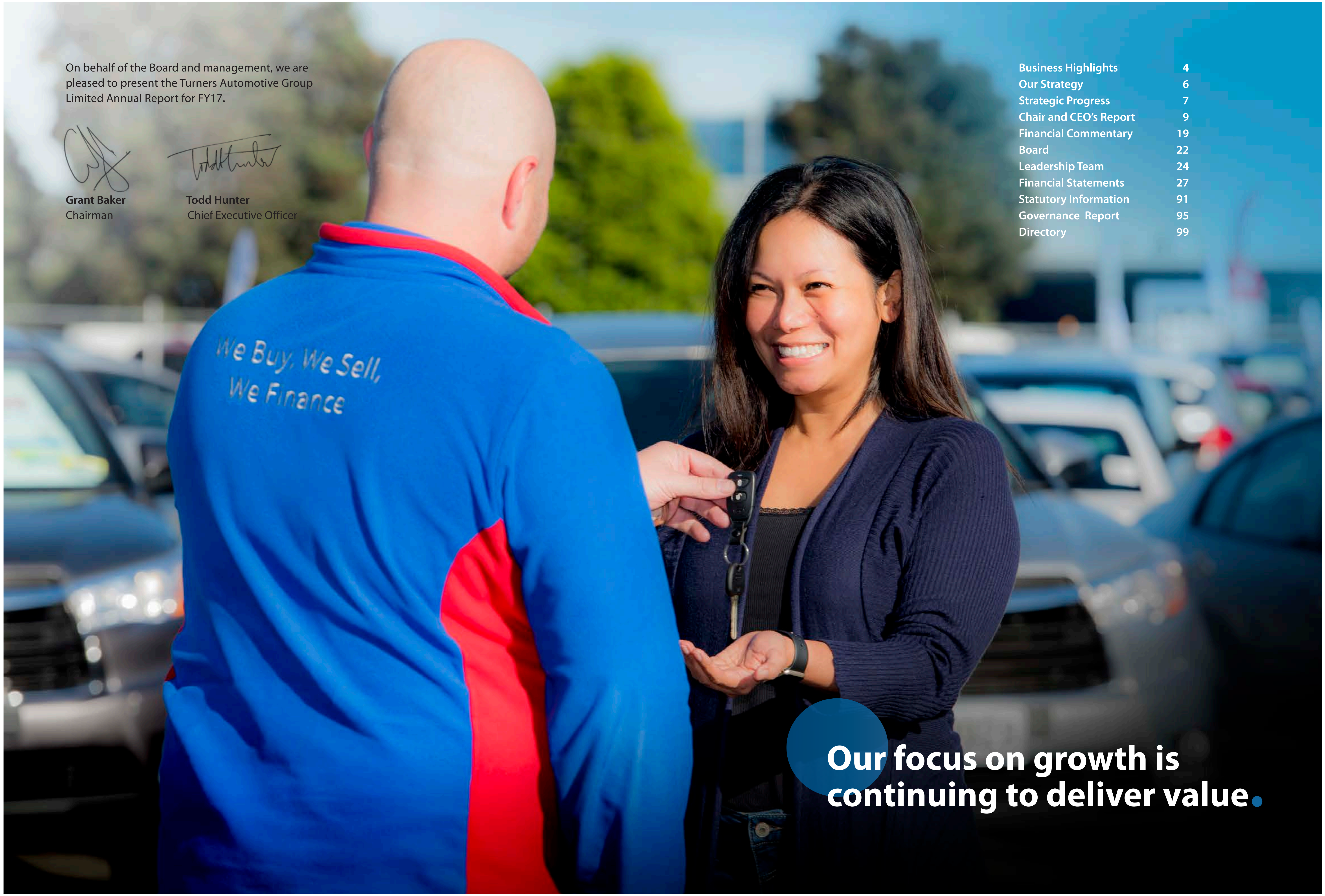
Turners
Automotive Group

ANNUAL REPORT
FOR THE YEAR ENDED 31 MARCH 2017

On behalf of the Board and management, we are pleased to present the Turners Automotive Group Limited Annual Report for FY17.

Grant Baker
Chairman

Todd Hunter
Chief Executive Officer



Our focus on growth is continuing to deliver value.

BUSINESS HIGHLIGHTS

$24.6 million
Record net profit before tax

$17.6 million
13% increase in net profit after tax

47% increase
in revenue for the year

$171.7 million
Shareholder equity as at 31 March 2017

75% conversion
Conversion of 2014 bonds to equity

$13.4 million
Successful capital raise in October 2016

14.5 cents per share
Full year fully imputed dividends

OUR STRATEGY IS FOCUSED ON GROWTH

ORGANIC GROWTH: Identify opportunities to grow each business: More customers, more products and services, more channels, better technology

GROUP INTEGRATION: Cross selling product across the group, and building a common operating and funding platform for the finance businesses

MERGERS AND ACQUISITIONS: Target businesses that build capability/scale and have sustainable earnings and growth potential

OUR PEOPLE: Invest into upskilling and rewarding our people to encourage them to strive for growth

WE ARE AN INTEGRATED AUTOMOTIVE FINANCIAL SERVICES GROUP

Primarily operating in the automotive sector and providing strength in three key areas:

AUTOMOTIVE RETAIL

Controlling the buying and selling of second hand cars, trucks and machinery to earn a transactional margin and delivering cross-sell opportunities for Finance and Insurance.

Turners is the largest second hand vehicle retailer in New Zealand.

FINANCE AND INSURANCE

Helping customers with simple and attractive finance and insurance products, and building annuity revenue streams.

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

DEBT MANAGEMENT SYSTEMS

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

Turners has a growing presence in the debt management sector in both New Zealand and Australia through its EC Credit business.

FY17 STRATEGIC PROGRESS AND KEY EVENTS

ACQUISITIONS

- Pacific Life Insurance May 2016
- Buy Right Cars Group August 2016
- Autosure Insurance March 2017

ORGANIC GROWTH

- Launch of MTF non-recourse lending product
- Expansion of Trucks and Machinery footprint with acquisition of two new sites
- Increase in retail 'end user' sales in Turners Cars
- Launch of online car store Cartopia and Autoapp online loan origination portal
- Implementation of $150 million Securitisation Funding programme

GROUP INTEGRATION (ongoing initiatives)

- Finance companies to combine into a single operating entity (technology platform, branding)
- Merge of insurance businesses into a single selling entity (branding and technology platform)
- Creation of a single selling platform for finance and insurance
- Loan origination from Buy Right Cars now directed to Turners owned finance companies

PEOPLE

- Strengthening of Turners executive team
- Transition to new CEO successfully completed from 1 July 2016
- Staff engagement tracking well in Turners Group
- Staff engagement measure to be implemented throughout business (IBM Kenexa measure)

CHAIR AND CHIEF EXECUTIVE'S REPORT

The 2017 financial year was another pleasing and positive one. Our focus on executing the growth plan that was presented at the last annual meeting continues to deliver value for our company and our shareholders.

Strategic acquisitions have strengthened our offer and expanded our footprint, while growth initiatives are expanding how and what we sell to meet the needs of a growing number of customers.

Our vision remains the same – to build an integrated financial services business, primarily focused in the automotive industry, that provides valuable finance, insurance and debt management products and services, and also has the ability to capture a large and highly targeted group of customers at source.

We are benefitting from our vertically integrated business model, which promotes the sale of insurance and finance products, primarily to the motor vehicle industry where we have our own retail operations providing control over customer origination.

This integrated model provides diversification of earnings through building a unique combination of "Activity" based revenues from Automotive Retail and Debt Management, and "Annuity" revenues from our finance and insurance divisions. The growth of our finance and insurance portfolio is delivering an increasing percentage of annuity income, providing additional consistency and security of earnings. In our Automotive Retail businesses, where we own the vehicles we sell, we are earning better margins and improving the customer experience.

We are able to move fast to deliver solutions to meet consumers' changing needs, with multiple retail channels, an increasing online presence and informed dealers and sales people that are able to offer the complete package from sales to finance and insurance.

BUSINESS PERFORMANCE

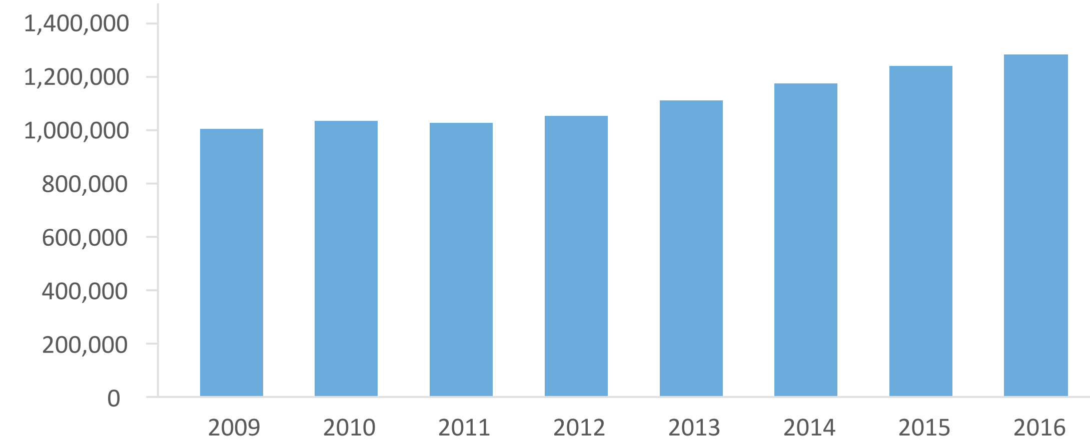
Automotive Retail delivered a 64% increase in revenue to $193 million and achieved an operating profit of $15.4 million for the year, an increase of 54%

AUTOMOTIVE RETAIL

Revenue $193 million ▲ 64%
Operating profit $15.4 million ▲ 54%

Our share of the automotive sector continues to grow and allowed us to take advantage of a buoyant market of used car sales in New Zealand in 2016. The Used Vehicle market, as measured by changes in ownership, reached the highest level for over five years, with over 1.1 million used car and truck transactions.

2016 USED VEHICLE SALES NEW ZEALAND
Cars and trucks' changes of ownership transactions



Source: NZTA Registration Data

Automotive Retail delivered a 64% increase in revenue to $193 million and achieved an operating profit of $15.4 million for the year, an increase of 54% (including a revaluation increase of $0.7 million in the MTF shareholding).

The division consists of two businesses, Turners and Buy Right Cars (which was acquired at the end of July 2016). Buy Right Cars is a leading Auckland-based used motor vehicle importer and dealership network, with up to 2,000 vehicles in stock and eight locations across Auckland city. It significantly increases Turners' retail footprint, particularly in the key Auckland market where Turners is currently underweight. It also achieves a number of our other strategic objectives for the group, including stepping up our imports of used vehicles and achieving better control over the motor vehicle compliance process.

Both businesses delivered a strong result with Buy Right Cars performing above expectation and starting to originate a strong flow of consumer loans into the finance division. Further retail business acquisitions are expected as we look to grow our share of the second hand vehicle market.

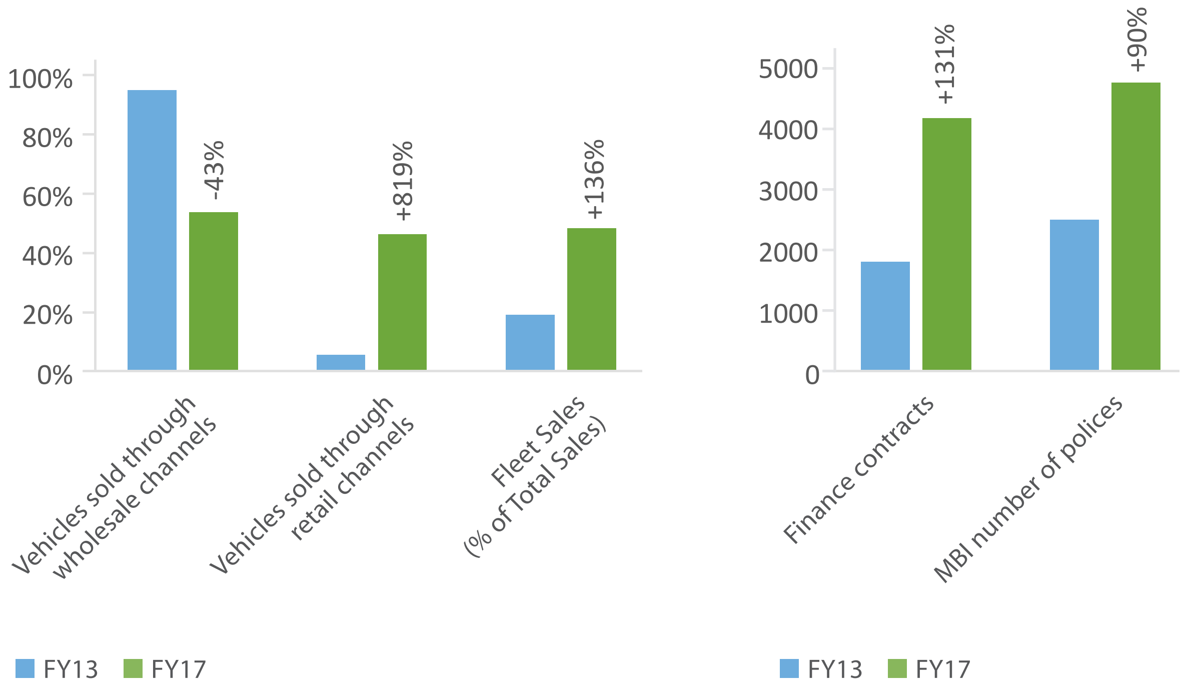
In Tuners, an increased number of vehicles are selling to retail customers rather than dealers, and now account for up to 65% of all car purchases. This creates a better opportunity for add-on sales of finance and insurance with a 20% increase in loans written and a 34% in increase in Mechanical Breakdown Insurance (MBI) policies sold in the last year.

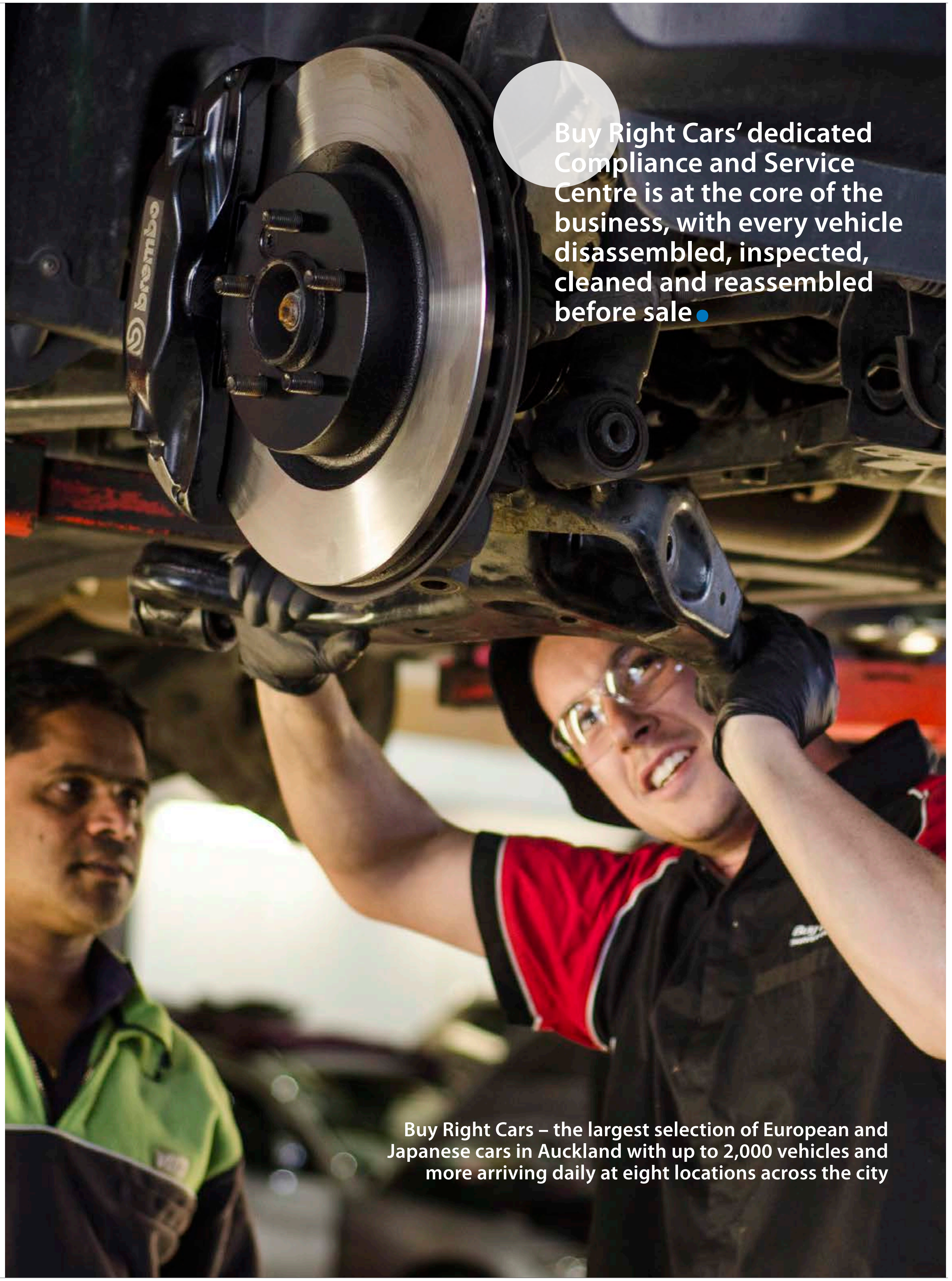
In addition, the percentage of vehicles purchased and on sold by Turners has increased to almost 50% of transactions, up from 15% three years ago. These generate better margins and more finance opportunity.

We have also invested further into our growing Trucks and Machinery business as we look to build a specialised retail network, replicating the success we have had in the car market. An additional two sites have been established (Tauranga and Palmerston North), and a new lease is about to be signed in Hamilton. These add to Turners' existing dedicated Trucks and Machinery locations in Auckland and Christchurch.

THE CHANGING FACE OF TURNERS' AUTOMOTIVE RETAIL GROUP

FY13 vs FY17





Buy Right Cars' dedicated Compliance and Service Centre is at the core of the business, with every vehicle disassembled, inspected, cleaned and reassembled before sale

Buy Right Cars – the largest selection of European and Japanese cars in Auckland with up to 2,000 vehicles and more arriving daily at eight locations across the city

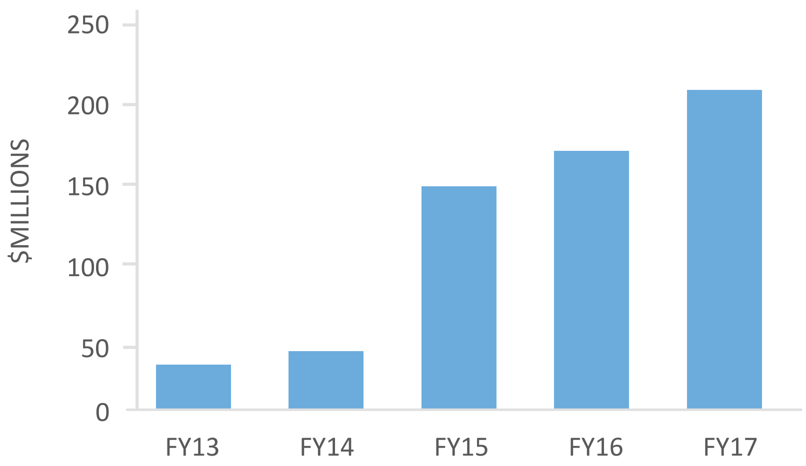
FINANCE

Revenue $26.8 million ▲ 10%

Operating profit $10.2 million ▲ 4%

The automotive finance market remains competitive, particularly at the point of purchase, where it is estimated more than 80% of retail buyers require finance of some kind. This is where Turner's integrated model really delivers value, with our Automotive Retail Group providing access to these highly valued customers.

FIVE YEAR GROWTH IN FINANCE RECEIVABLES



Our finance book has grown 24% in the past year, with the majority of that growth from vehicle loans to customers, arranged both directly and through motor vehicle dealers. A conservative approach to a growing loan book has been adopted with lower risk, lower margin lending.

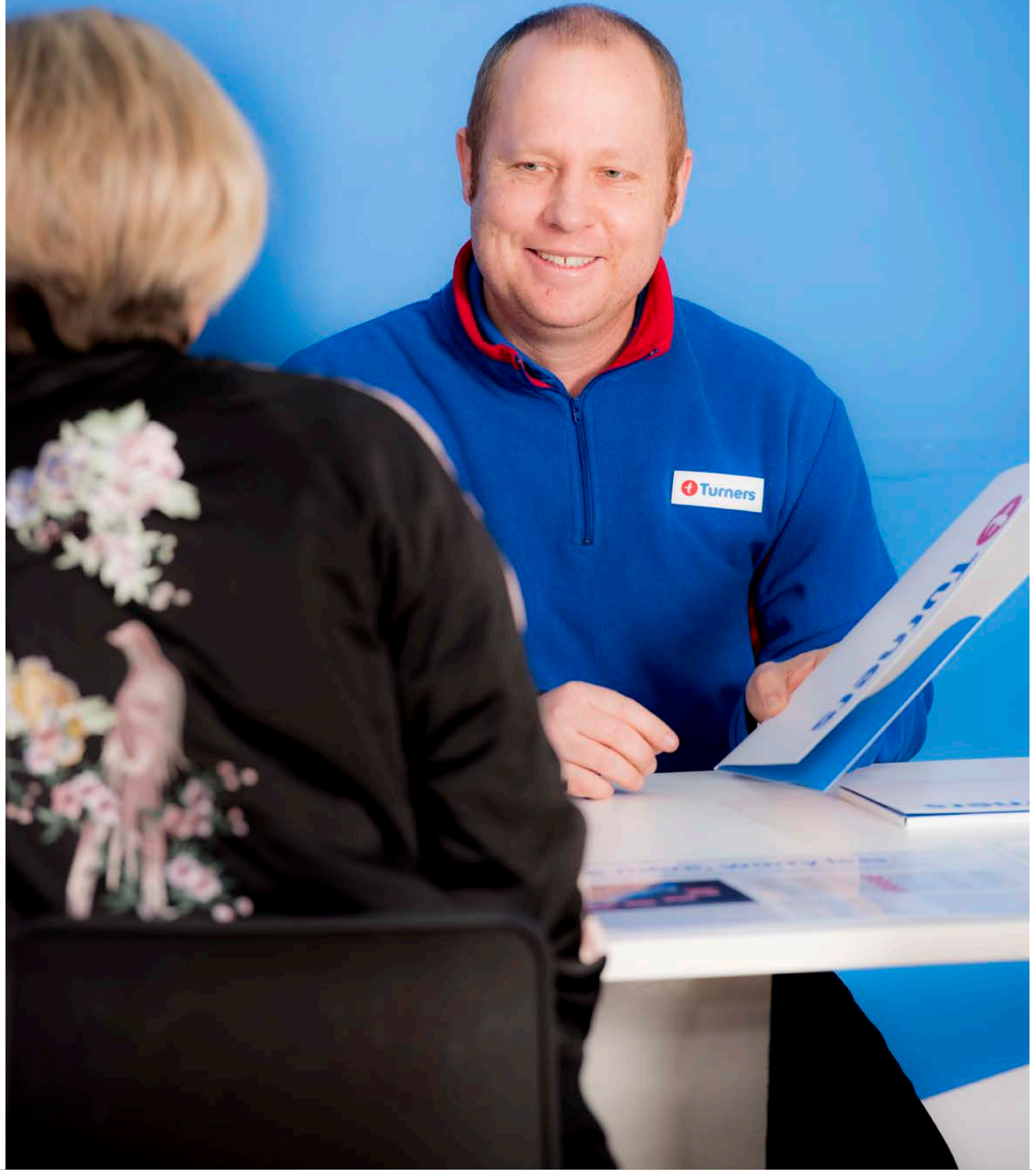
In addition to our own finance businesses and brands, Turners also has an 8% shareholding in Motor Trade Finance (MTF). This partnership not only significantly increases our reach into the motor vehicle finance sector, but also provides access to a number of new lending opportunities for all parties. One example is the establishment of a non-recourse lending product which was officially launched in a staged rollout from December 2016. Demand for this product is building quickly and over $16 million in loans had been written by the end of March.

Technology is having a major impact on the financial services sector and customers are demanding faster, easier and better solutions. In line with this, we launched our AutoApp online loan origination platform in FY17 and are continually enhancing this to deliver a better customer experience.

Funding of our finance books is a significant cost and a large enabler of growth. In FY17, we completed an important project to establish a securitised funding program with the BNZ. This strengthens our funding base for our finance business and will reduce our cost of funds in the medium term.

In the next year, we are looking to combine our finance businesses into a single entity, with a single technology platform, all operating under the Oxford Finance brand which has the largest distributed dealer channel of all our finance businesses.

We are winning customers thanks to our ability to offer the complete package from sales to finance and insurance, in a place and manner that best suits their needs



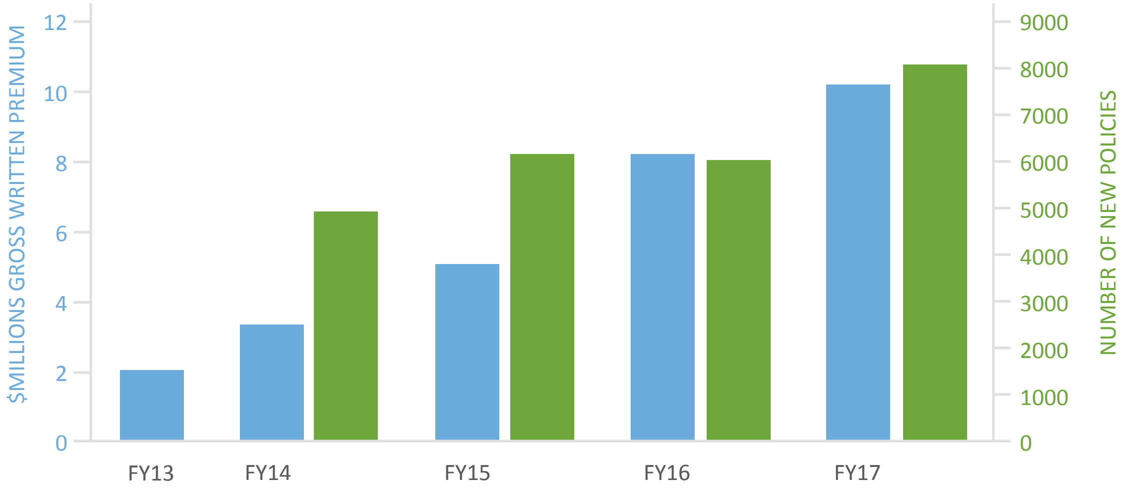
INSURANCE

Revenue $12.3 million ▲ 34%
Operating profit $0.9 million ▼ 34%

Turners has a number of insurance brands, which provide mechanical breakdown and motor vehicle insurance, as well as life and other non-life insurance products. Insurance is sold through a network of dealers and brokers throughout New Zealand, with particularly strong sales through the Turners-controlled Automotive Retail businesses.

The growth in gross written premium and new policy sales has continued for the fifth year in a row; and sales of mechanical breakdown and motor vehicle insurance now exceed 1,000 policies per month.

ORGANIC GROWTH IN INSURANCE



Despite the increase in policies sold, operating profit for the insurance division decreased year on year. The main cause of this was an increase in claims costs in the general insurance products which were unusually low during FY16 (loss ratio of 32%). These returned to market norms (loss ratio of 59%) in FY17.

The Autosure Insurance acquisition, including the Autosure brand, mechanical breakdown and payment protection insurance portfolios, was finalised as at 31 March 2017. This provides much needed scale for our insurance group, and focuses our underwriting effort on core products – MBI and Loan Repayment insurance. We have a 10-year partnership with Vero for underwriting our comprehensive motor vehicle insurance policies.

Integration of Autosure into Turners' portfolio is now complete, following approval from the Reserve Bank of New Zealand at year end for the transfer of the existing policy portfolio to Turners. The business is expected to contribute EBITDA of approximately $5.5m for the FY18 year. Additional synergies are also expected to arise from utilisation of the Autosure repairer network by Turners' existing insurance business and from cross selling of insurance and finance to an extended dealer network and customer base.

As part of the group integration strategy, Turners' insurance businesses will also combine into a single operating unit, all operating under the Autosure brand.

DEBT MANAGEMENT

Revenue $19.1 million ▲ 4%
Operating profit $6.2 million ▲ 3%

EC Credit Control is continuing to grow its market share in both New Zealand and Australia, with a number of new corporate and SME clients won during the year. It is a profitable part of Turners group and remains highly cash generative.

The focus on higher quality debt has resulted in lower debt loads (down 5% year on year) but has translated into improved collections performance and commissions with debt collected up 9% on last year.

The share of debt from New Zealand corporate clients has increased at the expense of competitors, and in Australia, there have been strong sales of Terms of Trade systems and support.

The focus for the business is on building analytics capability and efficiencies in the contact centre and continuing to attract new clients and build our share of debt loaded from existing clients.

FY18 AND BEYOND

Continuing growth is expected in FY18 as we look to build our market share, particularly in the Automotive Retail sector, through both M&A and organic growth within each business.

We have a proven track record in successfully acquiring and integrating value accretive businesses into our portfolio. We will look to continue this in FY18, with a number of M&A opportunities under consideration. In particular, we are looking to grow our share of the second hand vehicle market and further retail business acquisitions are anticipated.

Autosure was a significant acquisition for Turners and, following Reserve Bank approval for the transfer of policies at the end of the financial year, we are now integrating this business into our portfolio and have commenced commercial operations.

The acquisition of Buy Right Cars provided us with new capabilities in servicing and maintenance, and we will be looking to build on these and other opportunities in FY18.

We are also actively looking for organic growth opportunities, by developing innovative products and services, running our businesses well and delivering value to our customers. The Cartopia online store and the MTF non-recourse partnership are good examples of this.

The strategy of having stand alone yards for Trucks & Machinery sales is working well and we are looking to expand our network, with the addition of further strategically located sites.

A number of important initiatives that will continue to add value were undertaken in FY17 to further strengthen our company. We have determined that there are benefits and value to be gained from having a single technology and brand platform for both our Insurance and our Finance businesses, and this will be commenced in FY18. This will enable the development of a bundled approach to finance and insurance products, providing further value to our customers.

We are well positioned for continued growth in "Activity and Annuity" earnings and the delivery of shareholder value. As previously advised, we are undertaking a foreign-exempt compliance listing on the ASX in FY18, which will provide our company with access to a larger capital market to support our growth strategy. Access to this wider capital base will support our goal of continuing to build a company that delivers great products and services to customers along with a great customer experience.

None of this would be possible without the dedication, efforts and hard work of our 800 staff across the country. On behalf of management and the Board, we would like to thank staff, shareholders and our customers for their ongoing support.

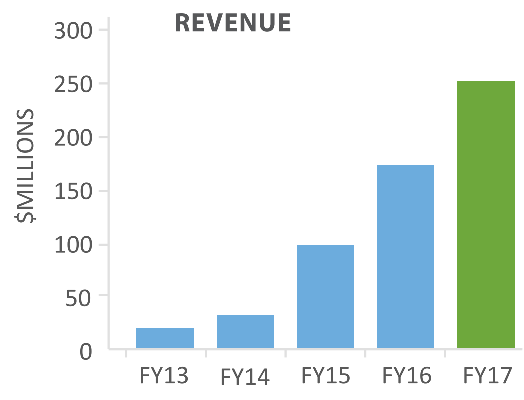
Grant Baker
CHAIRMAN

Todd Hunter
CHIEF EXECUTIVE OFFICER

FINANCIAL COMMENTARY

The following commentary should be read in conjunction with the full financial statements and notes to the financial statements in this Annual Report.

GROUP REVENUE UP 47% TO $251.0 MILLION



Recent acquisitions, growth in Automotive Retail, and growth in the finance and insurance books have positively impacted on the revenue mix, with an increasing percentage of annuity income from finance and insurance contracts providing additional consistency and security of earnings.

Revenue increases were mainly driven by higher vehicle sales activity, with acquisitions and organic growth in Automotive Retail contributing $74.9 million in FY17.

Annuity income from finance and insurance businesses was up 19% year on year to $51.8 million, and this is providing additional earnings stability and security.

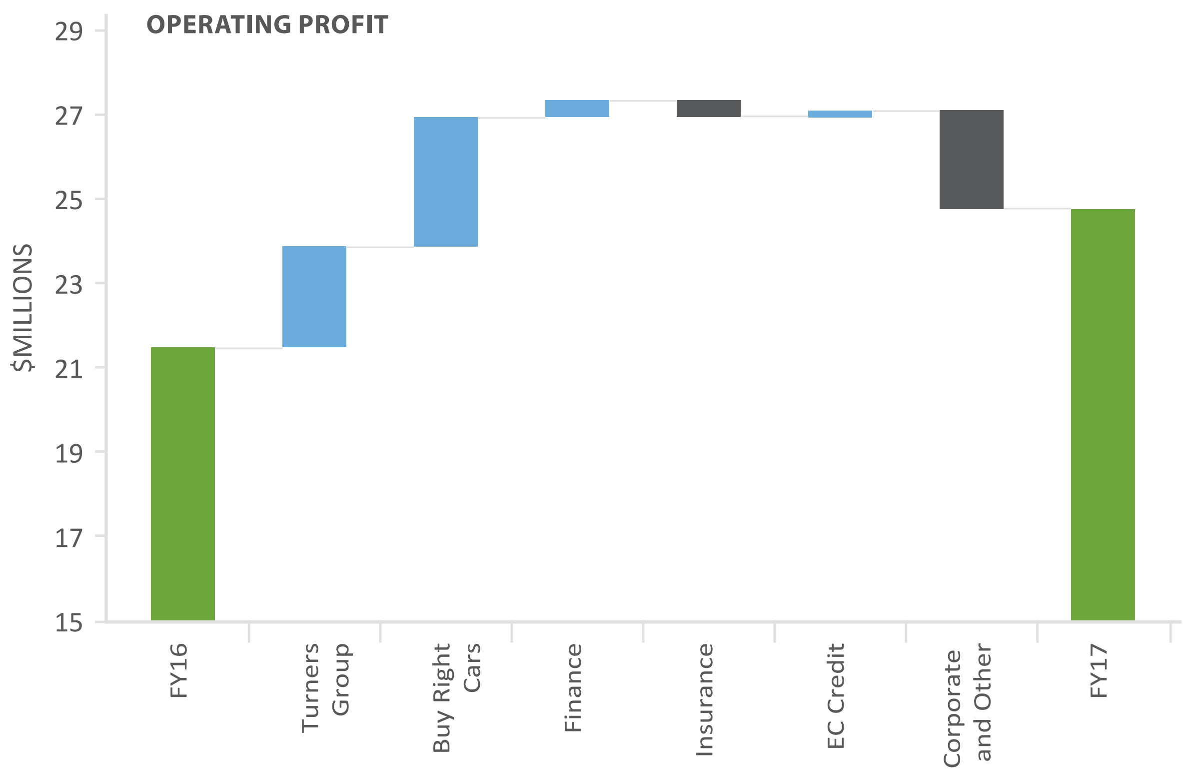
The acquired businesses of Pacific Life (12 months) and Buy Right Cars (8 months) both contributed during the period. Contributions from the Autosure Insurance business will flow from the start of FY18 following Reserve Bank approval in late March for the transfer of policies and integration into the Turners' portfolio.

OPERATING PROFIT UP 14% TO $24.6 MILLION

The result was slightly ahead of the company's March 2017 guidance, and reflects increased sales of vehicles we own, with higher margins and a lift in finance and insurance sales, as well as contributions from acquired businesses.

The improved finance result was due to an increase in the ledger; while insurance was impacted by the change in loss ratios.

The EC Credit result included a release of $1.1 million from unredeemed vouchers liability, compared to the $1.8 million release in FY16.



Corporate costs were impacted by acquisition costs and reflect the increase in interest incurred on acquisition funding.

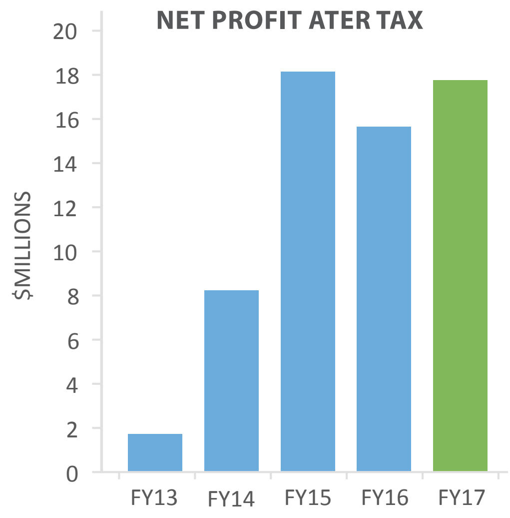
The FY17 result was also impacted by the elimination at corporate level of $535k of finance commissions for loans referred by Turners' Automotive Retail businesses. With third party referrers the commission costs are amortised over the life of the loan, whereas with internally originated loans the commission costs are effectively expensed in the month the loan is originated.

PROFIT CONTINUES TO GROW STRONGLY, UP 13% TO $17.6 MILLION

FULL YEAR DIVIDENDS 14.5 CENTS PER SHARE

Based on the ongoing positive performance of the group, Turners' Directors have declared a final quarter fully imputed dividend of 4.5 cents per share, taking full year dividends to 14.5 cents per share, up from 13.0 cents in FY16.

This is in line with the Board's divided policy of a pay-out of between 50% and 55% of underlying tax paid profit. The FY17 dividends have been fully imputed, whereas earlier dividends were not imputed.



STRENGTHENED BALANCE SHEET

Increase in cash balances due to transfer of Autosure Insurance liabilities on 31 March 2017.

Majority of finance receivables growth was in the last quarter of FY17.

Inventory increase due to Buy Right Cars acquisition and higher Turners Fleet stock

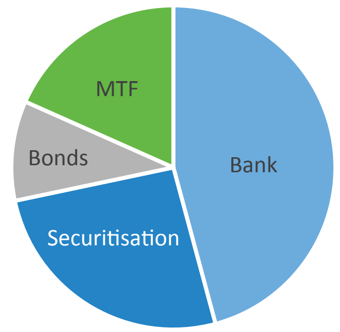
Shareholder equity at 31 March 2017 was $171.7 million, up 32% on the previous year (FY16: $129.8 million). The increase was primarily due to Turners bondholders showing confidence in the company performance and direction by converting $17.5 million (75%) of $23.2 million 2014 Bonds to equity, and the subsequent capital raise in October 2016 of $13.4 million.

$MILLIONS	FY17	FY16
Cash and cash equivalents	69.1	13.8
Finance Receivables	207.1	167.6
Inventory	44.6	14.2
Property, Plant and Equipment	18.9	11.1
Other Assets	44.8	42.3
Intangible Assets	172.1	118.1
TOTAL ASSETS	556.6	367.1
Borrowings	265.9	174.8
Other Payables	35.7	21.5
Deferred Tax	20.2	8.7
Insurance Contract Liabilities	42.8	9.5
Other Liabilities	20.3	22.8
TOTAL LIABILITIES	384.9	237.3

FUNDING MIX

$MILLIONS	FY17 $M	% OF TOTAL	FY16 $M	% OF TOTAL
TOTAL ASSETS	557		367	
Equity	172	31%	130	35%
Convertible bonds	26	5%	23	6%
Securitisation Funding (BNZ)	69	12%	0	0%
Bank Funding (Corporate BNZ & ASB)	122	22%	108	29%
MTF Finance Receivables Funding	49	9%	42	11%
Insurance Contract Liabilities	43	8%	10	3%
Life Investment Contract Liabilities	13	2%	16	4%
Payables and Deferred Revenue	43	8%	29	8%
Deferred Tax Liability	20	4%	9	2%

The securitisation programme is now fully implemented and operating, with credit approval for an initial $150 million limit from BNZ currently drawn to $87 million, with the balance of the finance book funded by a mix of bank and equity funding. The securitisation programme has been a significant project for Turners and will reduce the cost of funds, provide headroom for finance growth and strengthen Turners' funding base for its finance business. The full benefits will be realised from FY18.



BOARD

Turners' Board is focused on creating shareholder value as we continue our growth as an integrated automotive financial services business. Each director brings valuable skills, expertise and experience to the Board.

Grant Baker
Non-executive Chairman

Appointed September 2009

Paul Byrnes
Deputy Chairman and Executive Director

Appointed February 2004

Matthew Harrison
Non-executive Director

Appointed December 2012

Alistair Petrie
Non-executive Director

Appointed February 2016

John Roberts
Independent Director

Appointed July 2015

Anthony Vriens
Independent Director

Appointed January 2015

Grant Baker
Non-executive Chairman

Grant Baker is a founding Partner of venture capital firm The Business Bakery, which together has a 16.34% shareholding in Turners Automotive Group. He 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 Ltd.

Paul Byrnes
Deputy Chairman and Executive Director

Paul Byrnes is a chartered accountant, and professional director and investor with 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 'turnaround' management. Paul was appointed CEO and Executive Director of Dorchester Pacific in May 2008 (now Turners Automotive Group), handing over the CEO role to Todd Hunter in June 2016 but retained in an executive role focusing on merger and acquisition activity under a two year contract. Until recently, Paul was Chairman of power company Top Energy and a director of listed Hellaby Holdings. Paul has a 4.44% shareholding in Turners Automotive Group.

Matthew Harrison
Non-executive Director

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 Automotive Group board in 2012 and represents his family interests, which have an 8.98% combined holding in Turners Automotive Group. He is also a director of a number of private companies.

Alistair Petrie
Non-executive Director

Alistair Petrie has over 15 years of 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. He has a number of directorships and represents the interests of Bartel Holdings which has a 9.05% shareholding in Turners Automotive Group.

John Roberts
Independent Director

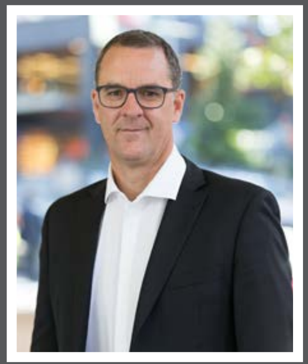
John Roberts has extensive experience in the financial services industry having held the role of Managing Director of credit bureau Veda International for 10 years during which time the Veda Advantage business was successfully listed on the ASX. John previously had over 15 years in advertising agencies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

Mr Antony Vriens
Independent Director

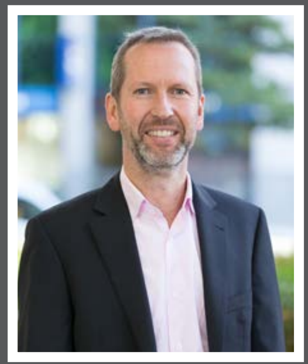
Antony Vriens has been a director and Chairman of Turners' insurance subsidiary DPL Insurance since 2012. He joined the Turners Automotive Group board in January 2015. Antony is a highly experienced and commercial financial service professional with demonstrated success as a senior executive and consultant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

LEADERSHIP TEAM

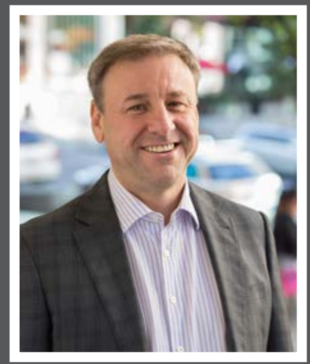
Turners has restructured and strengthened its leadership team in the past year, with a new structure to reflect the growth of the company. The team comprises individuals with the experience, skills and qualities to help lead Turners into the future.



Todd Hunter
Chief Executive Officer



Aaron Saunders
Group Chief Financial Officer



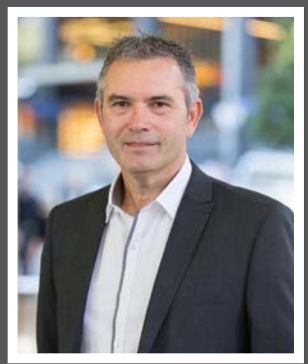
Simon Gould-Thorpe
Group Chief Information Officer

Sonya Rose
Group General Manager Human Resources

Dion Jones
Group General Manager Finance

James Searle
Group General Manager Insurance

Campbell Smith
General Manager Sales and Channel Development



David Wilson
Chief Executive Officer EC Credit Control

General Manager Turners Automotive Retail – *recruitment underway*

Todd Hunter – Chief Executive Officer
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 Automotive Retail in 2006 and was appointed CEO in August 2013. In 2015, he was appointed COO of the wider Turners Automotive Group and named CEO in 2016. Todd is a chartered accountant and holds a Bachelor of Commerce degree from Auckland University.

Aaron Saunders – Group Chief Financial Officer
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 and holds a Bachelor of Commerce degree from Auckland University.

Simon Gould-Thorpe – Group Chief Information Officer
Simon joined Turners Automotive Retail 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.

Sonya Rose – Group General Manager Human Resources
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.

Dion Jones – Group General Manager Finance
Dion joined Turners Group NZ in 2013 as the Head of Turners Finance. He was appointed to his current role of Group GM – Finance in February 2017 and has oversight of all Finance Companies within the Turners Automotive Group. Dion has a comprehensive understanding of the finance and insurance sector, ranging from the development of credit qualifications through to holding senior sales and management positions. Before joining Turners, Dion worked at APM, Sovereign and ASB Bank.

James Searle - Group General Manager 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.

Campbell Smith – General Manager Sales and Channel Development
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.

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.

Turners Automotive Group

FINANCIAL REPORTS

FOR THE YEAR ENDED 31 MARCH 2017

INDEPENDENT AUDITOR'S REPORT
for the year ended 31 March 2017

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staplesrodway
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Turners Automotive Group Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Turners Automotive Group Limited (formerly 'Turners Limited') and its subsidiaries ('the Group') on pages 36 to 90, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Our report is made solely to the Shareholders of Turners Automotive Group Limited, 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Turners Automotive Group Limited and the Shareholders of Turners Automotive Group Limited, for our audit work, for our report or for the opinions we have formed.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor and provider of other assurance services we have no relationship with, or interests in, Turners Automotive Group Limited or any of its subsidiaries. The provision of these other assurance services has not impaired our independence.

INDEPENDENT AUDITOR'S REPORT cont.
for the year ended 31 March 2017

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In addition to this, principals and employees of our firm deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. This has not impaired our independence.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters are selected from the matters communicated with the Directors, but are not intended to represent all matters that were discussed with them.

Key Audit Matter	How our audit addressed the key audit matter
Acquisition accounting for Autosure	

As disclosed in Note 18 of the Group's consolidated financial statements the Group acquired the Autosure business during the year ended 31 March 2017. The acquisition of the Autosure business was significant to our audit due to the size of the acquisition (consideration transferred of $34.8m) and the subjectivity and complexity inherent in business acquisitions.
 	
Management has completed a process to identify the acquirer, determine the acquisition date, measure the consideration transferred, and allocate the consideration transferred to the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.
 	
Consideration transferred included cash and contingent consideration (comprising cash). Identifiable assets also include goodwill and separately identifiable intangible assets such as acquired value of in-force insurance business, brand names and corporate relationships.
 	
This process involves complex and subjective estimation and judgement by Management on the following:
• the accounting treatment of the acquisition;
• the determination of the acquisition date;
• identification of the assets acquired and liabilities assumed;
• the future performance of the acquired business;
• discount rates applied to future cash flow forecasts; and
• the valuation of brand assets, corporate relationships and insurance contract liabilities (including the in-force insurance business intangible asset).
 	
Management has also engaged external experts to assist in:
• the identification of brand assets and corporate relationships acquired; and the determination their fair values at acquisition date;
• the identification of insurance contract liabilities (including the in-force insurance business intangible asset) assumed and determination of their fair values at acquisition date; and
• the determination of the accounting for the acquisition of Autosure.
	Our audit procedures among others included:
	• Reading the sale and purchase and other agreements relating to the acquisition to understand key terms and conditions and confirming our understanding of the transaction with Management.
	• Evaluating the measurement of the consideration transferred.
	• Evaluating the identified assets and liabilities against the terms of the sale and purchase agreements.
	• For the measurement of the identified assets and liabilities, evaluating:
	  ○ the fair values of the identified assets and liabilities at acquisition date;
	  ○ the cash flow forecasts used in the measurement of the identifiable intangible assets, which included assessing the appropriateness of future cash flow forecasts and discount rates applied to those forecasts against the historic performance of the business and considering the impact and likelihood of known future events; and
	  ○ the competence, capabilities, objectivity and expertise of Management's external valuation experts and the appropriateness of their work as audit evidence for the relevant assertions.
	• Evaluating the related disclosures about the acquisition of the Autosure business included in Note 18 in the Group's consolidated financial statements.

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Key Audit Matter	How our audit addressed the key audit matter

Acquisition accounting for Buy Right Cars

As disclosed in Note 18 of the Group's consolidated financial statements the Group acquired the Buy Right Cars business during the year ended 31 March 2017. The acquisition of the Buy Right Cars business was significant to our audit due to the size of the acquisition (consideration transferred of $37.5m) and the subjectivity and complexity inherent in business acquisitions.

Management has completed a process to identify the acquirer, determine the acquisition date, measure the consideration transferred, and allocate the consideration transferred to the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

Consideration transferred included cash, the Group's ordinary equity instruments and contingent consideration (comprising a combination of cash and the Group's ordinary equity instruments). Identifiable assets also include goodwill and separately identifiable intangible assets such as brand names/trademarks.

This process involves complex and subjective estimation and judgement by Management on the following:

- the accounting treatment of the acquisition;
- the determination of the acquisition date;
- identification of the assets acquired and liabilities assumed;
- the future performance of the acquired business;
- discount rates applied to future cash flow forecasts; and
- the valuation of brand assets.

Management has also engaged an external valuation expert to assist in the identification of the brand asset acquired and the determination of its fair value at acquisition date.

Our audit procedures among others included:

- Reading the sale and purchase and other agreements relating to the acquisition to understand key terms and conditions and confirming our understanding of the transaction with Management.
- Evaluating the measurement of the consideration transferred.
- Evaluating the identified assets and liabilities against the terms of the sale and purchase agreements.
- For the measurement of the identified assets and liabilities, evaluating:
    - the fair values of the identified assets and liabilities at acquisition date;
    - the cash flow forecasts used in the measurement of the identifiable intangible assets, which included assessing the appropriateness of future cash flow forecasts and discount rates applied to those forecasts against the historic performance of the business and considering the impact and likelihood of known future events; and
    - the competence, capabilities, objectivity and expertise of Management's external valuation expert and the appropriateness of the expert's work as audit evidence for the relevant assertions.
- Evaluating the related disclosures about the acquisition of the Buy Right Cars included in Note 18 in the Group's consolidated financial statements.

Impairment testing of Goodwill and Other Indefinite Life Intangible Assets

As disclosed in Note 20 of the Group's consolidated financial statements the Group has goodwill of $92.5m allocated across six of the Group's cash-generating units ('CGUs') and brand assets of $71.4m allocated across three of the Group's CGUs. Goodwill and brand were significant to our audit due to the size of the assets and the subjectivity, complexity and uncertainty inherent in the measurement of the recoverable amount of these CGUs' for the purpose of the required annual impairment test. The measurement of a CGUs recoverable amount includes the assessment and calculation of its 'value-in-use'.

Management has completed the annual impairment test for each of these six CGUs as at 31 March 2017.

This annual impairment test involves complex and subjective estimation and judgement by Management on the future performance of the CGUs, discount rates applied to future cash flow forecasts, and future market or economic conditions.

Our audit procedures among others included:

- Evaluating Management's determination of the Group's six CGUs based on our understanding of the nature of the Group's business and the economic environment in which the segments operate. We also analysed the internal reporting of the Group to assess how CGUs are monitored and reported.
- Challenging Management's assumptions and estimates used to determine the recoverable value of its Indefinite Life Intangible Assets, including those relating to forecasted revenue, cost, capital expenditure, discount rates, by adjusting for future events and corroborating the key market related assumptions to external data. Procedures included:
    - Evaluating the logic of the value-in-use calculations supporting their annual impairment test and testing the mathematical accuracy of these calculations;

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for the year ended 31 March 2017

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Key Audit Matter	How our audit addressed the key audit matter

Impairment testing of Goodwill and Other Indefinite Life Intangible Assets *(continued)*

Management has also engaged an external valuation expert to assist in the annual impairment testing of the six CGUs.

- Evaluating Management's process regarding the preparation and review of forecasts;
- Comparing forecasts to Board approved forecasts;
- Evaluating the historical accuracy of the Group's forecasting to actual historical performance;
- Evaluating the forecast growth assumptions;
- Evaluating the inputs to the calculation of the discount rates applied;
- Engaging our own internal valuation experts to evaluate the logic of the value-in-use calculation and the inputs to the calculation of the discount rates applied;
- Evaluating Management's sensitivity analysis' for reasonably possible changes in key assumptions; and
- Performing our own sensitivity analyses for reasonably possible changes in key assumptions, the two main assumptions being: the discount rate and forecast growth assumptions.

- Evaluating the related disclosures about indefinite life intangible assets which are included in Note 20 in the Group's consolidated financial statements.

Valuation of Finance Receivables

As disclosed in Note 14 of the Group's consolidated financial statements the Group has finance receivable assets of $207.1m. Finance receivable assets were significant to our audit due to the size of the assets and the subjectivity, complexity and uncertainty inherent in the timing of the recognition of impairment in respect of finance receivables and the amount of that impairment.

The assessment of impairment is made at both an individual finance receivable level, for individually significant receivables, and a collective level for groups of finance receivables with similar credit risk characteristics.

Management has prepared impairment models to complete its assessment of impairment for the Group's finance receivables as at 31 March 2017.

This assessment involves complex and subjective estimation and judgement by Management on credit risk and the future cash flows of the finance receivables.

Our audit procedures among others included:

- Evaluating the design and operating effectiveness of the key controls over finance receivable origination, ongoing administration and impairment model data and calculations;
- For individually assessed finance receivables, examining those finance receivables and forming our own judgements as to whether the impairment provision recognised by Management was appropriate;
- For the collectively assessed finance receivables, challenging and evaluating the logic of Management's impairment models and the key assumptions used with our own experience. Also, testing key inputs used in the collective impairment models and the mathematical accuracy of the calculations within the models;
- Challenging key inputs used by Management in the collective impairment models by performing sensitivity analyses for reasonably possible changes in these inputs; and
- Evaluating the related disclosures about finance receivables, and the risks attached to them which are included in Note 14 in the Group's consolidated financial statements.

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Key Audit Matter	How our audit addressed the key audit matter
Valuation of Insurance Contract Liabilities	
As disclosed in Note 34 of the Group's consolidated financial statements the Group has insurance contract liabilities of $43.9m. The Group's insurance contract liabilities were significant to our audit due to the size of the liabilities and the subjectivity, complexity and uncertainty inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain. Management has engaged an external actuarial expert to estimate the Group's insurance contract liabilities as at 31 March 2017.	Our audit procedures among others included: • Evaluating the design and operating effectiveness of the key controls over insurance contract origination, ongoing administration, integrity of data provided to Management's external actuarial expert used in the estimation process and management's review of the estimates; • Evaluating the competence, capabilities, objectivity and expertise of Management's external actuarial expert and the appropriateness of the expert's work as audit evidence for the relevant assertions; • Agreeing the data provided to Management's external actuarial expert to the Group's records; • Engaging our own actuarial expert to assist in understanding and evaluating: o the work and findings of the Group's external actuarial expert engaged by Management; o the Group's actuarial methods and assumptions to assist us in challenging the appropriateness of actuarial methods and assumptions used by Management; • Assessing the selection of methods and assumptions with a view to identifying management bias; • Evaluating the related disclosures about insurance contract liabilities, and the risks attached to them which are included in Note 34 in the Group's consolidated financial statements.

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Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 March 2017 (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

The Directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT cont.

for the year ended 31 March 2017

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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INDEPENDENT AUDITOR'S REPORT cont.

for the year ended 31 March 2017

The engagement partner on the audit resulting in this independent auditor's report is D I Searle.

Staples Rodway

STAPLES RODWAY AUCKLAND

Auckland, New Zealand

30 June 2017

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2017

	Notes	2017 $'000	2016 $'000
Revenue from continuing operations	7 & 31	**249,338**	169,773
Other income	7	**1,671**	522
Cost of goods sold		**(116,997)**	(58,964)
Interest expense	7	**(11,350)**	(11,436)
Impairment provision expense	7	**(2,026)**	(1,041)
Subcontracted services expense		**(8,520)**	(6,960)
Employee benefits (short term)		**(40,862)**	(33,424)
Commission	31	**(7,446)**	(6,194)
Advertising expense		**(3,431)**	(2,118)
Depreciation and amortisation expense	7	**(2,863)**	(2,144)
Property and related expenses		**(9,391)**	(8,877)
Systems maintenance		**(1,468)**	(1,152)
Claims	31	**(6,491)**	(3,501)
Movement in life insurance liabilities	34	**(1,056)**	(953)
Credit legal fee service expense		**(838)**	(806)
Other expenses		**(13,639)**	(11,174)
Profit before taxation		**24,631**	21,551
Taxation (expense)/benefit	8	**(7,057)**	(5,949)
Profit for the year		**17,574**	15,602
Other comprehensive income for the year (which may subsequently be reclassified to profit/loss), net of tax			
Cash flow hedges		**41**	(35)
Foreign currency translation differences		**(6)**	6
Total other comprehensive income		**35**	(29)
Total comprehensive income for the year		**17,609**	15,573
Earnings per share (cents per share)			
Basic earnings per share	9	**25.49**	24.70
Diluted earnings per share	9	**25.03**	24.13

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2017

	Notes	Share Capital $'000	Share options $'000	Translation Reserve $'000	Cash flow reserve $'000	Retained Earnings $'000	Total $'000
Balance at 31 March 2015		135,294	-	(23)	-	(14,269)	121,002
Transactions with shareholders in their capacity as owners							
Capital contributions (net of issue costs)	26	1,161	-	-	-	-	1,161
Share buy-back	26	(328)	-	-	-	-	(328)
Dividend paid	28	-	-	-	-	(7,596)	(7,596)
Total transactions with shareholders in their capacity as owners		833	-	-	-	(7,596)	(6,763)
Comprehensive income							
Profit		-	-	-	-	15,602	15,602
Other comprehensive income		-	-	6	(35)	-	(29)
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
Transactions with shareholders in their capacity as owners							
Capital contributions (net of issue costs)	26	**32,682**	**-**	**-**	**-**	**-**	**32,682**
Share based payments	27	**-**	**208**	**-**	**-**	**-**	**208**
Dividend paid	28	**-**	**-**	**-**	**-**	**(8,595)**	**(8,595)**
Total transactions with shareholders in their capacity as owners		**32,682**	**208**	**-**	**-**	**(8,595)**	**24,295**
Comprehensive income							
Profit		**-**	**-**	**-**	**-**	**17,574**	**17,574**
Other comprehensive income		**-**	**-**	**(6)**	**41**	**-**	**35**
Total comprehensive income for the year, net of tax		**-**	**-**	**(6)**	**41**	**17,574**	**17,609**
Balance at 31 March 2017		**168,809**	**208**	**(23)**	**6**	**2,716**	**171,716**

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
for the year ended 31 March 2017

	Notes	**2017 $'000**	2016 $'000
Assets			
Cash and cash equivalents	10	**69,069**	13,810
Financial assets at fair value through profit or loss	11	**10,320**	18,455
Trade receivables	12 & 31	**12,663**	8,834
Inventory	13	**44,642**	14,156
Finance receivables	14	**207,143**	167,598
Derivative financial instruments		**88**	-
Other receivables and deferred expenses	15 & 31	**8,489**	5,306
Reverse annuity mortgages	16	**9,222**	9,734
Investment property	17	**4,000**	-
Property, plant and equipment	19	**18,909**	11,108
Intangible assets	20 & 31	**172,088**	118,106
Total assets		**556,633**	367,107
Liabilities			
Other payables	21 & 31	**28,091**	21,529
Financial liability at fair value through profit or loss	22	**7,611**	-
Deferred revenue	23	**5,624**	6,049
Deferred tax	24 & 31	**20,173**	8,744
Tax payables		**1,808**	990
Derivative financial instruments		**-**	49
Borrowings	25	**265,889**	174,816
Life investment contract liabilities	34	**12,847**	15,629
Insurance contract liabilities	31 & 34	**42,874**	9,489
Total liabilities		**384,917**	237,295
Shareholders' equity			
Share capital	26	**168,809**	136,127
Other reserves		**191**	(52)
Retained earnings		**2,716**	(6,263)
Total shareholders' equity		**171,716**	129,812
Total shareholders' equity and liabilities		**556,633**	367,107

For and on behalf of the Board

G.K. Baker
Chairman Director

P.A. Byrnes
Executive Director

Authorised for issue on 30 June 2017

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 March 2017

	Notes	**2017 $'000**	2016 $'000
Cash flows from operating activities			
Interest received		**27,909**	25,303
Receipts from customers		**216,948**	138,586
Interest paid		**(8,237)**	(7,712)
Payment to suppliers and employees		**(216,489)**	(136,694)
Income tax paid		**(5,044)**	(659)
Net cash outflow from operating activities before changes in operating assets and liabilities		**15,087**	18,824
Net increase in finance receivables		**(36,403)**	(11,638)
Net decrease in reverse annuity mortgages		**1,246**	4,623
Net decrease of financial assets at fair value through profit or loss		**9,156**	2,173
Net (withdrawals)/contributions from life investment contracts		**(2,645)**	(992)
Changes in operating assets and liabilities arising from cash flow movements		**(28,646)**	(5,834)
Net cash (outflow)/inflow from operating activities	30	**(13,559)**	12,990
Cash flows from investing activities			
Proceeds from sale of property, plant, equipment, intangibles and held for sale assets		**340**	320
Purchase of property, plant, equipment and intangibles		**(8,401)**	(5,141)
Purchase of subsidiaries and investments	18	**(63,346)**	(6,715)
Net cash inflow/(outflow) from investing activities		**(71,407)**	(11,536)
Cash flows from financing activities			
Net bank loan advances/(repayments)		**82,288**	7,056
Proceeds from the issue of shares		**13,374**	139
Proceeds from the issue of bonds		**19,784**	-
Dividend paid		**(8,595)**	(7,596)
Net cash inflow/(outflow) from financing activities		**106,851**	**(401)**
Net movement in cash and cash equivalents		**21,885**	1,053
Add opening cash and cash equivalents		**13,810**	12,339
Cash included with purchase of subsidiaries		**33,378**	409
Translation difference		**(4)**	9
Closing cash and cash equivalents		**69,069**	13,810
Represented By:			
Cash at bank	10	**69,069**	13,810
Closing cash and cash equivalents		**69,069**	13,810

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

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

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

The consolidated financial statements of Turners Automotive Group 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:
- automotive retail (second hand vehicle retailer)
- finance and insurance (loans and insurance products); and
- debt management (collection services).

The financial statements were authorised for issue by the directors on 30 June 2017.

***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*

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 2017 or later periods. The Group has not early adopted them.

NZ IFRS 9 Financial Instruments (effective date: periods beginning on or after 1 January 2018)
NZ IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of NZ IFRS 9 was issued in September 2014. It replaces the guidance in NZ IAS 39, 'Financial Instruments: recognition and measurement', that relates to the classification and measurement of financial instruments. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories of financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to measure at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. NZ IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged time and hedging instrument and for the 'hedge ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under NZ IAS 39.

The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group intends to adopt NZ IFRS 9 on its effective date and there is a project plan place to assess the full impact of the standard.

NZ IFRS 15 Revenue from Contracts with Customers (effective date: periods beginning on or after 1 January 2018)
NZ IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financials statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations.

The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group intends to adopt NZ IFRS15 on its effective date and there is a project plan place to assess the full impact of the standard.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

NZ IFRS 16 Leases (effective date: periods beginning on or after 1 January 2019)
NZ IFRS 16, 'Leases', replaces the current guidance under NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted but only in conjunction with NZ IFRS 15, 'Revenue from Contract with Customers'. The Group intends to adopt NZ IFRS 16 on its effective date and there is a project plan in place to assess the full impact of the standard.

NZ IFRS 17 *Insurance Contracts (effective date: periods beginning on or after 1 January 2021)*
NZ IFRS 17, 'Insurance Contracts', will replace NZ IFRS 4, 'Insurance Contracts'. Under the NZ IFRS 17, insurance contract liabilities will be calculated at the present value of future insurance cash flows with a provision for risk. The discount rate applied will reflect current interest rates. If the present value of future cash flows would produce a gain at the time an insurance contract is issued, the model would also require a "contractual service margin" to offset the day 1 gain. The contractual service margin would be amortized over the life of the insurance contract. There would also be a new income statement presentation for insurance contracts, including a revised definition of revenue and additional disclosure requirements. NZ IFRS 17 will also have accommodations for certain specific types of insurance contracts. Short-duration insurance contracts will be permitted to use a simplified unearned premium liability model until a claim is incurred. For some contracts, in which the cash flows are linked to underlying items, the liability value will reflect that linkage.

The Group is yet to assess the impact of NZ IFRS 17. The Group intends to adopt NZ IFRS 17 no later than the financial year beginning 1 April 2021.

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 asset 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.

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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 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 the 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 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
Recurring premiums on life insurance contracts are recognised as revenue when payable by the policyholder. Where policies provide for the payment of amounts of premiums on specific due dates, such premiums are recognised as revenue when due. Unpaid premiums are only recognised as revenue during the days of grace and are not recognised where policies are deemed to have lapsed at reporting date.

General insurance premiums comprise the total premiums payable for the whole period of cover provided by contracts entered into during the reporting period and are recognised on the date on which the policy commences. Premiums include any adjustments arising in the

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reporting period for premium receivables written in respect of business written in prior accounting periods. Premiums collected by intermediaries, but not yet received, are assessed based on known sales and are included in written premium.

Unearned premiums are those proportion of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

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.

Those direct and indirect costs incurred during the financial period arising from the acquiring or renewing of insurance contracts are deferred to the extent that these costs are recoverable out of future premiums from insurance contracts. All other acquisitions costs are recognised as an expense when incurred.

Subsequent to initial recognition, the deferred acquisitions cost asset (DAC) for life insurance contacts is amortised over the expected life of the contracts. DAC for general insurance contracts is amortised over the period in which the revenues are earned.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in profit or loss. DACs are also considered in the liability adequacy test for each reporting period.

DACs are derecognised when the related contracts are either settled or disposed of.

Voucher income
Voucher income is initially recognised as an unredeemed voucher liability. Voucher income is recognised when the voucher is redeemed or after a period of time based on historical non-redemption patterns. Estimates are readjusted as necessary based on movements in the actual non-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 financial assets 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 financial assets were acquired. Financial assets are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

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
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

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.

Regular purchases and sales of financial assets 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 through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or

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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 the profit or loss in the period in which they arise. Realised and 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. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults. For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised through profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price. If, in a subsequent period, the amount of the 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 reversal of previously recognised impairment loss is recognised in the through profit or loss.

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, trade and other receivables and reverse annuity mortgages
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 Financial liabilities
Financial liabilities are classified at initial recognition, as financial liabilities at fair value through profit or loss, payables, borrowings or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities at fair value through profit or loss
This category has two sub categories: financial liabilities held for trading, and those designated at fair value through profit or loss at inception. A financial liability 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 liabilities at fair value through profit or loss comprise contingent consideration and foreign exchange derivatives.

Payables
The Group's payables comprise trade and other payables.

Borrowings
The Group's borrowings comprise borrowings.

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3.9 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.

3.10 Contingent consideration
Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into account are the probability of meeting each performance target and the discount factor.

3.11 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.

3.12 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.

3.13 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;
- 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 Group has determined that all assets of the Group's subsidiary, DPL Insurance Limited, are assets backing policy liabilities and are managed and reported in accordance with a mandate approved by the DPL Insurance Limited's Board.

The liability for life insurance contracts is 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 longer-term life contracts written on yearly renewable premiums, are valued using the accumulation method, as provided for in NZ IFRS 4.

General insurance contract liabilities include claims provision and the provision for unearned premium. The outstandings claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling cost and a reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of claims, therefore the ultimate cost of these cannot be known at reporting date and are estimated based on

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The provision for unearned premiums represent the portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

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.

3.14 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.

3.15 Inventories
Inventories comprise primarily motor vehicles held for sale and are stated at the lower of cost or net realisable value. Cost 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.

3.16 Investment property
Investment property is held for capital appreciation and comprises land that was transferred from finance receivables through the exercise Group's security interest in a finance receivable that was in default.

Investment property is initially recognised at cost (fair value on date of transfer) and subsequently carried at fair value .The fair value of investment properties is determined by a qualified independent external valuer (refer note 17).

Any gains or losses arising from a change in fair value of the investment property is recognised in profit or loss. Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the period in which they are incurred.

Investment properties are not depreciated for accounting purposes.

3.17 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

3.18 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.

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

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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).

3.19 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.

3.20 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.

3.21 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.

3.22 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.

3.23 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.

Share based payments
The cost of options issued to employees under the Group's share option plan is measured by reference to fair value of the options at the date on which they are granted. Service and non-market performance conditions are not taken into account when determining the grant date

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fair value, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market conditions are reflected within the grant date fair value.

The cost of equity settled transactions is recognised over the vesting period. If the service condition is not met during the vesting period the expense is revised to reflect the best available estimate of the number of equity instruments expected to vest. Where awards include market and non-vesting conditions, the transactions are treated as vested irrespective of whether the market or non-vesting conditions is satisfied, provided that all other performance and/or service conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share refer note 9).

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.

3.24 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 and borrowings.

3.25 Comparatives
Where necessary, comparative information has been reclassified and represented for consistency with current year disclosures (refer note 31 for further details).

4. Use of Estimates and Judgements
In preparing the financial statements in accordance with NZ IFRS, IFRS and applicable reporting standards 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 loan receivables
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).

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 20).

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 34A).

Impairment of corporate brands
The carrying values of brands are 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 20).

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. At year end, the Group readjusted the unredeemed prepaid collection voucher liability write off methodology based on movements in the actual redemption patterns to reflect the continued decline in the redemption of historically issued prepaid collection vouchers. The change in accounting estimate resulted in a $0.7m (2016: $1.8m) decrease in the unredeemed voucher liability (note 23).

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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).

Valuation of investment properties
The fair value of the investment property has been determined by an independent qualified valuer. Note 17 sets out the valuation methodology, key assumptions and sensitivity analysis. The fair value of the investment property is subjective and changes to the assumptions can have a significant impact on profit and the fair value.

The derecgonition of finance receivables
The Group follows the guidance in NZ IAS 39, 'Financial Instruments: Recognition and Measurement', in transactions where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the Group derecognises the transferred asset if control over that asset is relinquished. The rights and obligations retained in the transfer, such as servicing assets and liabilities, are recognised separately as assets and liabilities, as appropriate. If control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, which is determined by the extent to which it remains exposed to changes in the value of the transferred asset. This determination of whether risks and rewards of ownership of a financial asset are neither retained nor transferred requires significant judgement (refer note 14).

Fair value measurement
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 and 22).

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. The fair value of level 3 instruments are determined by using valuation techniques based on a range of unobservable inputs. 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.

Specific valuation techniques used to value financial instruments in each level are detailed in notes 5.5 and 17.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

5. 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 34, and fair value risk relating to the Group's Investment property.

5.1 Financial instrument by category

Carrying value	2017 $'000	2016 $'000
Financial assets		
Financial assets at fair value through profit or loss	**10,320**	18,455
Loans and receivables		
Cash and cash equivalents	**69,069**	13,810
Trade receivables	**12,663**	8,834
Finance receivables	**207,143**	167,598
Other receivables and deferred expenses	**6,015**	3,843
Reverse annuity mortgages	**9,222**	9,734
	314,432	222,274
Financial liabilities		
Other payables	**19,485**	15,061
Financial liability at fair value through profit or loss	**7,611**	-
Borrowings	**265,889**	174,816
	292,985	189,877

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 placed with registered banks.

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.

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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 designated percentages of insurance reserves 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
2017						
Other payables	**19,485**	**-**	**-**	**-**	**-**	**19,485**
Derivative cash flow hedges	**4,958**	**-**	**-**	**-**	**-**	**4,958**
Borrowings	**18,750**	**50,998**	**172,340**	**50,440**	**-**	**292,528**
	43,193	**50,998**	**172,340**	**50,440**	**-**	**316,971**
Expected undiscounted cash flows:						
Other payables	**19,485**	**-**	**-**	**-**	**-**	**19,485**
Derivative cash flow hedges	**4,958**	**-**	**-**	**-**	**-**	**4,958**
Borrowings	**18,750**	**51,002**	**60,132**	**62,102**	**131,645**	**323,631**
	43,193	**51,002**	**60,132**	**62,102**	**131,645**	**348,074**
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

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 34K 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.

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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.

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.

	Carrying amount $'000	-1% Profit $'000	-1% Equity $'000	+1% Profit $'000	+1% Equity $'000
2017					
Financial Assets					
Cash and cash equivalents	**69,069**	**(691)**	**(498)**	**691**	**498**
Financial assets at fair value through profit or loss	**122**	**(1)**	**(1)**	**1**	**1**
Finance receivables	**207,143**	**(1,689)**	**(1,216)**	**1,689**	**1,216**
Reverse annuity mortgages	**9,222**	**(92)**	**(66)**	**92**	**66**
Financial Liabilities					
Financial liability at fair value through profit or loss	**7,611**	**76**	**55**	**(76)**	**(55)**
Derivative cash flow hedges	**49**	**-**	**52**	**-**	**(50)**
Borrowings	**265,889**	**2,272**	**1,636**	**(2,272)**	**(1,636)**
Total increase/(decrease)		**(125)**	**(38)**	**125**	**40**
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

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	**2017 NZ$'000**	2016 NZ$'000
Net exposure to AUD	**465**	295
Net exposure to JPY	**-**	-

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

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In NZD'000	-10% Profit	-10% Equity	+10% Profit	+10% Equity
2017				
AUD	**-**	**42**	**-**	**(47)**
JPY	**-**	**440**	**-**	**(361)**
2016				
AUD	-	27	-	(30)
JPY	-	244	-	(198)

5.4.4Equity price risk
Equity price risk is the risk that the Group's profit or loss will fluctuate as a result of changes in share prices. The Group is exposed to equity price risk through its investment in MTF Shares. A +1%/-1% movement in the MTF share price will increase/(decrease) profit and equity by $30k/($30k) (2016: $22k/($22k)).

5.5 Assets and liabilities carried at fair value:

The fair value of 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
2017				
Fair value assets:				
Financial assets at fair value through profit or loss - Insurance	**-**	**7,190**	**-**	**7,190**
Financial assets at fair value through profit or loss - investment in equities	**-**	**3,008**	**-**	**3,008**
Financial assets at fair value through profit or loss - term deposits	**122**	**-**	**-**	**122**
Investment property	**-**	**-**	**4,000**	**4,000**
	122	**10,198**	**4,000**	**14,320**
Fair value liabilities:				
Financial liability at fair value through profit or loss	**-**	**-**	**7,611**	**7,611**
Derivative cash flow hedges	**-**	**88**	**-**	88
	-	**88**	**7,611**	**7,699**
2016				
Fair value 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
	365	18,090	-	18,455
Fair value liabilities:				
Derivative cash flow hedges	-	49	-	49

Fair value insurance
The financial assets in this category back life investment contract liabilities and are investments in managed funds. The fair value of the investments in the managed funds are determined by reference to published exit prices, being the redemption price established by the based on market price quoted by the fund manager, OnePath (NZ) Limited (refer 5.4.1).

Fair value assets - investment in equities
The fair value of the investment in equities has been estimated by reference to recent transactions with MTF shares (refer 5.4.4).

Fair value liability - term deposits and fixed interest securities
Term deposits are recognised at fair value based on quoted bid market price (refer 5.4.2).

Fair value - investment property
The fair value of investment property was determined by an independent registered valuer using the comparable sales methodology (refer note 17).

This is a level 3 fair value measurement and the key unobservable assumption used in determining the consideration is the probable sales price. A change in sales price of +/- 5% would increase/(decrease) the total fair value and profit or loss by $0.2m/($0.2m).

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Financial liability at fair value through profit or loss – contingent consideration
The fair value of the contingent consideration was determined using estimates of the expected pay out discounted at current borrowing rates.

These financial liabilities are exposed to interest rate risk as disclosed above.

Buy Right Cars
At acquisition date, contingent consideration of $6.3m was recognised and re-measured to $6.8m on the reporting date.

The fair value estimate, at acquisition date, of the contingent consideration was determined by discounting the probability adjusted earn out consideration of $6.8m by 4.8%.

This is a level 3 fair value measurement and the key unobservable assumptions used in determining the probability adjusted earn out consideration was the probability of achieving 65% to 150% of the annual net profit performance target established in the sales and purchase agreement for the two earn periods.

At 31 March 2017, a charge of $0.5m was recognised in profit or loss for the contingent consideration arrangement as the assumed probability adjusted earn out consideration was increased from $3.4m to $3.5m and the discount rate changed from 4.8%to 4.55%. Assuming all other variables are held constant, and an increase in net profit before tax of 1% each year, the contingent consideration would increase by $68,000.

Autosure
At acquisition date contingent consideration of $0.8m was recognised and not re-measured as the acquisition took place on the reporting date. The maximum consideration to be paid is $1.0m.

The fair value estimate, at acquisition date, of the contingent consideration was determined by discounting the probability adjusted earn out consideration of $ 0.8m by 4.55%.

This is a level 3 fair value measurement and the key unobservable assumptions used in determining the probability adjusted earn out consideration was the probability of achieving 96% to 100% of the gross written premium target established in the sales and purchase agreement.

Future development may require further revisions to the contingent considerations for Buy Right Cars and Autosure.

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.

Reconciliation of recurring level 3 fair value movements:

Assets	**2017** $'000
Opening balance	-
Transfer from finance receivables (exercise security interest)	3,500
Revaluation at reporting date - investment property	500
Closing balance	4,000

Liabilities	
Opening balance	-
On acquisition contingent consideration - Buy Right Cars	6,342
On acquisition contingent consideration - Autosure	775
Revaluation at reporting date - Buy Right Cars	494
Closing balance	7,611

During the year there were no movements of fair value assets or liabilities between levels of the fair value hierarchy.

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6. SEGMENTAL INFORMATION

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

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

Five reportable segment have been identified as follows:
Automotive retail - remarketing (motor vehicles, trucks, heavy machinery and commercial goods) and purchasing goods for sale (motor vehicles and commercial goods) and related asset based finance to consumers.
Collection services - collection services, credit management and debt recovery services to the corporate and SME sectors. Geographically the collections services segment business activities are located in New Zealand and Australia.
Finance - provides asset based finance to consumers and SME's.
Insurance - marketing and administration of a range of life and consumer insurance and superannuation products.
Corporate & other - corporate centre.

OPERATING SEGMENTS

Revenue	Total segment revenue **2017** **$'000**	Inter-segment revenue **2017** **$'000**	Revenue from external customers **2017** **$'000**	Total segment revenue 2016 $'000	Inter-segment revenue 2016 $'000	Revenue from external customers 2016 $'000
Automotive retail	**193,472**	**(783)**	**192,689**	117,774	-	117,774
Finance	**26,818**	**-**	**26,818**	24,388	-	24,388
Collection services - New Zealand	**13,127**	**(3,804)**	**9,323**	13,014	(3,238)	9,776
Collection services - Australia	**9,783**	**-**	**9,783**	8,555	-	8,555
Insurance	**12,255**	**-**	**12,255**	9,155	-	9,155
Corporate & other	**466**	**(325)**	**141**	735	(88)	647
	255,921	**(4,912)**	**251,009**	173,621	(3,326)	170,295

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 arms length basis. The Group has no customers representing 10% or more of the Group's revenues.

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

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

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

Segment assets and liabilities	**Assets**		**Liabilities**	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Automotive retail	134,160	83,092	103,821	62,625
Finance	174,134	152,320	126,528	113,736
Collection services - New Zealand	25,974	25,533	9,246	13,991
Collection services - Australia	1,908	1,641	890	1,346
Insurance	118,722	35,818	66,503	27,110
Corporate & other	266,403	219,114	79,169	50,668
	721,301	517,518	386,157	269,476
Eliminations	(164,668)	(150,411)	(1,240)	(32,181)
	556,633	367,107	384,917	237,295

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

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

7. PROFIT BEFORE TAX

	Notes	2017 $'000	2016 $'000
Revenue from continuing operations includes:			
Interest income			
Bank accounts, short term deposits and investments		**206**	353
Finance receivables		**30,387**	28,166
Reverse annuity mortgages		**885**	1,112
Total Interest Income		**31,478**	29,631
Other revenue			
Sales of goods		**139,153**	70,457
Commission and other auction revenue		**37,942**	37,829
Finance related insurance commissions		**6,839**	1,666
Loan fee income		**2,187**	2,041
Insurance and life investment contract income	31	**10,467**	8,354
Collection income		**19,093**	18,325
Bad debts recovered		**1,058**	1,199
Other revenue		**1,121**	271
Total Other Revenue		**217,860**	140,142
Total Operating Revenue		**249,338**	169,773
Other income comprises:			
Revaluation gain on investments		**1,229**	**200**
Dividend income		**358**	**252**
Gain of sale of property, plant and equipment		**84**	**70**
		1,671	522
Interest expense			
Bank borrowings and other		**9,357**	9,316
Bonds		**1,993**	2,120
Total Interest Expense		**11,350**	11,436
Movement in impairment provisions			
Provisions for:			
Specific impaired finance receivables	14	**282**	(544)
Collective impairment provision for finance receivables	14	**285**	526
Collective impairment on reverse annuity mortgages	16	**17**	18
Finance receivables bad debts written off		**1,442**	1,041
Movement		**2,026**	1,041
Net operating profit includes the following specific expenses			
Depreciation			
- Plant, equipment & motor vehicles		**490**	413
- Leasehold improvements, furniture, fittings & office equipment		**824**	500
- Computer equipment		**313**	273
- Signs & flags		**92**	89
Amortisation of software		**1,144**	869
		2,863	2,144
Tax advisory fees		**221**	160
Donations		**10**	7
Directors' fees		**458**	458
Post-employment benefits		**738**	755
Loss on sale of property, plant and equipment		**53**	30

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

	2017 $'000	2016 $'000
Fees paid to auditor		
Staples Rodway Auckland (auditor of the Group)		
Audit of financial statements		
Audit of annual financial statements	**372**	308
Other services		
Other assurance services		
- audit of DPL Insurance Limited solvency return	**5**	3
- audit of Turners Automotive Group Limited share registry	**-**	1
- Agreed Upon Procedures in relation to the EC Credit Control Limited trust account	**3**	3
Total other services	**8**	7
Total fees paid to Staples Rodway Auckland	**380**	315

8. TAXATION

	2017 $'000	2016 $'000
Net operating profit before taxation	**24,631**	21,551
Income tax expense at prevailing rates	**(6,900)**	(6,038)
Tax impact of income not subject to tax	**239**	128
Tax impact of expenses not deductible for tax purposes	**(520)**	(160)
Under provision in prior years	**124**	121
Taxation (expense)/benefit	**(7,057)**	(5,949)
Comprising:		
Current	**(5,790)**	(4,275)
Deferred	**(1,391)**	(1,795)
Under provision in prior years	**124**	121
	(7,057)	(5,949)

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, as follows:

	2017	2016
Profit for the year ($'000)	**17,574**	15,602
Weighted average number of ordinary shares at 31 March	**68,931,984**	63,160,163
Basic earnings per share (cents per share)	**25.49**	24.70

	2017	2016
Weighted number of shares		
Opening balance	**63,431,637**	63,078,516
Shares issued under the staff share scheme	**-**	160,480
Shares issued for the purchase of Buy Right Cars	**410,795**	-
Shares issued for the conversion of bonds	**2,906,378**	-
Shares issued as share placement	**2,183,174**	-
Treasury shares	**-**	(78,833)
	68,931,984	63,160,163

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

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 as follows:

	2017 $'000	2016 $'000
Continuing operations		
	17,574	15,602
Add: interest expense relating to optional convertible bonds, net of tax	**1,196**	1,505
Add: Long term incentive expense relation to options	**208**	-
Profit for the year	**18,978**	17,107

Weighted number of ordinary shares (diluted)		
Weighted average number of shares (basic)	**68,931,984**	63,160,163
Effect of the conversion of bonds	**6,816,220**	7,743,526
Effect of the exercise of the options	**61,845**	-
Weighted average number of shares (diluted)	**75,810,049**	70,903,689
Diluted earnings per share (cents per share)	**25.03**	24.13

10. CASH AND CASH EQUIVALENTS

	2017 $'000	2016 $'000
The carrying value of cash and cash equivalents are denominated in the following currencies:		
Australian dollars	**632**	278
New Zealand dollars	**68,437**	13,532
	69,069	13,810

The Group's insurance business is required to comply with the solvency standards for licensed insurers issued by the Reserve Bank of New Zealand. The solvency standards specify the level of assets the insurance business is required to hold in order to meet solvency requirements, consequently all cash and cash equivalents held in the insurance business may not be available for use by the wider Group. Following the transfer of the acquired Autosure in-force portfolio from Vero Insurance New Zealand Limited (refer note 18), Group's insurance business' cash and cash equivalents at 31 March 2017 were $55,600,000 (2016: $7,600,000).

Cash and cash equivalents at 31 March 2017 of $2.1m (2016: $nil) belong to the Turners Marque Warehouse Trust 1 (refer note 14) and are not available to the Group.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 $'000	2016 $'000
Insurance:		
Investments in unitised funds	7,190	**15,813**
Other:		
Term deposits	122	**365**
Investment in equities	3,008	**2,277**
Total	10,320	18,455

Investments in unitised funds comprise:		
New Zealand and overseas equities	**2,857**	5,673
Fixed Interest securities	**1,293**	2,390
Cash	**1,264**	3,128
New Zealand and overseas property securities	**1,776**	4,622
Total	**7,190**	15,813

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

	2017 $'000	2016 $'000
Investments with external investment managers		
OnePath (NZ) Limited - Unitised Funds	**7,190**	15,813

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	**3,125**	2,637
	3,130	2,642

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

	Note	2017 $'000	2016 $'000
Neither past due nor impaired	31	**11,152**	7,653
Past due but not impaired	31	**1,511**	1,181
Impaired		**203**	204
		12,866	9,038
Impairment provision		**(203)**	(204)
Net trade receivables		**12,663**	8,834

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	**171**	28
Past due 30 – 60 days	**24**	3
Past due 60 – 90 days	**1**	-
Past due 90+ days	**7**	173
	203	204

The age of past due but not impaired trade receivables is as follows:		
Past due up to 30 days	**277**	288
Past due 30 – 60 days	**157**	128
Past due 60 – 90 days	**255**	212
Past due 90+ days	**822**	553
	1,511	1,181

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

	2017 $'000	2016 $'000
Movement in the impairment provision:		
Opening balance	**204**	111
Acquisition impairment balance	**-**	-
Impairment charge/(release) included in other operating expenses	**1**	(70)
Amounts written off	**(2)**	163
	203	204

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

The carrying amounts of the Group's trade receivables are denominated in the following currencies:		
Australian dollars	**918**	990
New Zealand dollars	**11,745**	7,844
	12,663	8,834

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

	2017 $'000	2016 $'000
Motor vehicles	**45,402**	14,624
Commercial goods	**16**	-
	45,418	14,624
Less provision for stock obsolescence	**(776)**	(468)
	44,642	14,156

Inventories are a current asset.

Movement in provisions		
Opening balance	**468**	444
Movement	**308**	24
Closing balance	**776**	468

14. FINANCE RECEIVABLES

	2017 $'000	2016 $'000
Commercial loans	**28,476**	20,116
Consumer loans	**180,908**	147,490
Property development & investment loans	**3,746**	8,069
Gross finance receivables	**213,130**	175,675
Specific impairment provision	**(973)**	(1,952)
Collective impairment provision	**(5,055)**	(4,824)
Deferred fee revenue and commission expenses	**41**	(1301)
	207,143	167,598
Current	**99,349**	75,735
Non-current	**107,794**	91,863
	207,143	167,598

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

	2017 $'000	2016 $'000
Impaired finance receivables		
Gross finance receivables are summarised as follows:		
Neither past due nor impaired	**197,885**	154,111
Past due but not impaired	**11,244**	15,164
Impaired	**4,001**	6,400
Gross	**213,130**	175,675
The age of impaired finance receivables is as follows:		
Past due up to 30 days	**333**	298
Past due 30 – 60 days	**92**	54
Past due 60 – 90 days	**60**	109
Past due 90+ days	**3,516**	5,939
	4,001	6,400
The age of past due but not impaired finance receivables is as follows:		
Past due up to 30 days	**5,442**	7,378
Past due 30 – 60 days	**2,444**	2,281
Past due 60 – 90 days	**775**	1,088
Past due 90+ days	**2,583**	4,417
	11,244	15,164
Specific impaired financial receivables		
Opening balance	**6,400**	5,572
Additions	**1,904**	1,957
Amounts now collectively assessed	**-**	(25)
Amounts recovered	**(2764)**	(672)
Amounts written off	**(1539)**	(432)
	4,001	6,400
Movement in the impairment provisions:		
Specific impairment provision		
Opening balance	**1,952**	2,505
Impairment charge/(release) through profit or loss	**282**	(544)
Amounts written off	**(1261)**	(9)
	973	1,952
Collective impairment provision		
Opening balance	**4,824**	4,481
Acquisition impairment balance	**-**	159
Impairment charge/(release) through profit or loss	**285**	526
Amounts written off	**(54)**	(342)
	5,055	4,824
Total impairment provision	**6,028**	6,776

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 2017 $'000	Fair value 2017 $'000	Carrying amount 2016 $'000	Fair value 2016 $'000
Finance receivables	**207,143**	**206,786**	167,598	166,786

The fair values are based on cash flows discounted using a weighted average interest rate of 15.51% (2016: 15.40%).

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 2017

Securitisation
The Group has a wholesale funding facility with the Bank of New Zealand (BNZ) under which it securtises finance receivables through The Turners Marque Warehouse Trust 1 (the Trust). Under the facility, BNZ provide funding to the Trust secured by finance receivables sold to the Trust from the finance sector. The facility is for a 24 month term that will be renewed annually. The facility is for $150m.

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

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

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

During the financial year $74.8m finance receivables were sold to the Trust (2016: $nil). As at 31 March 2017 the carrying value of financial receivables in the Trust was $73.0m (2016: $nil).

15. OTHER RECEIVABLES AND DEFERRED EXPENSES

	Note	2017 $'000	2016 $'000
Deferred acquisition costs	31	**1,353**	666
Other receivables and prepayments		**7,136**	4,640
		8,489	5,306
Current	31	**5,234**	4,149
Non-current		**3,255**	1,157
		8,489	5,306
Carrying amount of financial assets included in other receivables		**6,015**	3,843

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

	2017	2016
Australian dollars	**6**	6
New Zealand dollars	**6,009**	3,837
	6,015	3,843

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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

16. REVERSE ANNUITY MORTGAGES

	2017 $'000	2016 $'000
Reverse annuity mortgages - encumbered securing bank borrowing (refer note 25)	**-**	2,820
Reverse annuity mortgages - DPL Insurance Limited (unencumbered)	**9,291**	6,966
Total reverse annuity mortgages	**9,291**	9,786
Deferred fee revenue and commission expenses	**-**	-
Provision for impairment	**(69)**	(52)
	9,222	9,734
Current	**1,892**	1,366
Non-current	**7,330**	8,368
	9,222	9,734
Movement in provisions for impairment		
Opening balance	**52**	34
Impairment charge/(release) through profit or loss	**17**	18
Closing balance	**69**	52

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

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

Fair value and credit risk

	Carrying amount 2017 $'000	Fair value 2017 $'000	Carrying amount 2016 $'000	Fair value 2016 $'000
Reverse annuity mortgages	**9,222**	**10,721**	9,734	11,400

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 PROPERTY

	2017 $'000	2016 $'000
Investment property	4,000	-
Movements in carrying amounts		
Opening balance	**-**	-
Transfer from finance receivables (exercise security interest)	**3,500**	-
Net change in fair value	**500**	-
Closing balance	**4,000**	-

The investment property is 26.8 hectares of residentially zoned land at Sanctuary Hill, 358 Worsleys Road, Christchurch.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

The investment property was valued at reporting date by a Property Institute of New Zealand registered valuer, Jones Lang LaSalle Limited, Valuation & Advisory. Jones Lang LaSalle Limited, an external independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. Fair values have been determined using a comparable sales approach methodology, having regard to current market conditions and comparable sales within the locality. Subjective adjustments have been applied where necessary to account for variations in location, land, improvements, time adjustment and overall quality.

No income has been earned and no direct operating expenses, other than council rates, have been incurred on the investment property. There are no restrictions on the disposoal or the remittance of proceeds on disposal.

18. INVESTMENT IN SUBSIDIARIES

		Ownership Interest Held 2017	2016
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%**	100.0%
Turners Finance Limited	Finance	**100.0%**	100.0%
Emerald Gisborne 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%
Buy Right Cars (2016) Limited (formerly Dorchester Life Management Limited)	Vehicle trade	**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%
Turners Property Holdings Limited (formerly Turners Technology Solutions Limited)	Property	**100.0%**	100.0%
Smart Group Services Limited	Dormant	**100.0%**	100.0%
Turners International Holdings 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.

The Group has a wholesale funding facility with the Bank of New Zealand (BNZ) under which it securtises finance receivables through The Turners Marque Warehouse Trust 1 (the Trust). The Group has the power over the Trust, exposure, or rights, to variable returns from its involvement with the Trust and the ability to use its power over the Trust to affect the amount of the Group's returns from the Trust. Consequently the Group controls the Trust and has consolidated the Trusts into the Group financial statements.

Emerald Gisborne Hotel Property Trust Trading Limited ("EGHPTTL") is a wholly owned subsidiary of Emerald Gisborne Hotel Property Trust Management Limited . EGHPTTL was established to manage the operations of the property held by the Emerald Gisborne Property Trust (EGPT) 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. During the financial year the last of the properties in the EGPT was sold, proceeds distributed to unitholders and the EGPT was terminated on 26 August 2016.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

Acquisition of businesses in the year ending 31 March 2017

ACQUISITION OF BUY RIGHT CARS

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

	29/07/2016 **$'000**
Fair value of consideration transferred	
Cash	29,344
Ordinary shares (612,000)	1,854
Contingent consideration	6,342
	37,540
Identified assets acquired and liabilities assumed	
Inventories	26,980
Property, plant and equipment	1,958
Other assets	12
Intangible assets - brand value	4,300
Payables	(5,366)
Deferred tax	(1,204)
Identifiable net assets	26,680
Goodwill on acquisition	10,860
Consideration transferred settled in cash	29,344
Acquisition costs charged to expenses	169
Net cash paid relating to acquisition	29,516

Contingent consideration

At acquisition date contingent consideration of $6.3m was recognised. The contingent consideration arrangement requires the Group to make earn out payments on the first and second anniversary of the acquisition, in cash and shares (maximum of 30% of earn out payment), to Buy Right Cars Limited. The earn out payments are based on the earn out consideration adjusted by the performance percentage. The performance percentage is calculated by comparing the actual annual net profit before tax (NPBT) to the target annual NPBT included in the sale and purchase agreement.

The potential undiscounted amount of all future payments to Buy Rights Cars Limited is between $6.8m and $7.4m.

Identified assets acquired and liabilities assumed

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

Goodwill

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

Contribution to Group results

In the eight months to 31 March 2017 the business contributed revenue of $44.2 million and profit of $2.1 million to the Group's consolidated results. If the acquisition had occurred on 1 April 2016, management estimates that the Group consolidated revenue would have been $272.9m and the Group consolidated profit for the year would have been $18.6m.

ACQUISITION OF AUTOSURE

In November 2016 the Group entered in to an agreement to purchase part of the Autosure business from Vero Insurance New Zealand Limited. This acquisition included the Autosure brand, corporate relationships and the in-force portfolio of mechanical breakdown, guaranteed assed protection, payment protection, credit contract indemnity and extended warranty insurance contract liabilities. The acquisition was completed on 31 March 2017 being the date on which the transfer of in-force Autosure insurance portfolio received approval from the Reserve Bank of New Zealand. The purchase of Autosure aligns with the Group's strategy of building on organic growth with acquisitions of reputable businesses and brands that build capability and scale in the integrated automotive financial services market.

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

Contingent consideration

At acquisition date contingent consideration of $0.8m was recognised. The contingent consideration arrangement requires the Group to make an earn out payment on the first anniversary of the acquisition, in cash, to Vero Insurance New Zealand Limited. The earn out payment is based on the earn out consideration adjusted by the performance percentage. The performance percentage is calculated by comparing the actual annual gross written premium to the target annual gross written premium included in the sale and purchase agreement.

The potential undiscounted amount of all future payments to Vero Insurance New Zealand Limited is between $0.8m and $1.0m.

Identified assets acquired and liabilities assumed

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

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Goodwill

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

Contribution to Group results

As the effective date of the purchase was 31 March 2017, the business has made no material net contribution to the Group's consolidated results. If the acquisition had occurred on 1 April 2016, management estimates that the Group consolidated revenue would have been $283.6m and the Group consolidated profit before acquisition amortisation for the year would have been $23.0m.

Acquisition of businesses in the year ending 31 March 2016

ACQUISITION OF SOUTHERN FINANCE

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
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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

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
2017						
At cost	**6,212**	**2,002**	**4,155**	**1,827**	**416**	**14,612**
Accumulated depreciation	**-**	**(639)**	**(1,389)**	**(1,331)**	**(145)**	**(3,504)**
Opening carrying amount	**6,212**	**1,363**	**2,766**	**496**	**271**	**11,108**
Additions - business combinations	-	640	1,805	-	-	2,445
Additions	4,943	878	968	557	48	7,394
Disposals, transfers & translation difference	-	(315)	(2)	-	(2)	(319)
Depreciation	-	(490)	(824)	(313)	(92)	(1,719)
Closing carrying amount	**11,155**	**2,076**	**4,713**	**740**	**225**	**18,909**
At cost	**11,155**	**3,169**	**6,866**	**1,735**	**462**	**23,387**
Accumulated depreciation	**-**	**(1,093)**	**(2,153)**	**(995)**	**(237)**	**(4,478)**
Closing carrying amount	**11,155**	**2,076**	**4,713**	**740**	**225**	**18,909**
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	0	51	120	0	0	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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

20. INTANGIBLE ASSETS

	Notes	2017 $'000	2016 $'000
Brand			
Opening carrying amount at cost	31	**45,600**	45,600
Additions (refer note 18)		**25,800**	-
Closing carrying amount		**71,400**	45,600
Goodwill			
Opening carrying amount at cost	31	**69,888**	68,252
Additions (refer note 18)		**22,612**	1,677
Foreign exchange adjustment		**9**	(41)
Closing carrying amount		**92,509**	69,888
Software			
At cost		**4,256**	3,844
Accumulated amortisation		**(2,024)**	(1,719)
Opening carrying amount		**2,232**	2,125
Additions - business combinations (refer note 18)		**400**	-
Additions		**1,105**	976
Disposals and transfers		**-**	-
Amortisation		**(1,144)**	(869)
Closing carrying amount		**2,593**	2,232
At cost		**5,646**	4,256
Accumulated amortisation		**(3,053)**	(2,024)
Closing carrying amount		**2,593**	2,232
Corporate relationships			
At cost		**1,089**	1,089
Accumulated amortisation		**(703)**	(703)
Opening carrying amount		**386**	386
Additions - business combinations (refer note 18)		**5,200**	-
Closing carrying amount		**5,586**	386
At cost		**6,289**	1,089
Accumulated amortisation and impairment provision		**(703)**	(703)
Closing carrying amount		**5,586**	386
Total intangible assets carrying amount		**172,088**	118,106

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.

	Notes	2017	2016
Goodwill			
Allocated to the insurance CGU/segment		**12,777**	1,025
Allocated to collection services CGU/segment		**23,973**	23,964
Allocated to the finance CGU/segment		**9,272**	9,272
Allocated to the automotive retail CGU/segment	31	**46,487**	35,627
		92,509	69,888

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Brand		
Allocated to the insurance CGU/segment	**21,500**	-
Allocated to the automotive retail CGU/segment -Turners Group (NZ)	**45,600**	45,600
Allocated to the automotive retail CGU/segment - Buy Right Cars	**4,300**	-
	71,400	45,600

The recoverable amount of all CGUs has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated long term growth rates stated below. The growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates in which the CGU operates. For each of the CGUs with goodwill and brand the key assumptions, long term growth rate and discount rate used in the value-in-use calculations are as follows.

Insurance CGU

The year 1 forecast cash flows were extrapolated using the following growth rates; year 2 - 10%; year 3 - 7.5%, years 4 to 5 - 5.0% and a terminal rate of 2.0% (2016: 2.0% for all years and 2% terminal rate). A pre-tax discount rate of 11.2% (2016: 8.13%) was applied in determining the recoverable amount. The discount rate was established based on weighted average cost of capital taking into account the specific attributes and size of the CGU (2016: weighted average cost of capital of similar listed companies).

In assessing the impairment of the goodwill and brand value in the insurance CGU, a sensitivity analysis for reasonably possible changes in key assumptions was performed. This included reducing the year 3 - 5 growth rates by 1.5%, increasing and reducing the terminal growth rate by 1% (2016: 0%) and increasing and decreasing the discount rate by 1% (2016: 10.41%). These reasonably possible changes in rates did not cause any impairment.

Collection services CGU

The year 1 forecast cash flows were extrapolated using the following growth rates; year 2 - 10%; year 3 - 7.5%, years 4 to 5 - 5.0% and a terminal rate of 2.0% (2016: 2.0% for all years and 2% terminal rate). A pre-tax discount rate of 14.8% (2016: 8.13%) was applied in determining the recoverable amount. The discount rate was established based on weighted average cost of capital taking into account the specific attributes and size of the CGU (2016: weighted average cost of capital of similar listed companies).

In assessing the impairment of the goodwill in the collection services CGU, a sensitivity analysis for reasonably possible changes in key assumptions was performed. This included reducing the year 2 - 5 growth rates by 2.0%, increasing and reducing the terminal growth rate by 1% (2016: 0%) and increasing and decreasing the discount rate by 1% (2016: 10.41%). These reasonably possible changes in rates did not cause any impairment.

Finance CGU

Oxford Finance (OFL)

The year 1 forecast cash flows were extrapolated using the following growth rates; year 2 - 10%; year 3 - 7.5%, years 4 to 5 - 5.0% and a terminal rate of 2.0% (2016: 2.0% for all years and 2% terminal rate). A pre-tax discount rate of 16.9% (2016: 8.13%) was applied in determining the recoverable amount. The discount rate was established based on the cost of equity of OFL taking into account the specific attributes and size of OFL (2016: weighted average cost of capital of similar listed companies).

In assessing the impairment of the goodwill in OFL, a sensitivity analysis for reasonably possible changes in key assumptions was performed. This included reducing the year 2 - 5 growth rates by 2.0%, increasing and reducing the terminal growth rate by 1% (2016: 0%) and increasing and decreasing the discount rate by 1% (2016: 10.41%). These reasonably possible changes in rates did not cause any impairment.

Southern Finance (SFL)

The year 1 forecast cash flows were extrapolated using the following growth rates; year 2 to 5 - 5.0% and a terminal rate of 2.0% (2016: 2.0% for all years and 2% terminal rate). A pre-tax discount rate of 24.5% (2016: 8.13%) was applied in determining the recoverable amount. The discount rate was established based on the cost of equity of SFLtaking into account the specific attributes and size of SFL (2016: weighted average cost of capital of similar listed companies).

In assessing the impairment of the goodwill in SFL, a sensitivity analysis for reasonably possible changes in key assumptions was performed. This included reducing the year 3 - 5 growth rates by 2.0%, increasing and reducing the terminal growth rate by 1% (2016: 0%) and increasing and decreasing the discount rate by 1% (2016: 10.41%). These reasonably possible changes in rates did not cause any impairment.

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Automotive retail CGU

Turners Group (NZ) (TGNZ)

The year 1 forecast cash flows were extrapolated using the following growth rates; year 2 - 10%; year 3 - 7.5%, years 4 to 5 - 5.0% and a terminal rate of 2.0% (2016: 2.0% for all years and 2% terminal rate). A pre-tax discount rate of 17.4% (2016: 8.13%) was applied in determining the recoverable amount. The discount rate was established based on the cost of equity of TGNZ taking into account the specific attributes and size of TGNZ (2016: weighted average cost of capital of similar listed companies).

In assessing the impairment of the goodwill and brand value in TGNZ, a sensitivity analysis for reasonably possible changes in key assumptions was performed. This included reducing the year 2 - 5 growth rates by 2.0%, increasing and reducing the terminal growth rate by 1% (2016: 0%) and increasing and decreasing the discount rate by 1% (2016: 10.41%). These reasonably possible changes in rates did not cause any impairment.

Buy Right Cars (BRC)

The year 1 forecast cash flows were extrapolated using the following growth rates; year 2 - 10%; year 3 - 7.5%, years 4 to 5 - 5.0% and a terminal rate of 2.0%. A pre-tax discount rate of 13.5% was applied in determining the recoverable amount. The discount rate was established based on weighted average cost of capital taking into account the specific attributes and size of BRC.

In assessing the impairment of the goodwill and brand value in BRC, a sensitivity analysis for reasonably possible changes in key assumptions was performed. This included reducing the year 2 - 5 growth rates by 2.0%, increasing and reducing the terminal growth rate by 1% and increasing and decreasing the discount rate by 1%. These reasonably possible changes in rates did not cause any impairment.

21. OTHER PAYABLES

	Note	2017 $'000	2016 $'000
Accounts payable		**14,147**	11,680
Employee entitlements (short term)		**4,080**	2,153
Employee entitlements (long term)		**475**	642
Other payables and accruals	31	**9,389**	7,054
		28,091	21,529

Carrying value of financial liabilities in other payables	**19,485**	15,061
The carrying amounts of the Group's financial liabilities in other payables are denominated in the following currencies:		
Japanese Yen	**3,249**	1,393
Australian dollars	**899**	433
New Zealand dollars	**15,337**	13,235
	19,485	15,061

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.

22. FINANCIAL LIABILITY AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 $'000	2016 $'000
Contingent consideration	**7,611**	-

Interest rate and foreign exchange risk

A summarised analysis of the sensitivity of Financial liability at fair value through profit or loss to interest rate risk can be found in note 5.4.2.

The Group's deferred consideration liability is denominated in NZD.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

23. DEFERRED REVENUE

	2017 $'000	2016 $'000
Unredeemed vouchers	**2,226**	3,306
Prepaid income	**3,398**	2,743
	5,624	6,049

24. 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:

	2017 $'000	2016 $'000
Opening balance	**8,744**	4,236
Deferred tax acquired	**-**	(69)
Tax losses utilised	**26**	-
Deferred tax on brands	**9,996**	-
Prepaid tax refunded	**-**	2,796
Charge to hedging reserve	**16**	(14)
Charge to profit or loss	**1,391**	1,795
Closing balance	**20,173**	8,744

The charge to profit or loss is attributable to the following items:		
Tax losses	**994**	2,025
Prepaid tax	**-**	9
Loan impairment provision	**188**	84
Insurance deductible reserves	**55**	(144)
Provisions and accruals	**154**	(179)
	1,391	1,795

Deferred tax (assets)/liabilities to be recovered after more than 12 months	**(2,591)**	(3,030)
Deferred tax (assets)/liabilities to be recovered within 12 months	**22,764**	11,774
Closing balance	**20,173**	8,744

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

Deferred tax relates to the following:		
Deferred tax assets:		
Tax losses	**-**	994
Loan impairment provision	**1,729**	1,916
Provisions and accruals	**1,417**	1,217
Total deferred tax asset	**3,146**	4,127
Deferred tax liabilities:		
Brand	**22,764**	12,768
Deferred expenses and accruals	**555**	103
	23,319	12,871
Net deferred tax liabilities	**20,173**	8,744

Imputation credit memorandum account		
Opening balance	**3,111**	2,452
Income tax payments/(refunds received)	**4,212**	659
Imputation credits utilised	**(1,616)**	-
Closing balance	**5,707**	3,111

Policy holder tax losses

The policy holder tax losses carried forward at 31 March 2017 are $4,424,000 (2016: $4,136,000).

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 2017

25. BORROWINGS

	2017 $'000	2016 $'000
Secured bank borrowings	**191,708**	109,420
Deferred borrowing costs	**(143)**	(93)
	191,565	109,327
Non-bank borrowings - Motor Trade Finance	**49,021**	42,300
Bonds	**25,561**	23,231
Deferred issue costs	**(258)**	(42)
	25,303	23,189
Total borrowings	**265,889**	174,816
Current	**51,861**	121,351
Non-current	**214,028**	53,465
	265,889	174,816

Secured bank borrowings

The bank borrowings, together with trade and lease premise guarantees of $4.1 million (2016: $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. The Group has entered into the a securitisation financing arrangement with the Bank of New Zealand as described in note 14. Current interest rates are variable and average 3.91% (2016: 4.97%).

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 $3,008,000 and is included in Financial asset at fair value through profit or loss (2016: $2,277,000).

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

On 30 September 2016 (2016: 30 September 2014) Turners Limited issued bonds with a fixed maturity on 30 September 2018 (2016: 30 September 2016) and a fixed return with the option to convert to shares in Turners Limited or repayment in cash. The interest on the bonds is fixed at 6.5% (2016: 9.0%). The bonds are secured by a general security agreement over the assets of certain subsidiaries of the Turners Limited and rank behind secured bank borrowings. The Guarantors are Dorchester Turners Limited, Dorchester Finance Limited, Buy Right Cars (2016) Limited (formerly Dorchester Life Management Limited), Dorchester Life Trustees Limited, EC Credit Control (NZ) Limited, Estate Management Services Limited, Payment Management Services Limited, EC Web Services Limited, Oxford Finance Limited, Dorchester Oxford Limited, Dorchester RAMS Limited, Turners Group NZ Limited, Smart Group Services Limited, Turners Fleet Limited, Turners International Holdings Limited, Turners Property Holdings Limited and Turners Smart Autocentre Limited.

Borrowing covenants

The Group has complied with all borrowing covenants in the both the current and prior financial year.

Foreign currency risk

All the Group's borrowings are in NZD.

Fair value	Carrying amount **2017** **$'000**	Fair value **2017** **$'000**	Carrying amount 2016 $'000	Fair value 2016 $'000
Borrowings	**265,889**	**266,416**	174,816	175,131

The fair values are based on cash flows discounted using a weighted average borrowing rate of 4.65% (2016: 6.07%).

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	2017 $'000	2016 $'000
Contractual repricing dates		
1 year or less	**212,049**	126,687
Over 1 to 2 years	**42,526**	14,144
Over 2 to 5 years	**11,715**	34,120
	266,290	174,951

26. SHARE CAPITAL

	2017	2016
Number of ordinary shares		
Opening balance	**63,431,637**	630,765,588
Shares issued under the staff share scheme	**-**	4,642,864
Shares issued for the purchase of Buy Right Cars	**612,000**	-
Shares issued for the conversion of bonds	**5,926,413**	-
Shares issued as share placement	**4,553,477**	-
Treasury shares	**-**	(1,093,663)
Shares cancelled as a result of share consolidation	**-**	(570,883,152)
Total issued and authorised capital	**74,523,527**	63,431,637

	2017 $'000	2016 $'000
Dollar value of ordinary shares		
Opening balance	**136,127**	135,294
Shares issued under the staff share scheme	**-**	1,161
Shares issued for the purchase of Buy Right Cars	**1,854**	-
Shares issued for the conversion of bonds	**17,453**	-
Shares issued as share placement	**13,410**	-
Treasury shares	**-**	(328)
Share issue costs	**(35)**	-
Total issued capital	**168,809**	136,127

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).

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, share option reserve, 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 34F.

27. SHARE OPTIONS

In November 2016, the Chief Executive Officer of the Company was granted 1,002,692 options at an exercise price of $2.99195 under the Group's Share Option Plan. The grant is split into four tranches of 250,673 options with the following vesting dates; 1 June 2017, 1 June 2018, 1 June 2019 and 1 June 2020. Each tranche expires two year after the vesting date.

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If a participant in the Group Share Option Plan leaves (by any means and for any reason) the employment of the Company or any applicable subsidiary, the participant's options which have reached their vesting date, together with any other options as may be nominated at the discretion of the Board of Directors of the Company in extraordinary circumstances (such as the redundancy, permanent disablement or death of a Participant), may be exercised within a period of 60 days (following which they will lapse) and the participant's other Options will lapse immediately.

The weighted average fair value of the options granted, using the Binomial Tree option pricing model, was $0.75 per option. The significant inputs in the model were, the share price at grant date of $3.79, the exercise price of $2.99195, volatility of 30%, an expected option life for tranche 1 of 2.5 years, tranche 2 of 3.5 years, tranche 3 of 4.5 years, tranche 4 of 5.5 years and an annual risk free rate of 2.43%.Volatility is measured as the standard deviation of changes in the Company's share price over a 12 month period. The share based payment for the current financial year is $208,000 (2016: $nil).

Movement in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Exercise price 2017 $	Options 2017 000's	Exercise price 2016 $	Options 2016 000's
Opening balance	**-**	**-**	-	-
Granted	**2.99195**	**1,003**	-	-
Closing balance	**2.99195**	**1,003**	-	-

Share options outstanding at balance sheet have the following expiry dates and exercise prices:

Expiry date	Exercise price $	Options 2017 000's	Options 2016 000's
31 May 2019	2.99195	**251**	-
31 May 2020	2.99195	**251**	-
31 May 2021	2.99195	**251**	-
31 May 2022	2.99195	**250**	-

28. DIVIDENDS

	2017 $'000	2016 $'000
Final dividend for the year ended 31 March 2016 of $0.07 (31 March 2015: $0.006) per fully paid ordinary share, un-imputed, paid on 28 July 2016 (17 July 2015)	**4,440**	3,784
Interim dividend for the year ended 31 March 2017 of $0.03 (31 March 2016: $nil) per fully paid ordinary share, imputed, paid on 30 September 2016.	**1,921**	-
Interim dividend for the year ended 31 March 2017 of $0.03 (31 March 2016: $0.006) per fully paid ordinary share, imputed, paid on 23 December 2016 (un-imputed, 15 December 2015)	**2,234**	3,812
	8,595	7,596

Dividends not recognised at year end

In addition to the above dividends, in 2017 after year end the directors recommended the payment of the following dividend:

Interim dividend of $0.04 (31 March 2016: $nil) per fully paid ordinary share, imputed, payable on 12 April 2017.	**2,980**	-
Final dividend of $0.045 (31 March 2016: $0.07) per fully paid ordinary share, imputed, payable on 21 July 2017 (un-imputed ,28 July 2016).	**3,354**	4,440

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

29. TRANSACTIONS WITH RELATED PARTIES

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

Shares
During the year the following shares were issued to major shareholders and a partner in the Business Bakery LP (major shareholder):

	Number of shares issued
Conversion of 30 September 2016 bonds	
Bartel Holdings Limited	2,322,853
Montezemolo Holdings Limited	655,049
Sinclair Investment Trust	67,911
Share placement	
Harrigens Trustees Limited	169,779

Bonds
During the financial year the following major shareholder, close members of the family of major shareholders and partners in the Business Bakery LP (major shareholder) earned interest on the 30 September 2016 bonds:

	Action on maturity	Number of bonds	Interest paid on bonds 2016 $'000	Interest paid on bonds 2015 $'000
Bartel Holdings Limited	Converted to shares	6,840,804	**308**	612
Hugh Green Investments Limited	Repaid in cash	2,400,000	**108**	216
Montezemolo Holdings Limited	Converted to shares	1,929,120	**87**	174
Harrigens Trustees Limited	Sold 15 April 2016	800,000	**-**	72
Sinclair Investment Trust	Converted to shares	200,000	**9**	18
Sam and William Harrison	Sold 15 April 2016	50,000	**-**	5
		5,379,120	**204**	485

During the financial year, Bartel Holdings Limited (major shareholder) subscribed for $8,000,000 6.5% bonds (note 25) with a maturity date of 30 September 2018. Interest of $260,000 was paid to Bartel Holding Limited on the bonds during the year.

Turners Automotive Group Limited Employee Share Scheme
During the financial year ending 31 March 2016, the Company issued 4,642,864 (464,286 share post share consolidation refer note 25) shares pursuant to an offer under the Turners Automotive Group 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 Automotive Group 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. No shares were issued under the scheme in the current financial year.

As at 31 March 2017, 139,675 shares (2016: 453,686) were allocated to employees under the scheme and 12,000 shares (2016: 10,000) held as unallocated shares.

At 31 March 2017 balance on the loans outstanding to the share scheme were $120,455 (2016: $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 2017 and 31 March 2016 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 2017	**3,352**	**-**	**58**	**208**	**3,618**
Year ended 31 March 2016	1,832	-	29	156	2,017

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A loan of $125,000 (2016: $375,000) made to the executive director bearing interest at 7% (2015:$125,000 at 7% and $250,000 at 5%),the loan was repaid on 19 June 2017, 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 91 to 94. 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.

30. RECONCILIATION OF NET SURPLUS WITH CASH FLOWS FROM OPERATING ACTIVITIES

	2017 $'000	2016 $'000
Profit for the year	**17,574**	15,602
Adjustment for non-cash items		
Impairment (charge)/ release on finance receivables, reverse annuity mortgages and other receivables	**2,026**	1,041
Net (profit)/loss on sale fixed assets	**(84)**	(40)
Depreciation and amortisation	**2,863**	2,144
Capitalised reverse annuity mortgage interest	**(885)**	(1,112)
Deferred revenues	**4,678**	1,468
Fair value adjustments on assets/liabilities at fair value through profit and loss	**(1,012)**	(1,201)
Net annuity and premium change to policyholder accounts	**(137)**	243
Non-cash long term employee benefits	**179**	25
Non-cash adjustment to finance receivables effective interest rates	**83**	129
Deferred expenses	**(3,901)**	(244)
Adjustment for movements in working capital		
Net (increase)/decrease in receivables and pre-payments	**(6,518)**	(4,799)
Net (increase)/decrease in inventories	**(3,585)**	(5,172)
Net (increase)/decrease in current tax receivables	**2,159**	10
Net increase/(decrease) in payables	**1,575**	5,473
Net increase in finance receivables	**(36,403)**	(11,638)
Net decrease in reverse annuity mortgages	**1,246**	4,623
Net decrease of insurance assets at fair value through profit or loss	**9,156**	2,173
Net (withdrawals)/contributions from life investment contracts	**(2,645)**	(992)
Net increase in deferred tax	**76**	5,280
Net increase in provisions	**(4)**	(23)
Cash flows from operating activities	**(13,559)**	12,990

31. RECLASSIFICATION AND PRESENTATION OF COMPARATIVE INFORMATION

General insurance premium income
In the prior year, the retail premium for general insurance products was included in insurance and life investment contract income (included in revenue from continuing operations) with the difference between the retail and wholesale insurance premium reflected as a commission expense. In the current year, the wholesale premium received on general insurance products has been included in insurance and life investment contract income to match the cash flow from the intermediary. The prior year comparative amounts of investment contract income and commission expense have been restated (decrease in insurance and life investment contract income of $1.7m, decrease in commission of $1.7m, decrease in other receivables and deferred expenses of $2.9m and a decrease in insurance contract liabilities of $2.9m) to conform with current year presentation. The reclassification has not had a material impact on the financial performance ($nil effect on profit before and after tax) or financial position ($nil effect on net assets) of the prior year comparative amounts presented.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

Reinsurance recoveries included in claims expense
the prior year, reinsurance recoveries were netted off against the insurance claims expense. In the current year, the Group has included reinsurance recoveries in insurance and life investment contract income (included in revenue from continuing operations) . The prior year comparative amounts of insurance and life investment contract income and claims expense have been restated (increase in insurance and life investment contract income of $0.3k and increase in claims expense of $0.3k) to conform with current year presentation. The reclassification has not had a material impact on the financial performance ($nil effect on profit before and after tax) or financial position ($nil effect on net assets) of the prior year comparative amounts presented.

Deferred tax liability on the Turners Group NZ brand asset
In the prior year, the Group had not recognised deferred tax liability of $12.8m associated with the temporary difference on the Turners Group NZ brand asset of $45.6m (refer note 20). In the current year, the Group has recognised the previously unrecognised deferred tax liability of $12.8m (refer note 24) associated with the temporary difference on the Turners Group NZ brand asset of $45.6m (refer note 20), resulting in a corresponding increase in goodwill (refer note 20). The prior year comparative amounts have been restated to reflect the recognition of this deferred tax liability. The restatement has not had a material impact on the financial performance ($nil effect on profit before and after tax) or financial position ($nil effect on net assets) of the prior year comparative amounts presented.

Life Insurance DAC included in other receivables and deferred expenses
In the prior year, life insurance DAC of $0.3m was included in other receivables and deferred expenses. In the current year, the Group has included life insurance DAC in the insurance reserves (refer note 34H). The restatement has not had a material impact on the financial performance ($nil effect on profit before and after tax) or financial position ($nil effect on net assets) of the prior year comparative amounts presented.

32. COMMITMENTS AND CONTINGENT LIABILITIES

	2017 $'000	2016 $'000
Operating lease commitments under non-cancellable operating leases:		
Not later than 1 year	**8,976**	7,170
1-2 years	**7,611**	6,808
2-5 years	**12,379**	13,395
5+ years	**4,344**	2,104
	33,310	29,477

The group leases various premises under non 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 plant and equipment held under operating lease.

Capital Expenditure:
At reporting date the Group has capital commitment of $3.4m to purchase property (2016: nil).

Loan Commitments:
The Group has no material undrawn credit commitments at reporting date (2016: nil).

Contingent Liabilities:
The Group has no other material contingent liabilities at reporting date (2016: nil).

33. SUBSEQUENT EVENTS AFTER BALANCE DATE
There were no material events subsequent to balance date.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

34. Insurance related disclosures

A. Actuarial policies and the methods
The actuarial report on insurance contract liabilities and prudential reserves for the current reporting period was prepared as at 31 March 2017 by Peter Davies, a Fellow of the New Zealand Society of Actuaries.

Life insurance contract liabilities
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.

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 (2016: 28%). The net discount rates assumed were as follows:

	2017	2016
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 31 January, and are then adjusted to 31 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 2016:	2.61% per annum net of tax
	March 2017:	3.08% 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 (2016: 2.0%).

c) *Mortality Rates*
Rates of mortality were assumed as follows:

For underwritten whole of life, endowment and term insurance policies: NZ97 (2016: 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 90% of the NZ12-14 population tables (2016: PA(90) table, reduced by four years). For the Cook Islands Annuity Pension Plan the assumed mortality table is the PA(90) table without adjustment (2016: 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	$118 per policy per annum (2016: $226)
Funeral plans	$29 per policy per annum (2016: $56)
Term life plans (for loss recognition)	$59 per policy per annum (2016: $113)
Consumer credit plans (for loss recognition):	$29 per policy per annum (2016: $56)
Annuity plans	$118 per policy per annum (2016: $226)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

The reduction in renewal costs arises from a combination of the significant growth of the Company's Motor insurance book over the year, and an expense investigation by the Company which led to a higher proportion of activities being recognised as business acquisition activities.
Investment management expenses were assumed to be 1.0% (2016: 1.0%) of policy liabilities.

f) *Inflation and Automatic Indexation of Benefits*
Maintenance expenses are assumed to increase 2.0% per annum (2016: 2.0%). Investment management expenses are assumed to remain a constant percentage of funds under management.

g) *Taxation*
The assumed future tax rates reflect 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 (2016: 5.0%), and nil for annuity pension plan business (2016: 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 (2016: 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 (2016: $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 a reduction in policy liabilities of $185,000.

The impact of the revised expense and mortality assumptions is an increase in policy liabilities of $32,000.

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.

Non-life insurance liabilities
The non-life insurance liabilities have been valued on the basis of their unearned premium. The unearned premium (net of deferred acquisition cost) has been compared to the expected cost of future claims and administration costs to ensure non-life insurance liabilities are sufficient to cover these costs.

B. Financial strength rating
The Insurance (Prudential Supervision) Act 2010 requires all licensed insurers to have a current Financial Strength Rating, given by an approved rating entity. DPL Insurance Limited has been issued a Financial Strength Rating of B+ (Good) and an Issuer Credit Rating of bbb- (Good), with the outlook assigned to both ratings as 'Stable' by A.M. Best. The rating was issued by A.M. Best on 29 June 2017.

The A.M Best company rating scale is

A++, A+ Superior	**B, B-** Fair	**D** Poor
A, A- Excellent	**C++,** C+ Marginal	**E** Under Regular Supervision
B++, B+ Good	**C, C-** Weak	**F** In liquidation
		S Suspended

Issuer credit rating:

Investment grade	Non-investment grade
aaa (Exceptional)	bb (Fair)
aa (Superior)	b (Marginal)
a (Excellent)	ccc, cc (Weak)
bbb (Good)	c (Poor)
	rs (Regulatory Supervision / Liquidation)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

C. Surplus after taxation from insurance activities arose from:

	2017 $'000	2016 $'000
Insurance Contracts		
Planned margin of revenues over expenses	**143**	107
Change in valuation assumptions	**(32)**	(5)
Change in discount rate: 2.61% to 3.08% (2016: 3.37% to 2.61%)	**164**	(119)
Difference between actual and assumed experience	**(552)**	62
Life investments contracts		
Difference between actual and assumed experience	**420**	599
Investment returns on assets in excess of insurance contract and investment contract liabilities	**383**	307
Surplus after taxation attributable to insurance activities	**526**	951

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.

D. Insurance and investment contract income

	2017 $'000	2016 $'000
Insurance contract premiums	**8,732**	7,303
Reinsurance revenues	**-**	8
Investment revenue	**552**	1,083
Less: investment revenue paid to life insurance investment contracts	**(409)**	(919)
Other Revenues	**1,592**	857
Total insurance and investment contract income	**10,467**	8,332
Investment Income		
Equity securities	**470**	496
Fixed interest securities	**96**	366
Property investments	**(14)**	221
	552	1,083

Included within equity securities is dividend income of $Nil (2016: $Nil) and included within fixed interest securities is interest income of $Nil (2016: $Nil). Included within total Investment Income is net realised and unrealised gains/(losses) on securities at fair value through profit or loss of $552,000 (2016: $1,083,000).

NOTES TO THE FINANCIAL STATEMENTS
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E. Insurance related expenses

	2017 $'000	2016 $'000
Insurance contract claims	**5,393**	3,044
Reinsurance expenses	**531**	439
Insurance contracts		
Policy acquisition expenses - commission costs	**754**	938
Deferred acquisition cost amortisation	**150**	14
Total insurance contract related expenses	**904**	952
Life investment contracts		
Investment management expenses	**69**	82
Movement in life insurance liabilities	**1,056**	953
Net operating profit includes the following specific expenses		
Audit fees for the audit of financial statements	**75**	68
Rental and lease costs	**159**	99
Amortisation of intangible assets	**48**	56
Depreciation	**48**	22
Employee benefits	**1,847**	1,424

F. Taxation

	2017	2016
Net operating profit before taxation	**928**	1,398
Income tax expense at prevailing rates	**260**	391
Tax impact of expenses not deductible for tax purposes	**142**	56
Group tax losses utilised	**-**	-
Taxation (expense)/benefit	**402**	447
Comprising:		
Current	**(50)**	560
Deferred	**452**	(113)
	402	447
Deferred tax		
Opening balance	**134**	-
Deferred transferred from Turners Automotive Group Limited	**-**	247
Charge to profit or loss	**452**	(113)
Deferred tax on intangibles	**(8,792)**	-
Closing balance	**(8,206)**	134
The charge to profit or loss is attributable to the following items:		
Insurance deductible reserves	**(55)**	(83)
Provisions and accruals	**(397)**	(30)
	(452)	(113)

Income tax losses on policyholder base
The policy holder tax losses carried forward at 31 March 2017 are $4,487,318 (2016: $4,136,276).

Imputation credit memorandum account
The policyholder imputation credit account has a closing balance at 31 March 2017 of $Nil (2016: $Nil).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

G. 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 2014 and the Solvency Standard for Non-life Business 2014. DPL Insurance Limited is required to hold minimum solvency capital of $5.0 million and have a solvency margin of at least $0.

	2017 $'000	2016 $'000
Actual solvency capital	**21,827**	8,518
Calculated minimum solvency capital	**12,313**	5,335
Coverage ratio on calculated margin (times)	**1.77**	1.60
Overall minimum capital requirement	**12,313**	5,335
Solvency margin on overall minimum requirement	**9,514**	3,183
Coverage ratio on overall minimum requirement (times)	**1.77**	1.60
Non-life insurance		
Actual solvency capital	**14,960**	2,191
Calculated minimum solvency capital	**9,315**	1,516
Solvency margin on calculated minimum requirement	**5,645**	675
Life insurance		
Actual solvency capital	**6,867**	6,327
Calculated minimum solvency capital	**2,998**	3,819
Solvency margin on calculated minimum requirement	**3,869**	2,508

H. Policyholder liabilities

	2017 $'000	2016 $'000
Insurance contract liabilities		
Opening insurance contract liabilities	**12,688**	9,260
Increase / (decrease) in insurance contract liabilities recognised in profit or loss	**4,546**	(65)
Increase / (decrease) in premium revenues recognised in profit or loss	**(1,400)**	3,612
Increase / (decrease) in interest income recognised in profit or loss	**164**	(119)
Closing insurance contract liabilities	**15,998**	12,688
Policyholder liabilities contain the following components:		
Future policy benefits	**17,589**	15,143
Future expenses	**611**	892
Future profit margins	**1,403**	1,471
Balance of future premiums	**(3,606)**	(4,829)
Re-insurance	**1**	1
Cost of bonus	**-**	10
	15,998	12,688
Life insurance contracts with a discretionary participation feature - the amount of the liabilities that relates to guarantees	**398**	394
Other contracts with a fixed or guaranteed termination value - current termination value	**2,241**	2,579
Life investment contracts at fair value through profit or loss		
Opening life investment contracts at fair value through profit or loss	**15,629**	16,378
Increase / (decrease) in life investment contract liabilities recognised through profit or loss	**283**	771
Deposit premium	**2,306**	2,793
Withdrawals	**(4,951)**	(3,785)
Activity, plan, and establishment fees	**(420)**	(528)
Closing life investment contract liabilities	**12,847**	15,629
Opening deferred income reserve	**-**	3
Recognised in profit or loss	**-**	(3)
Closing deferred income reserve	**-**	-
Life investment contract liabilities held by the life insurance	**12,847**	15,629

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

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.

Policyholder liabilities comprise

	2017	2016
	$'000	$'000
Annuities	1,352	1,452
Endowment	398	394
Whole of Life	2,138	1,875
Provision for bonuses and future margins	1,403	1,471
Consumer Credit Protection & key person loan protection	586	1,457
Accidental death/redundancy	9	25
Term Life	146	47
General	37,334	2,405
General claims provisions	556	693
Deferred commissions - Superlife & Superbond	-	-
Superlife policies	7,062	7,268
Superannuation funds:		
Super Bond Retirement Plan	5,785	8,293
Invincible Superannuation Fund	-	-
Save and Invest Group Superannuation Plan	-	68
Deferred acquisition costs - life	(1,048)	(330)
	55,721	25,118
General outstandings claim provision		
Gross claims	557	693
Third party recoverables	(85)	-
IBNR provision	84	-
	556	693
Reconciliation of movement in general gross claims liability		
Opening Balance	693	66
Movement	4,415	1,885
Payments	(4,552)	(1,258)
Closing Balance	556	693

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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

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 2017	Statutory	Shareholder	Total
	$'000	$'000	$'000
Insurance contract premiums	2,418	6,315	8,733
Outward reinsurance premium	(351)	(180)	(531)
Recoveries	353	552	905
Other insurance revenue	690	911	1,601
Insurance revenue	3,110	7,598	10,708
Claims expense	(978)	(4,415)	(5,393)
Movement in life insurance liabilities	(1,056)	-	(1,056)
Commission expense	(687)	(307)	(994)
Other expenses	(907)	(2,437)	(3,344)
Underwriting (loss)/profit	(518)	439	(79)
Investment income	956	51	1,007
Profit before taxation	438	490	928
Taxation	(123)	(279)	(402)
Profit after taxation	315	211	526

Statement of financial position as 31 March 2017	Statutory	Shareholder	Total
Assets	$'000	$'000	$'000
Investments backing insurance policy liabilities	25,049	56,920	81,969
Other assets	175	38,869	39,044
Total assets	25,224	95,789	121,013
Liabilities			
Life investment contract liabilities	12,847	-	12,847
Insurance contract liabilities	5,104	37,770	42,874
Deferred taxation	-	9,110	9,110
Other liabilities	231	3,872	4,103
Total liabilities	18,182	50,752	68,934
Solvency			
Actual Solvency capital	6,867	14,960	21,827
Minimum solvency capital	2,998	9,315	12,313
Solvency Margin	3,869	5,645	9,514

Statement of income for the year ended 31 March 2016

Insurance contract premiums	2,586	4,717	7,303
Outward reinsurance premium	(257)	(182)	(439)
Recoveries	-	273	273
Other insurance revenue	531	52	583
Insurance revenue	2,860	4,860	7,720
Claims expense	(886)	(2,158)	(3,044)
Movement in life insurance liabilities	(953)	-	(953)
Insurance recoveries	8	-	8
Commission expense	(570)	(312)	(882)
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 2017

Statement of financial position as 31 March 2016	Statutory	Shareholder	Total
Assets	$'000	$'000	$'000
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	5,883	3,606	9,489
Other liabilities	838	1,344	2,182
Total liabilities	22,350	4,950	27,300
Solvency			
Actual Solvency capital	6,657	5,060	11,717
Minimum solvency capital	2,998	9,315	12,313
Solvency Margin	3,659	(4,255)	(596)

Restriction on assets

Access to the retained profits and capital in the statutory fund held for policyholders is restricted by the Insurance (Prudential Supervision) Act 2010.

The business undertaken and policies accepted by DPL Insurance Limited are a combination of investment linked and non-investment linked.

	Investment linked	Non – investment linked	Total
	$'000	$'000	$'000
2017			
Premium income	**-**	**8,202**	**8,202**
Investment income	**552**	**454**	**1,006**
Claims expense	**-**	**(5,393)**	**(5,393)**
Other operating revenue	**-**	**2,506**	**2,506**
Other operating expenses	**(126)**	**(4,985)**	**(5,111)**
Investment revenues allocated to policyholders	**(283)**	**-**	**(283)**
Net profit before taxation	**143**	**784**	**927**
Net profit after taxation	**103**	**423**	**526**
Policy liabilities	**12,847**	**42,874**	**55,721**
Investment assets	**12,766**	**59,377**	**72,143**
Other assets	**-**	**48,870**	**48,870**
Other liabilities	**-**	**13,213**	**13,213**
Retained earnings	**1,010**	**4,718**	**5,728**

	Investment linked	Non – investment linked	Total
	$'000	$'000	$'000
2016			
Premium income	-	7,137	8,559
Investment income	1,083	48	1,131
Claims expense	-	(3,044)	(3,044)
Other operating revenue	-	583	583
Other operating expenses	(145)	(3,490)	(3,635)
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	9,260	24,889
Investment assets	15,813	12,469	28,282
Other assets	-	5,315	5,315
Other liabilities	-	517	517
Retained earnings	907	4,295	5,202

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 2017

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 2017

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
2017		
Market risks		
Increase in interest rates of 1%	**(211)**	**(53)**
Decrease in interest rates of 1%	**234**	**57**
Insurance risks		
Increase in expenses of 10%	**917**	**(33)**
Decrease in expenses of 10%	**(917)**	**33**
Decrease in mortality by 10%	**(4)**	**(268)**
Increase in mortality by 10%	**4**	**294**
Worsening of discontinuance rate by 10%	**-**	**80**
Improvement in discontinuance rate by 10%	**-**	**(90)**
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)

STATUTORY INFORMATION

Directors' remuneration and other benefits

	Directors' fees $
Grant Baker	110,000
Paul Byrnes	55,000
Matthew Harrison	55,000
Alistair Petrie	55,000
John Roberts	55,000
Antony Vriens	20,000
John Gosney (resigned on 15 September 2016)	27,500

During the year ended 31 March 2017 and 31 March 2016, Mr Byrnes was an executive for Turners Automotive Group Limited and has been remunerated for his services on an arms length consultancy basis. The total fees paid for the year ended 31 March 2017 were $750,039 GST exclusive (2016: $601,281 GST exclusive).

During the year ended 31 March 2017 Mr Harrison received an additional $7,500 (2016: $3,750) in fees for services as chairman of the Credit and Lending Committee and, in the year ended 31 March 2016, Mr Harrison received consulting fees of $50,000.

During the year ended 31 March 2017 Mr Gosney received an additional $6,989 (2016: $20,000) in fees for his services as director of Emerald Gisborne Hotel Property Trust Management Limited and $3,750 (2016: $3,750) in fees for services as chairman of the Audit and Risk Management Committee and, in the year ended 31 March 2016, $3,750 in fees for services as chairman of the Credit and Lending Committee.

During the year ended 31 March 2017 Mr Roberts received an additional $3,750 (2016: $nil) in fees for his services as chairman of the Audit and Risk Management Committee.

During the year ended 31 March 2017 Mr Vriens received an additional $60,000 (2016: $60,000) in fees for his services as chairman of DPL Insurance Limited.

Entries recorded in the interests register
Loans
A loan of $125,000 (2016: $375,000) to Mr Byrnes, $125,000 bearing interest at 7% (2016:$125,000 at 7% and $250,000 at 5%), the loan was repaid on 19 June 2017.

Dealings in Turners Automotive Group Limited shares by Directors

	Date of transaction	Shares acquired/(disposed)	Consideration (received)/paid $	Nature of relevant interest
Matthew Harrison	7/10/2016	169,779	499,999	Shares held in associated family trust
Grant Baker	3/10/2016	655,049	1,919,120	Registered holder and beneficial interest
Grant Baker	27/1/2017	(270,000)	(999,000)	Registered holder and beneficial interest
Grant Baker	31/1/2017	(270,000)	(999,000)	Registered holder and beneficial interest

Directors' relevant interest in quoted shares

	Shares
Grant Baker (The Business Bakery)	8,461,723
Grant Baker (own shareholding)	2,985,801
Paul Byrnes	3,309,894
Matthew Harrison	5,040,448
Alistair Petrie	13,150
John Roberts	27,490
Antony Vriens	-

STATUTORY INFORMATION

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

The following represents interests of directors in other companies as disclosed to Turners Automotive Group Limited 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 (until 7 February 2017)

Matthew Harrison
Harrigens Trustees Limited
JHFT Trustees Limited
GJG Trustees No.2 Limited
GJG Trustees Limited
MJH Consultants Limited

Alistair Petrie
RH Investment Trust
Dossor Trust
Bartel Holdings Ltd
Henergy Cage Free Ltd
Jellicoe St Enterprises Ltd
Avocado Export Council Inc
Avocado Industry Council Limited

John Roberts
Apollo Foods Limited

Employee remuneration
During the year ended 31 March 2017, the number of employees or former employees of the Group, not being directors of Turners Automotive Group 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	**2017**	**2016**
100,000 - 109,999	13	4
110,000 - 119,999	9	6
120,000 - 129,999	9	8
130,000 - 139,999	5	5
140,000 - 149,999	4	7
150,000 - 159,999	7	3
160,000 - 169,999	2	5
170,000 - 179,999	2	-
190,000 - 199,999	-	1
210,000 - 219,999	-	2
220,000 - 229,999	-	2
230,000 - 239,999	1	-
240,000 - 249,999	2	2
250,000 – 259,999	1	1
260,000 – 259,999	0	1
320,000 – 329,999	1	1
340,000 – 349,000	1	-
390,000 – 399,999	1	1
420,000 – 429,000	1	-
590,000 – 599,999	1	1
600,000 – 610,000	-	1
630,000 – 639,000	1	-

STATUTORY INFORMATION

NZX LISTING
The Company's shares are listed on the NZX Main Board (equity securities market) operated by NZX Limited (NZX).

PRINCIPAL ORDINARY SHAREHOLDERS AS AT 31 MAY 2017
The following table shows the names and holdings of the 20 largest holdings of quoted ordinary shares (TRA) of the Company.

Rank	Name	Shares	% of Issued Capital
1	Hugh Green Investments Limited	14,157,340	19.00
2	Bartel Holdings Limited	6,745,624	9.05
3	Harrigens Trustees Limited	5,040,448	6.76
4	The Business Bakery LP	4,461,723	5.99
5	The Business Bakery LP No 2 Account	4,000,000	5.37
6	Paul Anthony Byrnes	3,309,894	4.44
7	Montezemolo Holding Limited	2,985,801	4.01
8	National Nominees New Zealand Limited - NZCSD <NNLZ90>	2,701,061	3.62
9	FNZ Custodians Limited	2,394,322	3.21
10	John Jeffers Harrison	1,650,000	2.21
11	Paul Bernard Mora and Mary Innes Mora	1,535,701	2.06
12	Accident Compensation Corporation - NZCSD <ACCI40>	960,394	1.29
13	Buy Right Cars Limited	889,160	1.19
14	New Zealand Permanent Trustees Limited - NZCSD <NZPT43>	850,000	1.14
15	Guardian Nominees No 2 A/C Westpac w/s Enhanced Cash Trust - NZCSD <W09340>	816,790	1.10
16	The Trustees of the Sinclair Investment Trust	727,911	0.98
17	Glenn Arthur Duncraft	700,000	0.94
18	Custodial Services Limited <A/C 3>	698,083	0.94
19	Custodial Services Limited <A/C 4>	583,352	0.78
20	HSBC Nominees A/C NZ Superannuation Fund Nominees Limited - NZSD <SUPR40>	339,825	0.46

SPREAD OF ORDINARY SHAREHOLDERS AS AT 31 MAY 2017

Range	Total Holders	Shares	% of Issued Capital
1 – 999	1,900	882,650	1.18
1,000 - 1,999	847	1,154,321	1.55
2,000 - 4,999	675	2,061,606	2.77
5,000 - 9,999	310	2,029,046	2.72
10,000 - 49,999	319	5,893,590	7.91
50,000 - 99,999	17	1,161,397	1.56
100,000 - 499,999	27	4,868,398	6.53
500,000 - 999,000	5	3,598,506	4.83
1,000,000 plus	11	52,874,013	70.95
Total	4,111	74,523,527	100.00

	Shareholders		Shares	
Domicile of Ordinary Shareholders	Number	%	Number	%
New Zealand	3,966	96.47	73,569,606	98.72
Australia	57	1.39	433,112	0.58
Other	88	2.14	520,809	0.70
Total	4,111	100.00	74,523,527	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 2017 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	19.00
Bartel Holdings Limited	6,745,624	9.05
The Business Bakery LP	8,461,726	11.35
Harrigens Trustees Limited	5,040,448	6.76

The total number of quoted voting products of the company on issue at 31 March 2017 was 74 523,527 paid ordinary shares and 109,366 shares held as treasury shares.

GOVERNANCE REPORT

The Turners Automotive Group 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 2017 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 FY17 Corporate Governance Report. Next year we will fully report against the NZX Corporate Governance Code (May 2017).

Our governance practices for the year ended 31 March 2017 comply with the NZX Corporate Governance Best Practice Code (2002) 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 Automotive Group Limited website: www.turnersautogroup.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 to Turners Automotive Group 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 2017 financial year.

BOARD COMPOSITION AND PERFORMANCE:

Each Turners Automotive Group 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 Automotive Group 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 2017 was comprised of two independent directors, one executive director and three non-executive directors, who are all elected based on the value they bring to the Board and against set criteria detailed in the Code.

GOVERNANCE REPORT

As at 31 March 2017 the Board was as follows:

Grant Baker	Chairman
Paul Byrnes	Deputy Chairman and 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 22 and 23.

In order for a director to be independent, the Board has determined that he or she must not be an executive of Turners Automotive Group 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 16.34% shareholding in Turners Automotive Group Limited and is therefore not independent.
- Paul Byrnes is an executive within Turners Automotive Group Limited and is therefore not independent.
- Alistair Petrie is a director of Bartel Holdings which has a 9.05% shareholding in Turners Automotive Group Limited, and is therefore not independent
- Matthew Harrison is a representative of the Harrison Family who have a 8.98% shareholding in Turners Automotive Group 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		
Paul Byrnes	11		
John Gosney (Resigned on 15 September 2016)	5	1	2
Matthew Harrison	10		3
Antony Vriens	9	2	
John Roberts	10	2	3
Alistair Petrie	11		1

Diversity and Inclusion
Turners Automotive Group 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 2017, the gender balance of Turners Automotive Group Limited's directors and senior management was follows:

	Directors 2017	Officers 2017	Directors 2016	Officers 2016
Females	-	1	-	2
Males	6	6	7	5
Total	6	7	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 2017 are John Roberts (Chair), Antony Vriens and Matthew Harrison. 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 Finance companies. 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 2017 are Matthew Harrison (Chair), Alistair Petrie and John Roberts. It met three times during the financial year.

REPORTING AND DISCLOSURE
Turners Automotive Group 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 2017, 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 2017 financial year are detailed on pages 78 and 91 of the Annual Report.

The Turners Automotive Group 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 as 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 Automotive Group 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 Automotive Group 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 Automotive Group Limited Corporate Governance Code and ensures that audit independence is maintained, both in fact and appearance, such that Turners Automotive Group Limited's 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 2017, Staples Rodway was the external auditor for Turners Automotive Group Limited. Staples Rodway were first appointed as external auditor in 1999 and were automatically re-appointed under the Companies Act 1993 at the 2016 Turners Automotive Group Limited annual meeting.

The amount of fees paid to Staples Rodway for audit and other services is identified on page 59 of the 2017 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.

CORPORATE DIRECTORY

DIRECTORS
Grant Baker
Chairman
Appointed 10 September 2009

Paul Byrnes
Executive director
Appointed 2 February 2004

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@turnersautogroup.co.nz
Web: www.turnersautogroup.co.nz

AUDITOR
Staples Rodway

BANKERS
Bank of New Zealand

LAWYERS
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	October
Annual meeting	September
Half year results announced	November
Half year report	December
Second quarterly dividend	January
Third quarterly dividend	April
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 TRA. The minimum marketable parcel on the NZX is 100 shares.

This annual report is dated 30 June 2017 and is signed on behalf of the board by:

G.K. Baker
Chairman

P.A. Byrnes
Executive Director

Turners Automotive Group
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