groups of related products
If based on best estimate assumptions, written business for a group of related products is expected to be unprofitable, the total expected loss for that related product group is recognised in profit or loss immediately. When loss making business becomes profitable previously recognised losses are reversed.

(v) Investment earnings on assets in excess of policy liabilities
Profits are generated from investment assets which are in excess of those required to meet policyholder liabilities. Investment earnings are directly influenced by market conditions and as such this component of MoS profit will vary from year to year.

The key assumptions used in determining policy liabilities are as follows:
a) *Discount Rates*
Discount rates used to determine the life insurance contract liabilities are based on an appropriate risk-free rate of return, taking account of the term of the insurance contracts. Tax was deducted at the rate of 28% on investment earnings net of investment expenses (2015: 28%). The net discount rates assumed were as follows:

| | 2016 | 2015 |
|---|---|---|
| Whole of life and endowment policies (including funeral plan)* | Treasury risk-free rates | Treasury risk-free rates |
| Term insurance policies | Not applicable | Not applicable |
| Caring plan funeral benefit policies | Not applicable | Not applicable |
| Annuity policies | Treasury risk-free rates | Treasury risk-free rates |
| Consumer credit and key person loan protection | Not applicable | Not applicable |

* These rates are provided by Treasury as at 31st January, and are then adjusted to 31st March based on the movement in swap rates, as quoted by the Reserve Bank, between January and March. Illustrative forward rates for the respective valuations are as follows:

| | | |
|---|---|---|
| Cash-flows in year 10 | March 2015 | 2.43% per annum net of tax |
| | March 2016 | 2.61% per annum net of tax |

b) *Inflation Rates*
In determining the future expected rate of return, general inflation was assumed to continue into the future at 2.0% per annum (2015: 2.0%).



# NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016

c) *Mortality Rates*
Rates of mortality were assumed as follows:
For underwritten whole of life, endowment and term insurance policies: NZ97 (2015: NZ97).
For guaranteed issue regular premium funeral plans: NZ97 multiplied by a factor to reflect higher mortality at younger ages.
For annuities and Reverse Mortgages the Directors assumed mortality according to the PA(90) table, reduced by four years (but assuming no age reduction for the Cook Islands Annuity Pension Plan) (2015: no change).

d) *Profit Carriers*
The policies were divided into major product groups with profit carriers as follows:

| *Major product groups* | *Carrier* |
|---|---|
| Participating whole of life and endowment policies | Policyholder bonuses |
| Non participating whole of life and endowment | Policies premiums |
| Lump sum funeral benefit policies (caring plan) | Not applicable |
| Term insurance policies | Premiums |
| Funeral Plan Policies (Regular premium guaranteed issue) | Claims |
| Annuities | Annuity payments |
| Consumer credit / lifestyle | Premiums |
| Motor business | Not applicable |
| Accidental death & redundancy – stop gap | Not applicable |
| Accidental death regular & single premium | Not applicable |

e) *Investment and Maintenance Expenses*
The maintenance expense and general growth and development expense allowances assumed for the main classes of business were as follows:

| | |
|---|---|
| Endowments | $226 per policy per annum (2015: $201) |
| Funeral plans | $56 per policy per annum (2015: $50) |
| Term life plans (for loss recognition) | $113 per policy per annum (2015 $101) |
| Consumer credit plans (for loss recognition) | $56 per policy per annum (2015: $50) |
| Annuity plans | $226 per policy per annum (2015: $201) |

Investment management expenses were assumed to be 1.0% (2015: 1.0%) of policy liabilities.

f) *Inflation and Automatic Indexation of Benefits*
Maintenance expenses are assumed to increase 2.0% per annum (2015: 2.0%). Investment management expenses are assumed to remain a constant percentage of funds under management.

g) *Taxation*
The assumed future tax rates reflects the corporate tax rate applying in New Zealand with effect from 1 April 2011. The calculations have been carried out on the basis of current life insurance income tax legislation.

h) *Rates of Discontinuance*
Rates of discontinuance are assumed to be 5.0% for whole of life, endowment and term insurance business (2015: 5.0%), and nil for annuity pension plan business (2015: nil).

For the Funeral plan the rates of discontinuance are based on company experience, beginning at 15% in year 1 and reducing ultimately to 8% per annum (2015: no change).

i) *Surrender Values*
The Company's current basis of calculating surrender values is assumed to continue in the future.

j) *Rates of Future Supportable Participating Benefits*
Rates of bonus supported by the participating fund are simple annual bonuses of $0.00 (2015: $0.00) per $1,000 of sum assured on endowment policies.

k) *Impact of changes in assumptions*
The impact of the change in the discount rate is an increase in policy liabilities of $119,380 (2015: $310,919 reduction).
The impact of the revised expense assumptions is an increase in policy liabilities of $4,872 (2015: $3,960).

l) *Crediting Policy Adopted for Future Supportable Participating Benefits*
For participating business the Company's policy is to distribute profits arising such that over long periods the returns to policy holders are commensurate with the investment returns achieved on relevant assets, together with other sources of profit arising from this business. In applying the policyholders' share of distributions to provide bonuses, consideration is given to achieving equity between generations of policyholders and equity between the various classes and sizes of policies in force. Assumed future bonus rates included in policyholder liabilities were set such that the present value of policyholder liabilities, allowing for the shareholders' right to participate in distributions, equals the value of assets supporting the business. The supportable future bonus rate on this basis is zero.

# NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016

**B. Surplus after taxation from insurance activities arose from:**

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **Insurance Contracts** | | |
| Planned margin of revenues over expenses | **107** | 34 |
| Change in valuation assumptions | **(5)** | (1) |
| Change in discount rate:3.37% to 3.62% (2015: 5.24% to 3.37%) | **(119)** | (311) |
| Difference between actual and assumed experience | **62** | 138 |
| **Life investments contracts** | | |
| Difference between actual and assumed experience | **599** | 696 |
| Investment returns on assets in excess of insurance contract and investment contract liabilities | **307** | 243 |
| Surplus after taxation attributable to insurance activities | **951** | 799 |

The disclosure of the components of operating profit after tax expense are required to be separated between policyholders' and shareholders' interests. We have included only one column, as policyholder profits arise only in respect of a small number of participating policies, and the profits arising on these policies over the year were effectively zero. Accordingly all of the profits earned over the year are shareholder profits.

It is not currently possible to identify all experience variances separately for life investment contracts. The difference between actual and assumed experience for life insurance contracts therefore includes some variances relating to life investment contracts.

**C. Insurance and investment contract income**

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Insurance contract premiums | **8,998** | 4,962 |
| Reinsurance revenues | **8** | 10 |
| Investment revenue | **1,083** | 2,702 |
| Less: investment revenue paid to life insurance investment contracts | **(919)** | (2,548) |
| Other Revenues | **584** | 739 |
| Total insurance and investment contract income | **9,754** | 5,865 |
| | | |
| **Investment Income** | | |
| Equity securities | **496** | 1,245 |
| Fixed interest securities | **366** | 1,108 |
| Property investments | **221** | 349 |
| | **1,083** | 2,702 |

Included within equity securities is dividend income of $Nil (2015: $Nil) and included within fixed interest securities is interest income of $Nil (2015: $Nil). Included within total Investment Income is net realised and unrealised gains/(losses) on securities at fair value through profit or loss of $1,083,000 (2015: $2,702,000).



# NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016

**D. Insurance related expenses**

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Insurance contract claims | **2,901** | 1,331 |
| Reinsurance expenses | **439** | 165 |
| | | |
| Insurance contracts | | |
| Policy acquisition expenses - commission costs | **3,940** | 2,524 |
| Deferred acquisition cost amortisation | **(1,368)** | (711) |
| Total insurance contract related expenses | **2,572** | 1,813 |
| | | |
| Life investment contracts | | |
| Investment management expenses | **82** | 83 |
| | | |
| Net change in life insurance contract liabilities | **953** | 1,038 |
| | | |
| *Net operating profit includes the following specific expenses* | | |
| Audit fees for the audit of financial statements | **68** | 81 |
| Rental and lease costs | **99** | 100 |
| Amortisation of intangible assets | **56** | 90 |
| Depreciation | **22** | 28 |
| Employee benefits | **1,424** | 1,159 |

**E. Taxation**

| | | |
|---|---|---|
| Net operating profit before taxation | **1,398** | 799 |
| | | |
| Income tax expense at prevailing rates | **391** | 200 |
| Tax impact of expenses not deductible for tax purposes | **56** | - |
| Group tax losses utilised | **-** | (200) |
| Taxation (expense)/benefit | **447** | - |
| | | |
| Comprising: | | |
| Current | **560** | - |
| Deferred | **(113)** | - |
| | **447** | - |
| | | |
| *Deferred tax* | | |
| Opening balance | **-** | - |
| Deferred transferred from Turners Limited | **247** | - |
| Charge to profit or loss | **(113)** | - |
| Closing balance | **134** | - |
| | | |
| The charge to profit or loss is attributable to the following items: | | |
| Insurance deductible reserves | **(83)** | - |
| Provisions and accruals | **(30)** | - |
| | **(113)** | - |

*Income tax losses on policyholder base*
The policy holder tax losses carried forward at 31 March 2016 are $4,136,276 (2015: $3,944,486).

*Imputation credit memorandum account*
The policyholder imputation credit account has a closing balance at 31 March 2016 of $Nil (2015: $Nil).

# NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016

**F. DPL Insurance Limited solvency calculation**
In terms of the Insurance (Prudential Supervision) Act 2010, DPL Insurance Limited must comply with the Solvency Standard for Life Insurance Business issued by the Reserve Bank of New Zealand in August 2011. DPL Insurance Limited is required to hold minimum solvency capital of $5.0 million and have a solvency margin of at least $1.

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Actual solvency capital | **8,518** | 7,701 |
| Calculated minimum solvency capital | **5,335** | 4,880 |
| Coverage ratio on calculated margin (times) | **1.60** | 1.58 |
| Overall minimum capital requirement | **5,335** | 5,000 |
| Solvency margin on overall minimum requirement | **3,183** | 2,701 |
| Coverage ratio on overall minimum requirement (times) | **1.60** | 1.54 |
| *Non-life insurance* | | |
| Actual solvency capital | **2,191** | 1,563 |
| Calculated minimum solvency capital | **1,516** | 857 |
| Solvency margin on calculated minimum requirement | **675** | 706 |
| *Life insurance* | | |
| Actual solvency capital | **6,327** | 6,138 |
| Calculated minimum solvency capital | **3,819** | 4,023 |
| Solvency margin on calculated minimum requirement | **2,508** | 2,115 |

**G. Policyholder liabilities**

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **Insurance contract liabilities** | | |
| Opening insurance contract liabilities | **9,260** | 6,420 |
| Increase / (decrease) in insurance contract liabilities recognised in profit or loss | **(65)** | 830 |
| Increase / (decrease) in premium revenues recognised in profit or loss | **3,612** | 2,321 |
| Increase / (decrease) in interest income recognised in profit or loss | **(119)** | (311) |
| Closing insurance contract liabilities | **12,688** | 9,260 |

Policyholder liabilities contain the following components:

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Future policy benefits | **15,143** | 12,559 |
| Future bonuses | **-** | - |
| Future expenses | **892** | 965 |
| Future profit margins | **1,471** | 1,571 |
| Balance of future premiums | **(4,829)** | (5,837) |
| Re-insurance | **1** | 2 |
| Cost of bonus | **10** | - |
| | **12,688** | 9,260 |
| Life insurance contracts with a discretionary participation feature - the amount of the liabilities that relates to guarantees | **394** | 367 |
| Other contracts with a fixed or guaranteed termination value - current termination value | **2,579** | 2,928 |
| **Life investment contracts at fair value through profit or loss** | | |
| Opening life investment contracts at fair value through profit or loss | **16,378** | 15,293 |
| Increase / (decrease) in life investment contract liabilities recognised through profit or loss | **771** | 2,401 |
| Deposit premium | **2,793** | 3,246 |
| Withdrawals | **(3,785)** | (3,934) |
| Activity, plan, and establishment fees | **(528)** | (628) |
| Closing life investment contract liabilities | **15,629** | 16,378 |
| Opening deferred income reserve | **3** | 66 |
| Recognised in profit or loss | **(3)** | (63) |
| Closing deferred income reserve | **-** | 3 |
| Life investment contract liabilities held by the life insurance business | **15,629** | 16,381 |



# NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016

The benefits offered under the Group's unit-linked investment contracts are based on the returns of selected equities and debt securities. This investment mix is unique, and it cannot be associated to an individual benchmark index with a sufficiently high correlation. All financial liabilities at fair value through profit and loss are designated by the Group to be in this measurement category. The liabilities originated from unit-linked contracts are measured with reference to their respective underlying assets of these contracts. Changes in the credit risk of the underlying assets do not impact the measurement of the unit-linked liabilities. The maturity value of these financial liabilities is determined by the fair value of the linked assets, at maturity date.

**H. Policyholder liabilities comprise**

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Annuities | **1,452** | 1,698 |
| Endowment | **394** | 367 |
| Whole of Life | **1,875** | 1,135 |
| Provision for bonuses and future margins | **1,471** | 1,571 |
| Consumer Credit Protection & key person loan protection | **1,457** | 1,310 |
| Accidental death/redundancy | **25** | 39 |
| General | **5,917** | 3,067 |
| Term Life | **47** | 33 |
| Claims provisions | **50** | 50 |
| Deferred commissions - Superlife & Superbond | **-** | 3 |
| Superlife policies | **7,268** | 7,625 |
| Superannuation funds: | | |
| Super Bond Retirement Plan | **8,293** | 8,540 |
| Invincible Superannuation Fund | **-** | 128 |
| Save and Invest Group Superannuation Plan | **68** | 72 |
| | **28,317** | 25,638 |

The policy liabilities in respect of annuities, endowment, whole of life, term life, super life and life bond have been established in accordance with the policy conditions and maintained at a level equivalent to obligations due to policy holders as maturity or partial benefits.

Dorchester Life Trustees Limited, as trustee of Super Bond Retirement Plan, invest in a life policy issued to the trustees by DPL Insurance Limited. During the year the Company received premiums, paid claims and invested the funds for the superannuation schemes outlined above. All investments and bank accounts of these funds are recorded in the name of DPL Insurance Limited.

**I. Disaggregated information**
DPL Insurance Limited has one statutory life fund. The disaggregated income statement and balance sheet between the statutory and shareholder funds is as follows:

| **Statement of income for the year ended 31 March 2016** | **Statutory $'000** | **Shareholder $'000** | **Total $'000** |
|---|---|---|---|
| Insurance contract premiums | **2,586** | **6,412** | **8,998** |
| Outward reinsurance premium | **(257)** | **(182)** | **(439)** |
| Other insurance revenue | **531** | **52** | **583** |
| Insurance revenue | **2,860** | **6,282** | **9,142** |
| Claims expense | **(886)** | **(1,885)** | **(2,771)** |
| Increase in policy liabilities | **(953)** | **-** | **(953)** |
| Insurance recoveries | **8** | **-** | **8** |
| Commission expense | **(570)** | **(2,007)** | **(2,577)** |
| Other expenses | **(919)** | **(1,518)** | **(2,437)** |
| Underwriting (loss)/profit | **(460)** | **872** | **412** |
| Investment income | **923** | **63** | **986** |
| Profit before taxation | **463** | **935** | **1,398** |
| Taxation | **(185)** | **(262)** | **(447)** |
| Profit after taxation | **278** | **673** | **951** |

# NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016

| | | | |
|---|---|---|---|
| **Statement of financial position as 31 March 2016** | | | |
| **Assets** | | | |
| Investments backing insurance policy liabilities | **29,007** | **10,010** | **39,017** |
| Other assets | **91** | **43** | **134** |
| **Total assets** | **29,098** | **10,053** | **39,151** |
| | | | |
| **Liabilities** | | | |
| Life investment contract liabilities | **15,629** | **-** | **15,629** |
| Insurance contract liabilities | **6,213** | **6,475** | **12,688** |
| Other liabilities | **838** | **1,344** | **2,182** |
| Total liabilities | **22,680** | **7,819** | **30,499** |
| | | | |
| **Solvency** | | | |
| Actual Solvency capital | **6,327** | **2,191** | **8,518** |
| Minimum solvency capital | **3,819** | **1,516** | **5,335** |
| Solvency Margin | **2,508** | **675** | **3,183** |

The business undertaken and policies accepted by DPL Insurance Limited are a combination of investment linked and non-investment linked. Investment linked business is business for which the life insurer issues a contract where the benefit amount is directly linked to the market value of the investments held in the particular investment linked fund. Non-investment linked business is life insurance business other than investment linked business.

| | Investment linked $'000 | Non – investment linked $'000 | Total $'000 |
|---|---|---|---|
| **2016** | | | |
| Premium income | **-** | **8,559** | **8,559** |
| Investment income | **1,083** | **48** | **1,131** |
| Claims expense | **-** | **(2,771)** | **(2,771)** |
| Other operating revenue | **-** | **583** | **583** |
| Other operating expenses | **(145)** | **(5,185)** | **(5,330)** |
| Investment revenues allocated to policyholders | **(774)** | **-** | **(774)** |
| Net profit before taxation | **164** | **1,234** | **1,398** |
| Net profit after taxation | **118** | **833** | **951** |
| | | | |
| Policy liabilities | **15,629** | **12,688** | **28,317** |
| Investment assets | **15,813** | **14,588** | **30,401** |
| Other assets | **-** | **8,750** | **8,750** |
| Other liabilities | **-** | **2,182** | **2,182** |
| Retained earnings | **907** | **4,295** | **5,202** |

| | Investment linked $'000 | Non – investment linked $'000 | Total $'000 |
|---|---|---|---|
| 2015 | | | |
| Premium income | - | 4,962 | 4,962 |
| Investment income | 2,702 | 718 | 3,420 |
| Claims expense | - | (1,189) | (1,189) |
| Other operating revenue | - | 749 | 749 |
| Other operating expenses | (147) | (4,595) | (4,742) |
| Investment revenues allocated to policyholders | (2,401) | - | (2,401) |
| Net profit before taxation | 154 | 645 | 799 |
| Net profit after taxation | 154 | 645 | 799 |
| Policy liabilities | 16,378 | 9,260 | 25,638 |
| Investment assets | 16,473 | 12,469 | 28,942 |
| Other assets | 10 | 5,315 | 5,325 |
| Other liabilities | 3 | 517 | 520 |
| Retained earnings | 789 | 3,462 | 4,251 |

The above information is disclosed prior to the elimination of any related party transactions or balances.




# NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016


**J. Managed Funds and other Fiduciary Activities**
DPL Insurance Limited acted as a promoter for a number of superannuation funds with assets managed by a third party investment manager. The assets and liabilities of these funds are not included in the financial statements. Arrangements exist to ensure the activities of the superannuation funds are managed independently from the other activities of the company.

**K. Insurance Risk**
The insurance business of the Group involves a number of financial and non-financial risks. The financial risks are covered in note 5. Key objectives in managing insurance risk are:
(i) To ensure sound business practices are in place for underwriting risks and claims management;
(ii) To achieve a target return on capital that is invested in order to take on insurance risk; and
(iii) To ensure solvency and capital requirements are met.

*Life insurance*
The life insurance business of the Group involves a number of non-financial risks concerned with the pricing, acceptance and management of the mortality, and longevity risks accepted from policyholders. These risks are controlled through the use of underwriting procedures and adequate premium rates and policy charges, all of which are approved by the Actuary. Tight controls are also maintained over claims management practices to ensure the correct and timely payment of insurance claims.

*Terms and conditions of life insurance contracts*
The nature of the terms of the insurance contracts written by the Group is such that certain external variables can be identified on which related cash flows for claim payments depend. The tables below provide an overview of the key variables upon which the amount of related cash flows are dependent.

| Type of contract | Details of the contract workings | Nature of compensation for claims | Key variables affecting cash flows |
|---|---|---|---|
| Non-participating life insurance contracts with fixed and guaranteed terms | Benefits paid on death or maturity are fixed and guaranteed and not at the discretion of the issuer | Benefits, defined by the insurance contract, are determined by the contract and are not directly affected by the performance of underlying assets or the performance of the contracts as whole | Mortality, lapses, expenses and market earnings on assets backing the liabilities |
| Life insurance contracts with discretionary participating benefits (endowment and whole of life) | These policies include a clearly defined initial guaranteed sum assured which is payable on death. The guaranteed amount is a multiple of the amount that is increased throughout the duration of the policy by the addition of regular bonuses annually which, once added, are not removed. Regular bonuses are also added retrospectively | Benefits arising from the discretionary participation feature are based on the performance of a specified pool of contracts or a specified type of contract. | Mortality, lapses, expenses and market earnings on assets backing the liabilities |
| Life Annuity Contracts | These policies provide guaranteed regular payments to the life assured | The amount of the payment is set at inception of the policy | Longevity, expenses and market earnings on assets backing the liabilities |

*Non-life insurance*
The risk management activities include prudent underwriting, pricing, and management of risk, together with claims management, reserving and investment management. The objective of these disciplines is to enhance the financial performance of the insurance operations and to ensure sound business practices are in place for underwriting risks and claims management.

*Claims*
Variations in claim levels will affect reported profit and equity. The impact may be magnified if the variation leads to a change in actuarial assumptions which cannot be absorbed within the present value of planned margins for a group of related products. Insurance risk may arise through the reassessment of the incidence of claims, the trend of future claims and the effect of unforeseen diseases or epidemics. Insurance risk is controlled by ensuring underwriting standards adequately identify potential risk, retaining the right to amend premiums on risk policies where appropriate. The experience of the Group's life insurance business is reviewed regularly.

**Concentration of insurance risk**
The Group does not believe it has any major geographic concentration of insurance risk. The Group's policies aims to reduce concentration risk by maintaining a portfolio of policyholders with a broad spread of insurance risk types, ages, sexes, occupation classes and geographic locations. The group uses reinsurance to limit the insurance risk exposure for any one individual.

**Sensitivity Analysis**
The liabilities included in the reported results are calculated using certain assumptions about key variables as disclosed above. Sensitivity analysis is conducted to assess the impact of actual experience being different to that assumed in the calculation of liabilities. Movements in any variable will impact the profit and net assets of the Group. The tables below describe how a change in actual experience relative to that expected will affect next financial year's expected shareholder profit.

# NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016

| Variable | Impact of movement in underlying variable |
|---|---|
| Expense risk | An increase in the level or inflationary growth of expenses over assumed levels will decrease profit and shareholders' equity |
| Interest rate risk | Depending on the profile of the investment portfolio, the investment income of the Group will decrease as interest rates decrease. This may be offset to an extent by changes in the market value of fixed interest investments. The impact on profit and shareholder equity depends on the relative profiles of assets and liabilities, to the extent that these are not matched |
| Mortality rates | For insurance contracts providing death benefits, greater mortality rates would lead to higher levels of claims, increasing associated claims cost and therefore reducing profit and shareholder equity |
| Discontinuance | The impact of discontinuance rate assumption depends on a range of factors including the type of contract, the surrender value basis (where applicable) and the duration in force. For example, an increase in discontinuance rates at earlier durations of life insurance contracts usually has a negative effect on profit and shareholder equity. However, due to the interplay between the factors, there is not always an adverse outcome from an increase in discontinuance rates |
| Market Risk | For benefits which are not contractually linked to the underlying assets, the Group is exposed to Market Risk |

The table below illustrates how changes in key assumptions would impact the reported profit and liabilities of the Group.

| Change in key assumptions ($'000) | Effect on policy liabilities | Effect on future profit |
|---|---|---|
| **2016** | | |
| **Market risks** | | |
| Increase in interest rates of 1% | **(202)** | **(55)** |
| Decrease in interest rates of 1% | **224** | **60** |
| **Insurance risks** | | |
| Increase in expenses of 10% | **1** | **(35)** |
| Decrease in expenses of 10% | **(1)** | **35** |
| Decrease in mortality by 10% | **(4)** | **(284)** |
| Increase in mortality by 10% | **4** | **311** |
| Worsening of discontinuance rate by 10% | **-** | **83** |
| Improvement in discontinuance rate by 10% | **-** | **(93)** |
| 2015 | | |
| **Market risks** | | |
| Increase in interest rates of 1% | (815) | (103) |
| Decrease in interest rates of 1% | 939 | 116 |
| **Insurance risks** | | |
| Increase in expenses of 10% | 1 | (214) |
| Decrease in expenses of 10% | (1) | 214 |
| Decrease in mortality by 10% | (4) | (1,211) |
| Increase in mortality by 10% | 36 | 1,387 |
| Worsening of discontinuance rate by 10% | - | 259 |
| Improvement in discontinuance rate by 10% | - | (278) |



# STATUTORY INFORMATION

**Directors' remuneration and other benefits**

| | Directors' fees $ |
|---|---|
| Grant Baker | 96,000 |
| Paul Byrnes | 52,500 |
| John Gosney | 52,500 |
| Matthew Harrison | 52,500 |
| Alistair Petrie | 9,167 |
| John Roberts | 40,000 |
| Antony Vriens | 17,500 |
| Kevin Brewer (resigned 16 September 2015) | 25,000 |
| Michael Dossor (resigned 4 February 2016) | 43,333 |

During the year ended 31 March 2016 Mr Byrnes was an Executive for Turners Limited and has been remunerated for his services on a consultancy basis. The total fees paid for the year ended 31 March 2016 were $601,281 GST exclusive (2015: $523,525 GST exclusive).

During the year ended 31 March 2016 Mr Harrison received consulting fees of $50,000 and $3,750 in fees for services as chairman of the Credit and Lending Committee. During the year ended 31 March 2015 Mr Harrison was an Executive for EC Credit Control (NZ) Limited and was remunerated for services on a consultancy basis. The total fees paid for the year to 31 March 2015 were $275,000 GST exclusive.

During the year ended 31 March 2016 Mr Gosney received an additional $20,000 (2015: $20,000) in fees for his services as director of Emerald Gisborne Hotel Property Trust Management Limited (formerly Dorchester Hotel Property Trust Management Limited) and $3,750 (2015: $1,250) in fees for services as chairman of the Lending and Credit Committee and $3,750 (2015: $nil) in fees for services as chairman of the Audit and Risk Management Committee.

During the year ended 31 March 2016 Mr Vriens received an additional $60,000 (2015: $60,000) in fees for his services as chairman of DPL Insurance Limited.

During the year Mr Brewer received $3,750 (2015:$1,250) in fees for services as chairman of the Audit and Risk Management Committee.

**Entries recorded in the interests register**
**Loans**
A loan of $375,000 (2015: $375,000) to Mr Byrnes, $125,000 bearing interest at 7% and $250,000 bearing interest at 5% (2015:$125,000 at 7% and $250,000 at 5%) with a repayment date of 31 March 2017, was outstanding at 31 March 2016.

**Dealings in Turners Limited shares by Directors**

| | Date of transaction | Shares acquired/(disposed) | Consideration (received)/paid $ | Nature of relevant interest |
|---|---|---|---|---|
| Matthew Harrison | 09/07/2015 | 4,444,445 (*444,446) | 1,200,000 | Shares held in associated family trust |
| John Roberts | 21/05/2015 | 66,400 (*6,640) | 18,000 | Registered holder and beneficial interest |
| John Roberts | 15/02/2016 | 71,500 (*7,150) | 20,000 | Registered holder and beneficial interest |

*Number of shares following 10:1 share consolidation in March 2016

**Directors' relevant interest in quoted shares**

| | Shares |
|---|---|
| Grant Baker and Matthew Harrison | 8,461,723 |
| Grant Baker | 2,870,752 |
| Paul Byrnes | 3,309,894 |
| John Gosney | - |
| Matthew Harrison | 4,870,669 |
| Alistair Petrie | 13,150 |
| John Roberts | 27,490 |
| Antony Vriens | - |

# STATUTORY INFORMATION

**Other Directorships**
Mr Baker, Mr Byrnes and Mr Gosney are directors of Turners Staff Share Plan Trustees Limited which acts as Trustee of the Employee Share Purchase Scheme Trust.

The following represents the interests of directors in other companies as disclosed to the Company and entered in the Interests Register:

**Grant Baker**
The Business Bakery LP
Trilogy International Limited
Baker Consultants Limited
Montezemolo Holdings Limited
GI Cancer Institute (NZ) Limited

**Paul Byrnes**
Hellaby Holdings Limited
Top Energy Limited (including wholly owned subsidiaries)

**John Gosney**
Rockport GP Limited
Mikano Holdings Limited
Heliport Lease Holdings Limited
Poronui Investments Limited
KJTR Holdings Limited
Goldridge Resorts Limited

**Matthew Harrison**
Harrigens Trustees Limited
Harrison Property Holdings Limited

**Alistair Petrie**
Bartel Holdings Limited

**Employee remuneration**
During the year ended 31 March 2016, the number of employees or former employees of the Group, not being directors of Turners Limited, who received remuneration and other benefits in their capacity as employees, the value of which exceeded $100.000 for the year was as follows:

| | Number of employees | |
|---|---|---|
| **Remuneration range** | **2016** | **2015** |
| 100,000 - 109,999 | 4 | 1 |
| 110,000 - 119,999 | 6 | 2 |
| 120,000 - 129,999 | 8 | 1 |
| 130,000 - 139,999 | 5 | 1 |
| 140,000 - 149,999 | 7 | 3 |
| 150,000 - 159,999 | 3 | 1 |
| 160,000 - 169,999 | 5 | - |
| 170,000 - 179,999 | - | 1 |
| 190,000 - 199,999 | 1 | 1 |
| 210,000 - 219,999 | 2 | 2 |
| 220,000 - 229,999 | 2 | 1 |
| 230,000 - 239,999 | - | 1 |
| 240,000 - 249,999 | 2 | 1 |
| 250,000 – 259,999 | 1 | - |
| 260,000 – 259,999 | 1 | - |
| 320,000 – 329,999 | 1 | - |
| 390,000 – 399,999 | 1 | - |
| 590,000 – 599,999 | 1 | - |
| 600,000 – 610,000 | 1 | - |



# STATUTORY INFORMATION

**STOCK EXCHANGE LISTING**
The Company's shares are listed on the NZX Main Board (NZSX) operated by NZX Limited (NZX).

**PRINCIPAL ORDINARY SHAREHOLDERS AS AT 31 MAY 2016**
The following table shows the names and holdings of the 20 largest holdings of quoted ordinary shares (TNR) of the Company.

| Rank | Name | Shares | % of Issued Capital |
|---|---|---|---|
| 1 | Hugh Green Investments Limited | 14,157,340 | 22.32 |
| 2 | Harrigens Trustees Limited | 4,870,669 | 7.68 |
| 3 | The Business Bakery LP | 4,461,723 | 7.03 |
| 4 | Bartel Holdings Limited | 4,422,771 | 6.97 |
| 5 | The Business Bakery LP No 2 Account | 4,000,000 | 6.31 |
| 6 | Paul Anthony Byrnes | 3,309,894 | 5.22 |
| 7 | Montezemolo Holding Limited | 2,870,752 | 4.53 |
| 8 | John Jeffers Harrison | 1,633,333 | 2.57 |
| 9 | National Nominees New Zealand Limited - NZCSD <NNLZ90> | 1,206,639 | 1.90 |
| 10 | Paul Bernard Mora and Mary Innes Mora | 1,000,000 | 1.58 |
| 11 | Accident Compensation Corporation - NZCSD <ACCI40> | 928,100 | 1.46 |
| 12 | Glenn Arthur Duncraft | 660,000 | 1.04 |
| 13 | Sinclair Investment Trust | 660,000 | 1.04 |
| 14 | Custodial Services Limited <A/C 3> | 650,779 | 1.03 |
| 15 | FNZ Custodians Limited | 548,325 | 0.86 |
| 16 | Custodial Services Limited <A/C 18> | 483,089 | 0.76 |
| 17 | Turners Employee Share Scheme | 463,686 | 0.73 |
| 18 | New Zealand Permanent Trustees Limited - NZCSD <NZPT43> | 450,000 | 0.71 |
| 19 | Custodial Services Limited <A/C 4> | 405,406 | 0.64 |
| 20 | Leveraged Equities Finance Limited | 312,564 | 0.49 |

**SPREAD OF ORDINARY SHAREHOLDERS AS AT 31 MAY 2016**

| Range | Total Holders | Shares | % of Issued Capital |
|---|---|---|---|
| 1 – 999 | 2,002 | 829,224 | 1.31 |
| 1,000 - 1,999 | 883 | 1,214,186 | 1.91 |
| 2,000 - 4,999 | 684 | 2,092,448 | 3.30 |
| 5,000 - 9,999 | 276 | 1,765,193 | 2.78 |
| 10,000 - 49,999 | 274 | 4,996,254 | 7.88 |
| 50,000 - 99,999 | 23 | 1,678,246 | 2.65 |
| 100,000 - 499,999 | 20 | 4,301,952 | 6.78 |
| 500,000 - 999,000 | 4 | 2,519,104 | 3.97 |
| 1,000,000 plus | 10 | 44,035,030 | 69.42 |
| Total | 4,176 | 63,431,637 | 100.00 |

| | Shareholders | | Shares | |
|---|---|---|---|---|
| **Domicile of Ordinary Shareholders** | Number | % | Number | % |
| New Zealand | 4,088 | 97.89 | 62,725,564 | 98.89 |
| Australia | 57 | 1.36 | 169,622 | 0.27 |
| Other | 31 | 0.74 | 536,451 | 0.85 |
| Total | 4,176 | 100.00 | 63,431,637 | 100.00 |

# STATUTORY INFORMATION

**Substantial Product Holders**

The following information is given pursuant to section 293 of the Financial Markets Conduct Act 2013.

As at 31 March 2016 the following shareholders are registered by the company as Substantial Product Holders in the Company, having disclosed a relevant interest in quoted voting products under the Financial Markets Conduct Act 2013.

| | Number of Shares | % |
|---|---|---|
| Hugh Green Investments Ltd | 14,157,340 | 22.32 |
| The Business Bakery LP | 8,461,723 | 13.98 |
| Harrigens Trustees Limited | 4,870,669 | 7.03 |
| Bartel Holdings Limited | 4,422,771 | 6.97 |
| Paul Byrnes | 3,309,894 | 5.22 |

The total number of quoted voting products of the company on issue at 31 March 2016 was 63,431,637 paid ordinary shares.



# GOVERNANCE REPORT

The Turners Limited Board of Directors is responsible for setting the strategic direction of the Company, overseeing the financial and operational controls of the business, putting in place appropriate risk management strategies and policies and enhancing its value for shareholders in accordance with good corporate governance principles.

The Board of Directors has adopted a corporate governance code (“Code”). The governance structure and practices encourage the highest standards of ethical conduct and provide accountability and control systems commensurate with the risks involved.

The Code and governance practices for the year ended 31 March 2016 are generally consistent with the principles identified in the “Corporate Governance in New Zealand Principles and Guidelines” issued by the Financial Markets Authority in December 2014. We have used these principles as the basis of our FY16 Corporate Governance Report.

Our governance practices for the year ended 31 March 2016 comply with the NZX Corporate Governance Best Practice Code excepting a formal procedure for the assessment of board performance which the Board intends to develop. Additionally, the Board does not have a separate remuneration committee or nomination committee as it believes these matters are the responsibility of the full Board.

The company will continue to monitor best practice in the governance area and update its policies to ensure it maintains the most appropriate standards.

The Corporate Governance Code and key policies are available on the Turners Limited website: www.turnerslimited.co.nz

**ETHICAL STANDARDS:**

The Board recognises that high ethical standards and behaviours are central to good corporate governance and it is committed to the observance of a written Code of Ethics for the Group.

The Code of Ethics is the framework of standards by which the directors, employees, contractors for personal services and advisers of Turners Limited and its related companies are expected to conduct their professional lives and has been approved by the Board.

The Code of Ethics is intended to facilitate decisions that are consistent with Group values, business goals and legal and policy obligations, thereby enhancing performance outcomes.

The Code of Ethics addresses conflicts of interest, receipt of gifts, corporate opportunities, confidentiality, behaviours, use of group assets and information, compliance with laws and policies, delegated authority, additional Director responsibilities, information for the Board and reporting concerns.

The Code of Ethics was last reviewed by the Board in March 2016.

The Board believes that all Directors conformed to the Code of Ethics during the 2016 financial year.

**BOARD COMPOSITION AND PERFORMANCE:**

Each Turners Limited director is a skilled and experienced business person. Each director provides value by making quality contributions to corporate governance matters, conceptual thinking, strategic planning, policies and providing guidance to management. Together, they reflect diversity, balance, cohesion and match the demands facing the Group.

Section 3 of the Turners Limited Corporate Governance Code provides guidelines which address appointments to the Board, Board membership, disclosure of interests, conflicts of interest and openness to review.

The Code also outlines the role and responsibilities of the Chair and of directors and identifies procedures to ensure that the Board meets regularly, conducts its meetings in an efficient and effective manner and that each director is fully empowered to perform his or her duties as a director of the Group and to fully participate in meetings of the Board.

The number of elected directors and the procedure for their retirement and re-election at annual meetings of shareholders is set out in the Constitution of the Company. The Board is responsible for identifying and recommending candidates. Directors may also be nominated by shareholders under Listing Rule 3.3.8. The Board takes into consideration tenure, capability and skills when reviewing Board composition and new appointments.

Directors receive information and have access to senior management to allow them to make qualified decisions and add to Board discussions on matters pertaining to the company.

The Board supports the separation of the positions of chief executive and Chair of the Board.

The Board at the 31 March 2016 was comprised of two independent directors, one executive director and four non-executive directors, who are elected based on the value they bring to the Board and against set criteria detailed in the Code.

# GOVERNANCE REPORT

As at 31 March 2016 the Board was as follows:

| | |
|---|---|
| Grant Baker | Chairman |
| Paul Byrnes | Deputy Chairman and Executive Director |
| John Gosney | Non-executive Director |
| Matthew Harrison | Non-executive Director |
| Alistair Petrie | Non-executive Director |
| John Roberts | Independent Director |
| Antony Vriens | Independent Director |

Profiles of board members are shown on pages 16 and 17.

In order for a director to be independent, the Board has determined that he or she must not be an executive of Turners Limited and must have no disqualifying relationship. The Board follows the guidelines of the NZX Listing Rules.

- The Board has determined that John Roberts and Antony Vriens are independent.
- Grant Baker is a representative of The Business Bakery LP which, together with associates, has a 18.91% shareholding in Turners Limited and is therefore not independent.
- Paul Byrnes is an executive within Turners Limited and is therefore not independent.
- Alistair Petrie is a director of Bartel Holdings which has a 6.97% shareholding in Turners Limited, and is therefore not independent
- John Gosney is a representative of Hugh Green Investments Limited which has a 22.32% shareholding in Turners Limited and represents their interests. He is therefore not independent.
- Matthew Harrison is a representative of the Harrison Family who has a 10.25% shareholding in Turners Limited, and is therefore not independent.

**Directors' Meetings**
The number of meetings attended by directors during the year is detailed in the following table.

| Director | Board Meeting | Audit | Lending and Credit |
|---|---|---|---|
| Grant Baker | 11 | | |
| Kevin Brewer (retired 16 September 2015) | 5 | 1 | |
| Paul Byrnes | 11 | | |
| John Gosney | 10 | 2 | 1 |
| Matthew Harrison | 11 | | 1 |
| Antony Vriens | 11 | 2 | |
| Michael Dossor (retired 4 February 2016) | 7 | | |
| John Roberts (appointed 1 July 2015) | 7 | 1 | 1 |
| Alistair Petrie (appointed 24 February 2016 ) | 1 | | |

**Diversity and Inclusion**
Turners Limited supports diversity and inclusion across its businesses and recognises the value of different viewpoints and perspectives offered by people of different backgrounds, age, experience, race and gender. As at 31 March 2016, the gender balance of Turners Limited's directors and senior management was follows:

| | Directors 2016 | Officers 2016 | Directors 2015 | Officers 2015 |
|---|---|---|---|---|
| Females | - | 2 | - | 2 |
| Males | 7 | 6 | 7 | 5 |
| Total | 7 | 8 | 7 | 7 |

An Officer is defined as corporate senior management and business unit leaders. The company does not currently have a Diversity Policy.

**BOARD COMMITTEES**
The use of Committees allows issues requiring detailed consideration to be dealt with separately by members of the Board with specialist knowledge and experience, thereby enhancing the efficiency and effectiveness of the Board. However the Board retains ultimate responsibility for the functions of its Committees and determines their responsibilities.

The Board has constituted two standing Committees being the Audit and Risk Management Committee and the Lending and Credit Committee. Due to the size of the Company's Board, matters normally dealt with by the remuneration and the nominations committees are dealt with by the full Board.



# GOVERNANCE REPORT

**Audit and Risk Management Committee**
The role of the Audit and Risk Management Committee is to assist the Board in carrying out its responsibilities under the Companies Act 1993 and the Financial Reporting Act 1993 regarding accountancy practices, policies and controls relative to the Company's financial position and make appropriate enquiry into the audits of the Company's financial statements.

This responsibility includes providing the Board with additional assurance about the quality and reliability of the financial information issued publicly by the Company.

A written charter outlines the Audit and Risk Management Committee's delegated authority, duties, responsibilities and relationship with the Board. The charter is included as an appendix in the Group's Corporate Governance Code which is available on the company's website.

The Audit and Risk Management Committee shall comprise a majority of independent directors and at least one director who is a chartered accountant or has another recognised form of financial expertise. Committee members as at 31 March 2016 are John Gosney (Chair), Antony Vriens and John Roberts. It met twice during the financial year. In addition, the External Auditor of the Company attends meetings of the Audit Committee.

**Lending and Credit Committee**
The Lending and Credit Committee reviews the lending and credit policies of Dorchester Finance Limited. It is also responsible for the approval of lending policies, the approval/decline of loan applications in terms of approval authority and reviews the recovery of overdue loans and doubtful debt provisions in order to ensure that provisioning is satisfactory.

The Lending and Credit Committee members as at 31 March 2016 are Matthew Harrison (Chair), John Gosney and John Roberts. It met once during the financial year.

**REPORTING AND DISCLOSURE**
Turners Limited directors are committed to keeping investors and the market informed of all material information about the company and its performance and ensures compliance with legislative and NZX listing rules.

The release of material information is guided by the Reporting and Disclosure section on the Group's Corporate Governance Code which is available to view on the company's website.

The Board is responsible for ensuring that the financial statements give a true and fair view of the financial position of the company and have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and for ensuring all relevant financial reporting and accounting standards have been followed.

For the financial year ended 31 March 2016, the directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and the Group and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

**REMUNERATION**
The Board promotes the alignment of the interests of the directors, the CEO and management with the long term interests of shareholders. Remuneration policies and structure are reviewed regularly to ensure remuneration of management and directors is fair and reasonable in a competitive market for the skills, knowledge and experience required by the Group.

The Board recognises that it is desirable that executive (including executive director) remuneration should include an element dependent upon the performance of both the Group and the individual, and should be clearly differentiated from non-executive director remuneration.

Details of directors and executives' remuneration and entitlements for the 2016 financial year are detailed on pages 61 and 73 of the Annual Report.

The Turners Limited Corporate Governance Code includes a Remuneration Policy. Due to the size of the Company's Board, matters normally dealt with by a Remuneration Committee are dealt with by the full Board.

**Remuneration of Directors**
The amount currently being paid to each non-executive director (other than the Chairman and Antony Vriens) of the Company is $55,000 per annum. The Chairman is currently paid $110,000 per annum. Antony Vriens is paid $20,000 per annum in addition to fees paid in his capacity of Chairman of DPL Insurance Limited.

Under the NZX Listing Rule 3.5.2, the Board may only make a payment to a director upon cessation or retirement from the office with shareholder approval. Turners Limited's policy is in line with best practice guidelines from the New Zealand Institute of Directors, and no directors appointed after 2000 are entitled to retirement payments.

**Remuneration of Executives**
Executive remuneration consists of a fixed base salary and a variable short term bonus paid annually. Bonuses are paid against targets agreed with executives at the commencement of the year and are based on profitability, growth and personal objectives.

# GOVERNANCE REPORT

**RISK MANAGEMENT**
Turners Limited is committed to proactively managing risk. While this is the responsibility of the entire Board, the Audit and Risk Management Committee assists the Board and provides additional oversight in regards to the risk management framework and monitoring compliance with that framework. The Board's approach to risk management is incorporated into the Audit and Risk Committee Charter.

**AUDITOR**
The Board's approach to the appointment and oversight of the external auditor are outlined in section 9 of the Turners Limited Corporate Governance Code and ensure that audit independence is maintained, both in fact and appearance, such that Turner's Limited external financial reporting is viewed as being highly reliable and credible.

The Audit and Risk Management Committee provides additional oversight of the external auditor, reviews the quality and cost of the audit undertaken by the company's external auditors and provides a formal channel of communication between the Board, senior management and external auditors. The Committee also assesses the auditor's independence on an annual basis.

For the financial year ended 31 March 2016, Staples Rodway was the external auditor for Turners Limited. Staples Rodway were first appointed as external auditor in 1999 and were automatically re-appointed under the Companies Act 1993 at the 2015 Turners Limited annual meeting.

The amount of fees paid to Staples Rodway for audit and other services is identified on page 43 of the 2016 Annual Report.

**SHAREHOLDER RELATIONS**
The Board is committed to open dialogue and to facilitating engagement with shareholders. In each year, the company provides shareholders with an annual and interim report and keeps shareholders updated on material events through disclosure to the NZX. The company maintains a comprehensive website which provides access to key corporate governance documents, copies of all major announcements, company reports and presentations. Shareholders are encouraged to attend the annual meeting and may raise matters for discussion at this event. Shareholders have the ultimate control in corporate governance by voting directors on or off the Board.

**STAKEHOLDER INTERESTS**
The company has a wide range of stakeholders and maintains open channels of communication for all audiences, including shareholders, brokers and the investing community, as well as our staff, suppliers and customers.



# DIRECTORY

**DIRECTORS**
Grant Baker
Chairman
Appointed10 September 2009

Paul Byrnes
Executive director
Appointed 2 February 2004

John Gosney
Non-executive director
Appointed 21 May 2008

Matthew Harrison
Non-executive director
Appointed 12 December 2012

Alistair Petrie
Non-executive director
Appointed 24 February 2016

John Roberts
Independent Director
Appointed 1 July 2015

Antony Vriens
Independent Director
Appointed 12 January 2015

**REGISTERED OFFICE**
Level 8. 34 Shortland Street, Auckland, New Zealand
PO Box 1232, Shortland Street, Auckland, 1140, New Zealand
Freephone: 0800 100 601
Telephone: +64 9 308 4950
Email enquiries: info@turnerslimited.co.nz
Web: www.turnerslimited.co.nz

**AUDITOR**
Staples Rodway

**BANKERS**
Bank of New Zealand

**SOLICITORS**
Chapman Tripp

**SHAREHOLDER INFORMATION**

**COMPANY PUBLICATIONS**
The Company informs investors of the Company's business and operations by issuing an Annual Report, an Interim Report and releasing announcements on the NZX's website.

***Financial calendar***

| | |
|---|---|
| First quarterly dividend | September |
| Annual meeting | September |
| Half year results announced | November |
| Half year report | December |
| Second quarterly dividend | December |
| Third quarterly dividend | March |
| End of financial year | 31 March |
| Annual results announced | May |
| Annual report | June |
| Final dividend | July |

**SHARE REGISTER**
Computershare Investor Services Limited
Level 2, 159 Hurstmere Road, Takapuna, Auckland
Private Bag 92119, Auckland 1142, New Zealand
Telephone: +64 9 488 8777

**ENQUIRIES**
Shareholders with enquiries about transactions, change of address or dividend payments should contact Computershare Investor Services on +64 9 488 8777. Other questions should be directed to the Company at the registered address.

**STOCK EXCHANGE**
The Company's shares trade on the NZSX operated by the NZX under the code TNR. The minimum marketable parcel on the NZX is 100 shares.

This annual report is dated 22 June 2016 and is signed on behalf of the board by:

G.K. Baker

P.A. Byrnes

## NOTES

## NOTES

Turners Limited
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