Company Announcement

27 November 2018

Turners Automotive Group delivers a solid 28% increase in net profit after tax

- 28% increase in net profit after tax with strong outperformance from the insurance business offsetting a country-wide slowdown in the automotive retail sector
- Further quarterly dividend of 4cps declared taking total half year dividends to 8cps
- Continued focus on optimising real estate assets delivers $3.4m gain from the sale of Wiri holding
- Industry-wide headwinds emerging in the automotive retail sector with a potential downside impact of 5 - 10% to forecasted FY19 pre-tax profits if current market conditions persist
- On-Market Share Buyback of up to 5% of issued shares announced with current share price considered undervalued by Directors

Turners Automotive Group has delivered a 28% increase in profit for the six months to 30 September 2018, driven by a continuing outperformance from the insurance business and a $3.4m gain on the sale of an Auckland property, offsetting headwinds in the Auckland automotive retail market.

Operating revenue was $164.6m for the period, in line with the previous year, with the cost of goods sold decreasing by 9% to $65.3m. This reflects more sales on consignment through Turners' auctions and therefore less owned stock.

Total revenue of $168.3m includes $3.4m from the sale of the property in Wiri, Auckland in September 2018, which has been leased back in line with Turners' property strategy.

Net Profit Before Tax (NPBT), which is the basis for Turners' full year guidance, increased 18% to $16.8m, with Net Profit After Tax (NPAT) of $12.9m. Earnings per share were up 14% to 15.19 cents per share for the half year. Shareholder equity increased to $217.3m as at 30 September 2018.

The Board has declared a further quarterly fully imputed dividend of 4.0 cps, taking half year dividends to 8.0 cents per share. This is in line with Turners' enhanced dividend policy of a payout ratio of 50% to 60% of NPAT, with the Board expecting to declare full year fully imputed dividends of a minimum 17 cents per share.

Chairman of Turners, Grant Baker, commented: "The business has shown some resilience through tough market conditions in Q1 and bounced back strongly in Q2. The diversified revenue streams have really demonstrated their value through the first half of this year. However, market conditions, particularly in the used import car market, remain challenging and pressure is being placed on vehicle margins right across the industry. Within the key market of Auckland we have seen a material reduction in demand which we attribute to the cost pressures being experienced by many people across the Auckland region in fuel prices, rents, and other household costs.

"If October market conditions continue to be the environment we are working in, NPBT could be impacted by 5 – 10% from our previous guidance range of $34m to $36m."

Company Announcement

27 November 2018

Trading Performance

Turners operates an integrated business helping retail and wholesale customers across three divisions – Automotive Retail, Finance and Insurance, and Debt Management Services. This model provides a number of advantages, from the ability to offer an end-to-end customer journey and higher margin transactions in controlled channels, through to better customer relationships, diversification of earnings and a balanced mix of annuity and transactional revenue.

Automotive Retail (Turners Group, Buy Right Cars): Revenue $111.8m down 1%, Op profit $8.0m down 9%

Unit sales and market share have grown in both the Turners and Buy Right cars business in the first half. Turners Group delivered an improved year on year result, while Buy Right Cars delivered a lower than expected result due to pressure on margins and volumes.

The import market is facing headwinds with challenges on both the demand and supply side. The number of used imports is down and landing costs have increased due to stricter controls following the stink bug issue. This is primarily affecting Buy Right Cars, which has a higher proportion of import sales.

Demand in the highly competitive Auckland market, where 9 of the 10 Buy Right Cars sites are located, has also weakened, with pressures from increased living and fuel costs. A range of initiatives are in place to drive customers instore and leverage the high consumer trust in the Turners' brand.

Investment is being made into expanding and optimising the national retail network, training and development of sales staff, and digital initiatives to offset the softer conditions and drive sales. New sites in Wellington City, New Plymouth and Hamilton are all expected to contribute to operating profit in the second half of FY19.

The challenging conditions will inevitably lead to consolidation in the dealer market which will provide Turners with further opportunity in the medium term, as both Turners and Buy Right Cars focus on building market share.

Finance (Oxford Finance): Revenue $21.6m up 21%, Op profit $5.4m down 2%

Excluding the MTF channel, Oxford Finance performed well in the half year, with the focus on higher quality lending delivering volumes ahead of budget and the prior year. The primary impact on results was the impairment levels for MTF non-recourse loans which have been higher than anticipated. Stricter lending criteria have been introduced and MTF lending processes and credit scoring systems have also been reviewed to ensure robustness, with changes made progressively over the past six months. While the performance of the non-recourse loan offer has been disappointing, MTF's network of over 300 dealers and franchisees remains an attractive channel for Oxford Finance.

The network of dealers selling Oxford Finance products continues to grow with an additional 120 dealers on-boarded in the first half. Improvements to the Autoapp online loan approval platform are making it easier and faster for dealers and customers to gain a response on loan applications.

From September, all loans originating through Turners Cars have been directed into Oxford Finance. This will see circa $4 million a month of high quality lending directed into Oxford, with the benefit to the wider group meaning more margin and an improving risk profile.

Insurance (Autosure): Revenue $25.7m up 15%, Op profit $6.4m up 144%

The insurance business continues to go from strength to strength following the acquisition of Autosure in FY18. Good progress is being made on claims costs and ratios, and premium is growing as risk is more appropriately priced.

The focus is on identifying further opportunities for claims efficiencies and cost reductions. Fintech will play an important role in this and Autosure insurance products are now being integrated into AutoApp digital finance selling platform, making it easier for dealers to transact both insurance and finance products through the one system.

Debt Management (EC Credit Control): Revenue $9.3m down 9%, Op profit $3.1m down 10%

The softer half year result was primarily due to the loss of a large Australian customer which has insourced its collections services.

There has been solid growth in the New Zealand corporate debt market from both new and existing customers, with debt load up 20% on FY18. In addition, record monthly sales of SME products are being seen. The Australian debt market offers a significantly larger opportunity but is more challenging, and additional resource is being put into Australia to improve penetration. Technology is enabling more efficient and effective debt collection, such as the dialler technology and the development of a debtor scorecard to assist with improving collection results.

Funding and Capital Management

Turners has strong and diversified funding arrangements in place, with headroom for forecast business growth. The securitisation warehouse has recently been extended to $200m, and the new banking syndication with ASB and BNZ is working effectively. Pleasingly, the replacement three year bond programme was fully subscribed to $25 million.

The Board continues to consider that Turners' share price does not reflect the fundamental value of the business and is not consistent with valuations from analysts or other independent advisors. Therefore, the company is announcing its intention to undertake an On-Market Share Buyback programme of up to 5% of shares on issue.

Grant Baker commented: "The Board believes the purchase of company shares, which are priced significantly below their intrinsic value, is an appropriate use of capital and will be of benefit to shareholders. We are confident in the long term prospects for solid and improving group earnings resulting in increasing balance sheet strength. This positive outlook supports the Share Buyback initiative"

CEO Comment

CEO of Turners, Todd Hunter, said: "The building blocks put in place in FY18 have created a simplified and more effective business with common operating and funding platforms.

"We are continuing to realise the benefits of our integrated business model and are investing into training and development, fintech, product innovation and the customer experience. We have a wealth of valuable data within our business and are leveraging this to engage with our customers, deliver better service and identify new opportunities to do what we do better.

"The investments we are making into people, property and our businesses will deliver further benefits in the second half and even though we have some market dynamics which are currently problematic, we are building market share, growing our footprint, and improving our customer offering which gives us real confidence in our strategy and long term prospects."

ENDS

About Turners

Turners Automotive Group Limited is an integrated financial services group, primarily operating in the automotive sector www.turnersautogroup.co.nz

For further information, please contact:

Todd Hunter, Chief Executive Officer, Turners Automotive Group Limited Mob: 021 722 818 Media Liaison and Assistance: Jackie Ellis, Mob: 027 246 2505

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

TURNERS AUTOMOTIVE GROUP LIMITED
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2018

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

TURNERS AUTOMOTIVE GROUP LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 September 2018

	Share Capital	Share Options	Translation Reserve	Cash flow hedge reserve	Retained Earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 31 March 2017 (audited)	168,809	208	(23)	6	2,716	171,716
Transactions with shareholders in their capacity as owners						
Capital contributions (net of issue costs)	25,149	-	-	-	-	25,149
Employee share based payments	-	217	-	-	-	217
Dividend paid	-	-	-	-	(6,334)	(6,334)
Total transactions with shareholders in their capacity as owners	25,149	217	-	-	(6,334)	19,032
Comprehensive income						
Profit	-	-	-	-	10,031	10,031
Other comprehensive income	-	-	-	(43)	-	(43)
Total comprehensive income for the period, net of tax	-	-	-	(43)	10,031	9,988
Balance at 30 September 2017 (unaudited)	193,958	425	(23)	(37)	6,413	200,736
Transactions with shareholders in their capacity as owners						
Capital contributions (net of issue costs)	5,190	-	-	-	-	5,190
Employee share based payments	-	276	-	-	-	276
Dividend paid	-	-	-	-	(5,083)	(5,083)
Total transactions with shareholders in their capacity as owners	5,190	276	-	-	(5,083)	383
Comprehensive income						
Profit	-	-	-	-	13,329	13,329
Other comprehensive income	-	-	2	(127)	-	(125)
Total comprehensive income for the period, net of tax	-	-	2	(127)	13,329	13,204
Balance at 31 March 2018 (audited)	199,148	701	(21)	(164)	14,659	214,323
Change in accounting policy	-	-	-	-	(1,839)	(1,839)
Transactions with shareholders in their capacity as owners						
Employee share based payments	**-**	**163**	**-**	**-**	**-**	**163**
Dividend paid	**-**	**-**	**-**	**-**	**(8,056)**	**(8,056)**
Total transactions with shareholders in their capacity as owners	**-**	**163**	**-**	**-**	**(8,056)**	**(7,893)**
Comprehensive income						
Profit	**-**	**-**	**-**	**-**	**12,885**	**12,885**
Other comprehensive income	**-**	**-**	**(8)**	**(121)**	**-**	**(129)**
Total comprehensive income for the period, net of tax	**-**	**-**	**(8)**	**(121)**	**12,885**	**12,756**
Balance at 30 September 2018 (unaudited)	**199,148**	**864**	**(29)**	**(285)**	**17,649**	**217,347**

TURNERS AUTOMOTIVE GROUP LIMITED
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2018

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

The Group's insurance business is required to comply with the solvency standards for licensed insurers issued by the Reserve Bank of New Zealand. The solvency standards specify the level of assets the insurance business is required to hold in order to meet solvency requirements, consequently all cash and cash equivalents and financial assets at fair value through profit or loss held in the insurance business may not be available for use by the wider Group. The Group's insurance business' cash and cash equivalents at 30 September 2018 were $12.8m (30 September 2017: $48.1m; 31 March 2018: $9.2m).

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

TURNERS AUTOMOTIVE GROUP LIMITED
CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 September 2018

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

TURNERS AUTOMOTIVE GROUP LIMITED
CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 September 2018

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

TURNERS AUTOMOTIVE GROUP LIMITED

SEGMENTAL INFORMATION

OPERATING SEGMENTS

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

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

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

Other material non-cash items

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

2.2 SEGMENT ASSETS AND LIABILITIES

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

2.3 AUTOMOTIVE RETAIL SEGMENT ANALYSIS

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

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

Division assets and liabilities

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

Five reportable segment have been identified as follows

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

Change in accounting polices

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

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

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

NZ IFRS 9 'Financial Instruments'

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

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

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

Impairment

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

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

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

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

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

NZ IFRS 15 'Revenue from Contracts with Customers'

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

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

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

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

Sales of service- Collection income

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

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

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

Subsequent events after balance date

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

Contingent liabilities

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