

Turners.

Automotive Group

INTERIM REPORT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018





The Board of Turners Automotive Group Limited is pleased to present the Interim Report for the six months ended 30 September 2018.

Grant Baker
Chairman

Todd Hunter
Chief Executive Officer

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UPCOMING DATES

Record Date for Q2 Dividend	22 January 2019
Dividend Payment Date	30 January 2019
End of 2019 Financial Year	31 March 2019

A UNIQUE INTEGRATED AUTOMOTIVE GROUP

We are an integrated automotive and financial services group, providing wholesale and retail customers with a one stop shop for all their automotive purchasing, selling, financing and insurance needs.

We are the biggest used vehicle and machinery retailer in the country with a network of retail sites across New Zealand. Every time we sell a vehicle, we have the opportunity to finance and insure it, with the best range of products in the market.

We also operate in the credit management sector, leveraging off our expertise in the finance market.

We are focused on growing market share by leveraging the strength and unique benefits of our integrated business model and offering more products and services to more customers across more channels.

Automotive Retail

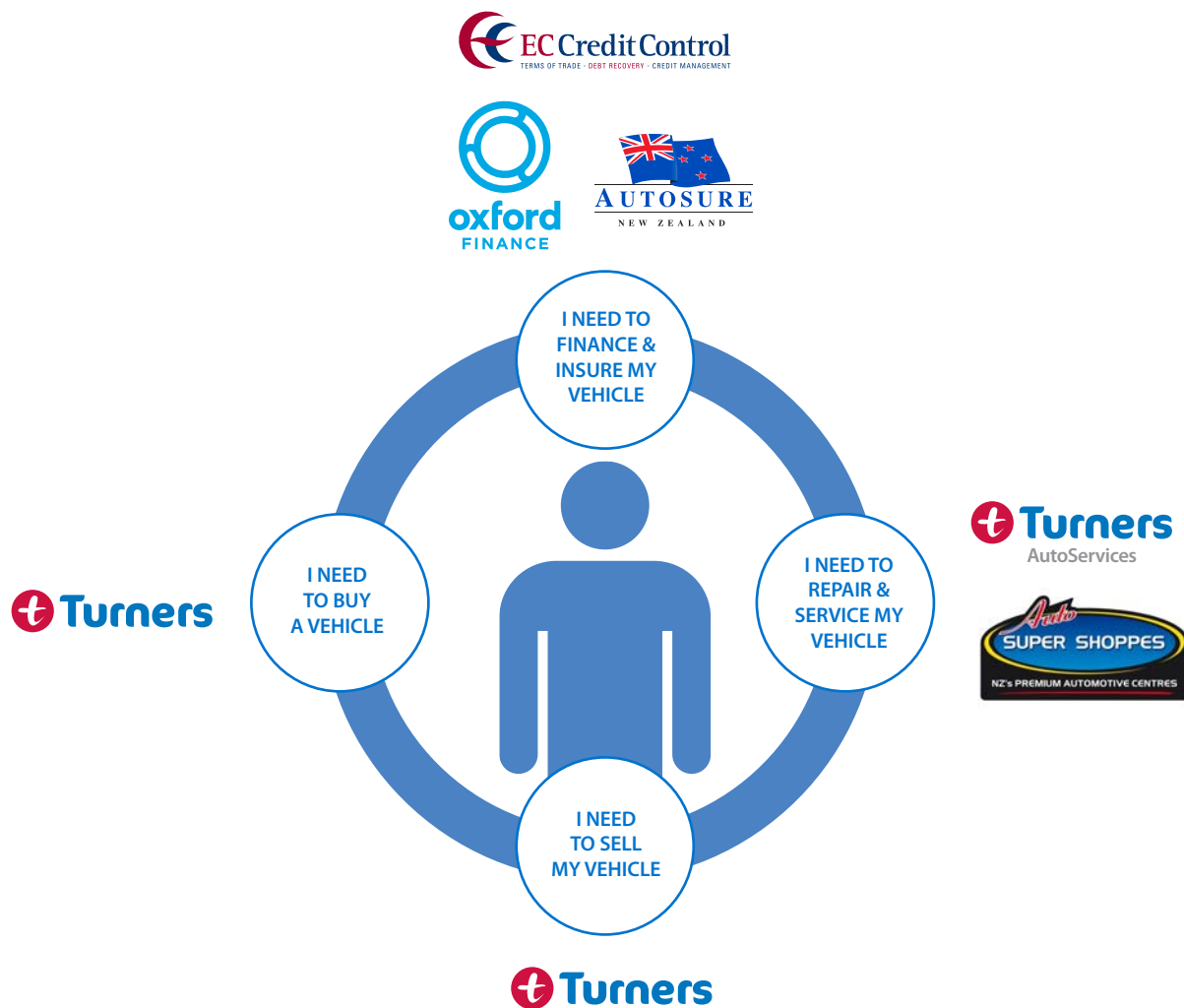
Turners and Buy Right Cars

Finance and Insurance

Oxford Finance and Autosure Insurance

Debt Management

EC Credit Control



HY19 AT A GLANCE

EXPANSION OF NATIONAL RETAIL NETWORK

Through relocations, renovations and opening of new sites (Porirua, New Plymouth, Wellington City)

INCREASED MARKET SHARE

Turners and Buy Right Cars increased market share; BRC unit sales up 9%

INCREASED CONSUMER LENDING

Oxford Finance new consumer lending up 23% to \$52m

FINANCE INTEGRATION

Turners Finance origination fully committed to Oxford Finance from September 2018

REDUCED INSURANCE CLAIMS

Insurance claims loss ratios have improved from 69% to 65%

FUNDING FOR GROWTH

Securitisation warehouse funding limit increased to \$200M

HIGHER QUALITY LENDING

Good progress in repositioning Oxford Finance to lower risk lending

TECHNOLOGY

Enabling more efficient and effective debt collection

EMERGING HEADWINDS IN IMPORT MARKET

On both supply and demand side, particularly in Auckland market

CONSISTENT REVENUE

Revenue \$168.3m, +3%

In line with record HY18 result

Includes \$3.4m gain on property sale

INCREASE IN PROFIT

Net Profit Before Tax	\$16.8m	+18%
Net Profit After Tax	\$12.9m	+28%

Q2 DIVIDEND

4 cents per share

Anticipated full year dividend 17 cents per share



OUR OPPORTUNITY

While currently experiencing some headwinds, the used car market continues to offer a significant opportunity for Turners.

Last year delivered record numbers of transactions, and while the first half this year is not quite as high, it is in line with the first half of 2017 which itself was a record year.

New Zealand's fleet, of just under 4 million light vehicles, is aging and more than 20% is at or very close to scrapping age. There are hundreds of thousands of vehicles expected to need replacing over the next decade. Also, compared to the new car industry, the used car market tends to be far less discretionary.

The market remains highly fragmented and no one dealer has more than 10% market share. Turners is the largest retailer and even then, we account for just a small portion of transactions. While our focus is now more on organic growth and expanding existing businesses and services, we continue to carefully assess potential acquisitions that could add value to our business.

Market research confirms that most Kiwis are in the market for a vehicle under \$10,000, and over 80% of buyers will purchase a vehicle under \$20,000. This is the value range that we mostly play in.

Customers are much more informed and while most of them still prefer to come in store to buy a car, a lot of pre-purchase investigation is being done on line. How we engage with the customer and present information is becoming ever more important.

There will always be a need for a trusted business like Turners which can provide multiple channels for customers to buy and sell vehicles. We are able to offer all the add-ons that customers are looking for – finance, insurance and auto care services.

HALF YEAR REVIEW

Turners delivered a 28% increase in profit in the first half of the 2019 financial year, despite some challenges in the automotive retail sector. The result was driven by a consistent performance across all sectors, and the benefit of a \$3.4m gain on a property sale.

We are making good progress on our strategy and our increased investment into people, technology and business efficiencies is delivering results.

Our retail network is expanding and we are gaining market share; our loan portfolio is transitioning towards better quality, lower risk lending; and our insurance business is delivering the scale we need to operate profitably in this market.

The building blocks we put in place last year 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. We have a wealth of valuable data within our businesses and we are leveraging this to engage with our customers, deliver better service and identify new opportunities to do what we do better.

Operating Environment

We are seeing a slowdown on both the demand and supply side of the automotive retail sector.

The number of used imports coming into the country is down, and landing costs have increased due to stricter controls following the stink bug issue. This is impacting on margins.

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.

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

Pleasingly, we saw some improvement in market conditions in quarter 2 after a very challenging first quarter. Our diversified revenue streams are really demonstrating their value in this environment, with a strong performance from the insurance business offsetting the headwinds in the retail sector.

Business Performance

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.

Turners Cars delivered an increase over last year, with retail sales continuing to hold the line.

Most of the market headwinds have been felt by Buy Right Cars due to the high proportion of used imports they sell and their presence in the Auckland market, which has been particularly impacted by market conditions. While more cars were sold, these were at a lower margin.

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.

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 and more robust processes have now been introduced, with higher quality loans as a result.

The insurance business had a positive first half year with improvements in the underlying business. Good progress is being made on claims costs and ratios, and premium is growing as risk is more appropriately priced.

EC Credit delivered a solid result although down on last year due to the loss of a key Australian corporate client which has taken its collections inhouse, and a reduction in the unredeemed voucher liability release.

Property Strategy

Our property strategy is an important part of our growth story.

While the number of customers researching and buying cars online is growing, the majority of buyers still prefer the “in-person” experience. Being able to view different cars on offer, take them for a test drive and buy in-person remains the preference for most people.

Ensuring we have retail sites in strategic locations across the country is a significant advantage for our business and will be a key enabler of growth moving forward.

We opened new sites in Wellington City, New Plymouth and Hamilton at the end of the first half, and these are all expected to contribute to operating profit in the second half of FY19.

We’re also developing our inhouse property expertise, which will make our property strategy even more efficient going forward.

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 has announced an On-Market Share Buyback programme of up to 5% of shares on issue.

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.

Outlook

The investments we are making into training and development, fintech, product innovation and the customer experience will deliver further benefits in the second half.

We are expecting to see a continued positive performance from insurance and an improving performance from finance as we reposition our lending profile.

However, we are cognisant of the current challenges in the automotive retail market which have carried through into the

second half of the financial year. If these continue, they could impact our NPBT guidance of \$34m to \$36m by up to 10%.

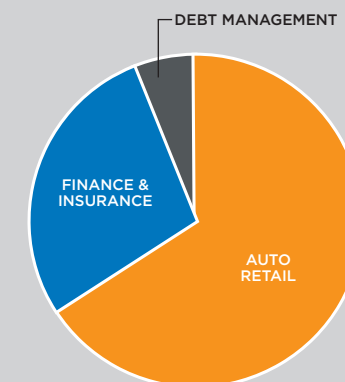
We remain confident in our strategy and long term prospects. New Zealand's aging fleet will see hundreds of thousands of cars needing replacement over the next decade and we are well positioned to meet this need.

In addition, the challenging conditions will inevitably lead to consolidation in the dealer market which will provide Turners with further opportunity in the medium term, as we focus on building market share.

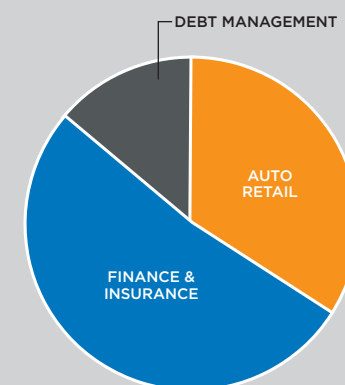
There will always be a need for a trusted business like Turners which can provide multiple channels for customers to buy and sell vehicles. We are able to offer all the add-ons that customers are looking for – finance, insurance and auto care services.

BUSINESS PERFORMANCE

HY19 REVENUE



HY19 OP PROFIT





AUTOMOTIVE RETAIL

Turners Group

- Continued expansion of physical footprint (New Plymouth and Wellington City)
- Damaged vehicle revenue up 9% in 1H19 off the back of new agreements with insurance businesses to sell write-off vehicles
- Continuing increase in fixed price sales (cf auction or tender)
- Sales to end users at 68% of all car purchases
- Redirect of Turners Finance into Oxford Finance.

Buy Right Cars

- New branch opened in Hamilton in September and performing above expectation.
- Gross margins per vehicle down 20% due to clearance of old stock and market conditions
- Focus on increasing the proportion of NZ New cars sold vs imports (higher margin and quicker turn)
- Finance penetration remains at market leading levels.

In Automotive Retail we are focused on improving the cross selling of finance and insurance products to vehicle buyers, efficiently managing costs and improving margins. Our property strategy remains an important initiative as we establish new branches and relocate some branches to newer, better located sites.

REVENUE
\$111.8M
-1.5%

OP PROFIT
\$8.0M
-8.6%



FINANCE

Oxford Finance

- Positive performance excluding MTF non-recourse loans
- Good progress on repositioning towards lower risk borrowers through tightening of credit policy with particular focus on affordability assessments
- Turners Finance loans redirected into Oxford away from MTF
- Network of dealers selling Oxford Finance products continues to grow with an additional 120 dealers on-boarded in the first half
- Improvements to Autoapp online loan approval platform making it easier and faster for dealers and customers to gain a response on loan applications
- Consumer lending through dealer channels up 23% to \$52m.

In Finance, we will be continuing to transition to higher quality and more profitable lending with a focus on improving our loan origination platform and credit scoring decisions. We have a big focus on ensuring robust affordability assessments are completed and providing tools to assist our originators to do this.

REVENUE
\$21.6M
+21%

OP PROFIT
\$5.4M
-2%



REVENUE
\$25.7M
+15%

OP PROFIT
\$6.4M
+144%

INSURANCE

AUTOSURE

- Improvements in loss ratios across all insurance products.
- Re-pricing for risk has been extensively rolled out across the network
- Project to rebuild core origination system has started and is tracking well for delivery Q1 FY20, which will enable more agile product design and delivery
- Focus on training and development helping to win new originators
- 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
- Result includes gain on sale in property of \$3.4m

In Insurance we continue to help dealers upskill through training and development. The replacement of our retail origination system is a very important project to enable new products to be more easily brought to market in the future. We will also remain focused on being as efficient as possible and ensure we are pricing correctly for the risk we are taking.



REVENUE
\$9.3M
-9%

OP PROFIT
\$3.1M
-10%

DEBT MANAGEMENT

EC Credit Control

- Continued to increase debt load from key NZ corporate accounts at expense of competitors
- Increasing sales of credit management products to NZ SMEs
- Collections scorecard developed and being used with banking customers
- Increased level of resource in Australia to lift corporate debt load (under penetrated)
- Auto Dialler technology performing well and creating significant lift in productivity

Within Credit Management, we are targeting growth from Australia in both the corporate and SME segments. The Australian debt market offers a significantly larger opportunity but is more challenging, and additional resource is being put into Australia to improve penetration.

FINANCIAL COMMENTARY

Turners Automotive Group delivered a 28% increase in profit for the six months to 30 September 2018, driven by a continuing strong performance 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. On a normalised basis, underlying NPBT was up 3%. This excludes non-operational items such as the property sale, the EC voucher liability, the revaluation of our shareholding in MTF last year and the reduction in the Buy Right Cars earnout.

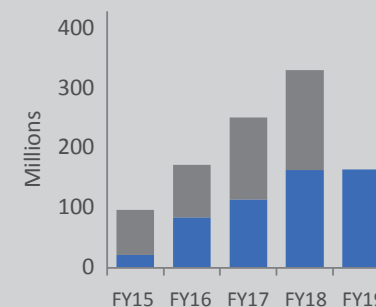
Earnings per share were up 14% to 15.19 cents per share for the half year. Shareholder equity increased to \$217.3m as at 30 September 2018.

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.

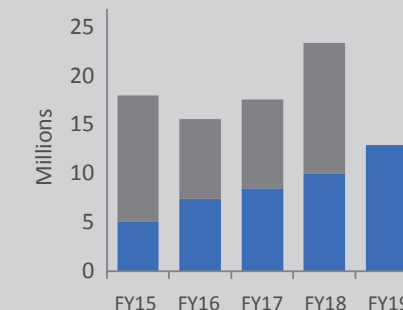
The balance sheet remains strong and we are confident in the long term prospects for increasing balance sheet strength. Given this, and the current share price which the Board considers to be below intrinsic value, the company has initiated a Share Buyback programme.

Further financial information has been provided in the HY19 Results Presentation which is available to view on Turners website at <https://www.turnersautogroup.co.nz/Investor+Centre/Presentations+and+Results.html>

REVENUE



NET PROFIT AFTER TAX



■ 1H ■ 2H



INTERIM FINANCIAL REPORTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

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
	Note			
Revenue from continuing operations	3	164,573	162,979	325,047
Other income	3	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 period (which may subsequently be reclassified to profit/loss), net of tax				
Cash flow hedges		(121)	(43)	(170)
Foreign currency translation differences		(8)	-	2
Total comprehensive income for the period		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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

		Share Capital \$'000	Share Options Reserve \$'000	Translation Reserve \$'000	Cash flow reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 31 March 2017 (audited)	Note	168,809	208	(23)	6	2,716	171,716
<i>Transactions with shareholders in their capacity as owners</i>							
Capital contributions (net of issue costs)		25,149	-	-	-	-	25,149
Employee share based payments		-	217	-	-	-	217
Dividend paid	6	-	-	-	-	(6,334)	(6,334)
		25,149	217	-	-	(6,334)	19,032
<i>Comprehensive income</i>							
Profit		-	-	-	-	10,031	10,031
Other comprehensive income		-	-	-	(43)	-	(43)
Total comprehensive income for the period, net of tax		-	-	-	(43)	10,031	9,988
Balance at 30 September 2017 (unaudited)		193,958	425	(23)	(37)	6,413	200,736
<i>Transactions with shareholders in their capacity as owners</i>							
Capital contributions (net of issue costs)		5,190	-	-	-	-	5,190
Employee share based payments		-	276	-	-	-	276
Dividend paid	6	-	-	-	-	(5,083)	(5,083)
		5,190	276	-	-	(5,083)	383
<i>Comprehensive income</i>							
Profit		-	-	-	-	13,329	13,329
Other comprehensive income		-	-	2	(127)	-	(125)
Total comprehensive income for the period, net of tax		-	-	2	(127)	13,329	13,204
Balance at 31 March 2018 (audited)		199,148	701	(21)	(164)	14,659	214,323
Change in accounting policy	1.2	-	-	-	-	(1,839)	(1,839)
<i>Transactions with shareholders in their capacity as owners</i>							
Employee share based payments		-	163	-	-	-	163
Dividend paid	6	-	-	-	-	(8,056)	(8,056)
		-	163	-	-	(8,056)	(7,893)
<i>Comprehensive income</i>							
Profit		-	-	-	-	12,885	12,885
Other comprehensive income		-	-	(8)	(121)	-	(129)
Total comprehensive income for the period, net of tax		-	-	(8)	(121)	12,885	12,756
Balance at 30 September 2018 (unaudited)		199,148	864	(29)	(285)	17,649	217,347

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the six months ended 30 September 2018

	Note	30/09/2018 Unaudited \$'000	30/09/2017 Unaudited \$'000	31/03/2018 Audited \$'000
Assets				
Cash and cash equivalents	4	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	5	290,091	269,229	289,799
Other receivables and deferred expenses		14,291	10,238	11,747
Reverse annuity mortgages	5	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
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

G.K. Baker
Chairman



P.A. Byrnes
Executive Director



Authorised for issue on 27 November 2018

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	30/09/2018 Unaudited \$'000	30/09/2017 Unaudited \$'000	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 decrease/(increase) of financial assets at fair value through profit or loss	(1,348)	305	(41,937)
Net 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 fixed assets and intangible assets	(5,811)	(6,116)	(22,698)
Purchase of subsidiaries	-	(3,733)	(3,754)
Net cash (outflow)/inflow from investing activities	3,047	(9,697)	(22,508)
Cash flows from financing activities			
Net bank loan advances/(repayments)	16,398	34,756	39,005
Proceeds of share issue	-	24,466	29,656
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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

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			
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)

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

1. Reporting entity

Turners Automotive Group 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.

1.1 Basis of preparation

The unaudited interim condensed consolidated financial statements for the six months ended 30 September 2018 have been prepared in accordance with NZ IAS34: *Interim Financial Reporting*.

The unaudited consolidated condensed interim financial statements of the Group for the six months ended 30 September 2018 do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 March 2018.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting periods, except for the adoption of new and amended standards as set out below.

The same significant judgments, estimates and assumptions (including basis of segmentation) included in the notes to the financial statements in the Group's consolidated financial statements for the year to 31 March 2018 have been applied to these interim financial statements. The business does not experience notable seasonal variations. There has been no change to the basis of segmentation from that applied at 31 March 2018.

To ensure consistency with audited figures, 30 September 2017 comparatives have been regrouped where appropriate.

1.2 New standards, interpretations and amendments adopted by the Group

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. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income ('OCI') and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

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 financial receivables and other debt financial assets not held at fair value through profit and 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.

Impact of the adoption of NZ IFRS 9 on the Group's financial statements

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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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

The adoption of the ECL requirements of NZ IFRS 9 resulted in increases in impairment allowances for the Group's Finance receivables. The impact on retained earnings was as follows:

	\$'000
Retained earnings at 1 April 2018	14,659
NZ IFRS 9 adjustments	
Change in impairment	(2,160)
Deferred tax	605
Retained earnings at 1 April 2018 after NZ IFRS 9 adjustments	13,104

Group's previous accounting policy for financial instruments

For the Group's previous accounting policy for financial instruments please refer to accounting policies 3.6 to 3.12 (pages 36 - 38) in Group's consolidated financial statements for the year ended 31 March 2018.

Group's current policy for financial instruments

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial asset and the contractual terms of the cash flows.

The Group classifies its financial liabilities in the following measurement categories:

- those to be measured at amortised cost, and
- those to be measured subsequently at fair value through profit or loss.

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Unsettled funds, fixed interest securities and term deposits are classified as financial assets to be measured subsequently at fair value through profit or loss. Contingent consideration is classified as financial liabilities to be measured subsequently at fair value through profit or loss.

Cash and cash equivalents, trade receivables, finance receivables, reverse annuity mortgages and other receivables are classified as financial assets to be measured at amortised cost. Trade, other payables and borrowings are classified as financial liabilities to be measured at amortised cost.

Measurement

At initial recognition, the Group measures financial instruments at its fair value plus, in the case of a financial instrument not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial instrument. Transaction costs of financial instruments carried at FVPL are expensed in profit or loss.

Financial instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in profit or loss.

Changes in the fair value of financial instruments at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

Impairment

The Group calculates expected credit losses 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.

Derivatives and hedging cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other income (expenses).

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example through cost of sales).
- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

Use of estimates and judgements

Management calculates expected credit losses 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. Management has made judgements, estimates and assumptions when calculating the expected credit losses. Actual results could differ from the estimates, such differences will impact the carrying value of financial receivables.

NZ IFRS 15 'Revenue from Contracts with Customers'

NZ IFRS 15 'Revenue from Contracts with Customers' 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 five step approach is as follows:

- Step 1: Identify the contracts with the customer;
- Step 2: Identify the separate performance obligations;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price; and
- Step 5: Recognise revenue when a performance obligation is satisfied.

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 contracts 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.

Impact of the adoption of NZ IFRS 15 on the Group's financial statements

The Group elected to apply the 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

The Group's revenue recognition policies remain largely the same with the exception of Sales of service- Collection income, where 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 in the following adjustment to opening retained income.

	\$'000
Retained earnings at 1 April 2018 after NZIFRS 9 adjustments	13,104
NZ IFRS 15 adjustments	
Change in collection income	(617)
Change in collection expense	348
Tax payable	23
Deferred tax	(38)
Retained earnings at 1 April 2018 after NZ IFRS adjustments	12,820

The table below show the effect of IFRS 15 adoption on 1 April 2018.

	As previously reported \$'000	IFRS 15 reclassifications \$'000	Restated \$'000
Assets			
Other receivables and deferred expenses	11,747	348	12,095
Liabilities			
Deferred revenue	5,506	617	6,123
Deferred tax	18,786	38	18,824
Tax payable	5,029	(23)	5,006
<i>Total impact of liabilities</i>	29,321	632	29,953
Retained earnings after NZ IFRS 9 adjustments	13,104	(284)	12,820

Group's previous accounting policy for revenue recognition

For the Group's previous accounting policy for revenue recognition please refer to accounting policy 3.5 (pages 35 - 36) in Group's consolidated financial statements for the year ended 31 March 2018.

Group's current policy for revenue recognition

Revenue and expense recognition

The principal sources of revenue are sales of goods, sales of service, interest income, fees, commissions, and insurance premium income.

NZ IFRS 15 related policies

Sales of goods

Sales of goods comprise sales of motor vehicle and commercial goods owned by the Group. Sales of goods are recognised at the point in time when the Group has transferred control of the promised good to the customer. This normally occurs on receipt of a deposit, full payment or approval of financing.

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 over time 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.

Voucher income

Voucher income is initially recognised as an unredeemed voucher liability. Voucher income is recognised when the voucher is redeemed. For those vouchers that are unredeemed, voucher income is recognised 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

NZ IFRS 9 related policies

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.

Other

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 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 contracts 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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.

1.3 New standards and amendments and interpretations to existing standards that are not yet effective for the current accounting period beginning on 1 April 2018

The following relevant standards and interpretations have been issued at the reporting date but are not yet effective.

NZ IFRS 16 'Leases'

NZ IFRS 16 'Leases' will replace NZ IAS 17 'Leases'. NZ IFRS 16 eliminates the distinction between operating and finance leases for lessees and will result in lessees bringing most leases onto their Statements of Financial Position.

The main changes affect lessee accounting only – lessor accounting is mostly unchanged from NZ IAS 17.

NZ IFRS 16 introduces the following:

- Use of a control model for the identification of leases. This model distinguishes between leases and service contracts on the basis of whether there is an identified asset controlled by the customer.
- Distinction between operating and finance leases is removed. Assets (a right of use asset) and liabilities (a lease liability reflecting future lease payments) will now be recognised in respect of all leases, with the exception of certain short term leases and leases of low value assets

The effective date is annual reporting periods beginning on or after 1 January 2019, the 31 March 2020 financial year. Earlier application is permitted, if NZ IFRS 15 Revenue from Contracts with Customers has also been adopted.

The indicative impacts of implementing NZ IFRS 16 are as follows for all leases that the Group is a party to:

Initial recognition and measurement:

- Recognition of a right of use ('ROU') asset. Initial measurement of the ROU asset would include the initial present value of the lease liability, the initial direct costs, prepayments made to lessor, less any lease incentives received from the lessor and restoration, removal and dismantling costs; and
- Recognition of a lease liability, which would reflect the initial measurement of the present value of lease payments, including reasonably certain renewals.

Subsequent measurement:

- ROU asset: Depreciate the ROU asset based on NZ IAS 16 'Property, plant and equipment'.
- Lease liability: Accrete liability based on the effective interest method, using a discount rate determined at lease commencement (as long as a reassessment and a change in the discount rate have not occurred) and reduce the liability by payments made.

NZ IFRS 16 will have a material impact on the Group's financial statements and will be dependent on the leases that the Group is a party to as at the beginning of the year ended 31 March 2020. The Group's operating lease commitments as at 31 March 2018 are set out in note 31 of the Group's consolidated financial statements for the year ended 31 March 2018, measurement of the lease liability and asset under NZ IFRS 16 is yet to be fully assessed.

The Group will adopt NZ IFRS 16 for the accounting period beginning on 1 April 2019.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

NZ IFRS 17 Insurance Contracts

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 effective date is annual reporting periods beginning on or after 1 January 2021, the 31 March 2022 financial year.

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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2. SEGMENTAL INFORMATION

2.1 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)

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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	31624	26266	28549	25632	21177	23045
	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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. REVENUE

Revenue from continuing operations includes:

	30/09/2018	30/09/2017	31/03/2018
	Unaudited	Unaudited	Audited
	\$'000	\$'000	\$'000
Interest income	24,713	20,845	45,084
Sales of goods	79,022	83,928	163,622
Commission and other auction revenue	22,595	22,499	46,730
Finance related insurance commissions	5,907	2,401	4,718
Loan fee income	1,601	1,244	2,766
Insurance and life investment contract income	20,265	21,299	41,685
Collection income	9,245	10,090	18,665
Bad debts recovered	562	529	887
Other revenue	663	144	890
	164,573	162,979	325,047
<i>Other income includes:</i>			
Revaluation gain on investments	-	590	590
Revaluation gain on investment property	-	-	820
Dividend income	107	105	349
Gain of sale of property, plant and equipment	3,611	168	1000
Fair value gain on contingent consideration	-	-	2664
	3,718	863	5,423

4. CASH AND CASH EQUIVALENTS

	30/09/2018	30/09/2017	31/03/2018
	Unaudited	Unaudited	Audited
	\$'000	\$'000	\$'000
Cash and cash equivalents	24,085	69,472	25,145

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. 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.

5. FINANCE RECEIVABLES AND REVERSE ANNUITY MORTGAGES

	30/09/2018	30/09/2017	31/03/2018
	Unaudited	Unaudited	Audited
	\$'000	\$'000	\$'000
Gross finance receivables	299,558	272,525	295,653
Deferred fee revenue and commission expenses	6,205	4,410	5,440
Provision for impairment	(15,672)	(7,706)	(11,294)
	290,091	269,229	289,799

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

5. FINANCE RECEIVABLES AND REVERSE ANNUITY MORTGAGES (continued)

	30/09/2018	30/09/2017	31/03/2018
	Unaudited	Unaudited	Audited
	\$'000	\$'000	\$'000
Reverse annuity mortgages	9,398	9,050	10,094
Provision for impairment	(111)	(83)	(97)
	9,287	8,967	9,997
<i>Fair value</i>			
Finance receivables	292,694	271,669	289,951
Reverse annuity mortgages	10,975	11,854	11,866

The fair value of finance receivables are based on cash flows discounted using a weighted average interest rate of 15.14% (30 September 2017: 15.38% and 31 March 2018: 15.01%) and the fair value for 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.

Securitisation

The Group has a wholesale funding facility with the Bank of New Zealand (BNZ) under which it securitises finance receivables through The Turners Marque Warehouse Trust 1 (the Trust). Under the facility, BNZ provides funding to the Trust secured by finance receivables sold to the Trust from the finance segment. 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's financial statements.

The Group retains substantially 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 reporting period \$44.8m finance receivables were sold to the Trust (30 September 2017: \$80.3m; 31 March 2018: \$144.5m). As at 30 September 2018 the carrying value of financial receivables in the Trust was \$151.1m (30 September 2017: \$117.6m; 31 March 2018: \$145.6m).

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

6. DIVIDENDS

	Six months ended 30/09/2018 \$'000	Six months ended 30/09/2017 \$'000	Year ended 31/03/2018 \$'000
Interim dividend for year ended 31 March 2018 of \$0.045 (31 March 2017: \$0.04) per fully paid ordinary share, imputed, payable on 20 April 2018 (2017: 12 April 2017)	3,816	2,980	2,980
Final dividend of \$0.05 for the year ended 31 March 2018 (31 March 2017: \$0.045) per fully paid ordinary share, imputed, payable on 18 July 2018 (2017: 21 July 2017).	4,240	3,354	3,353
Interim dividend for the year ended 31 March 2018 of \$0.03 (31 March 2017: \$0.03) per fully paid ordinary share, imputed, paid on 3 November 2018 (2017: 30 September 2017).	-	-	2,540
Interim dividend for the year ended 31 March 2018 of \$0.03 per fully paid ordinary share, imputed, paid on 22 December 2017.	-	-	2,544
Total dividends provided for or paid	8,056	6,334	11,417

Dividends not recognised at the end of the half year:

In addition to the above dividends, since the end of the period the directors have recommended the payment of the following dividends expected to be paid out of retained earnings at 30 September 2018, but not recognised as a liability at the end of the period:

Interim dividend for the year ended 31 March 2019 of \$0.04 (31 March 2018: \$0.03) per fully paid ordinary share, imputed, payable on 30 October 2018 (2018: 3 November 2017)	3,579	2,540	-
Interim dividend for the year ended 31 March 2019 of \$0.04 (31 March 2018: \$0.03) per fully paid ordinary share, imputed, payable on 30 January 2019 (2018: 22 December 2017)	3,579	2,544	-

7. FAIR VALUE DISCLOSURES

As at 30 September 2018, 30 September 2017 and 31 March 2018, the carrying value of cash and cash equivalents, other receivables and other payables approximate their fair values due to the short-term nature of the financial assets or liabilities.

<i>Fair value of borrowings</i>	30/09/2018 Unaudited \$'000	30/09/2017 Unaudited \$'000	31/03/2018 Audited \$'000
Fair value	330,498	306,969	317,373
Carrying value	330,291	306,786	317,388

The fair value of borrowings is based on cash flows discounted using a weighted average interest rate of 4.58% (30 September 2017: 4.39% and 31 March 2018: 4.24%).

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

7. FAIR VALUE DISCLOSURES (continued)

Fair value of financial assets and liabilities carried at fair value are determined as follows:

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).

Level 3 the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

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

30 September 2018	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets:				
Financial assets at fair value through profit or loss - insurance	-	51,693	-	51,693
Financial assets at fair value through profit or loss - investment equities	-	3,579	-	3,579
Investment property	-	-	4,820	4,820
	-	55,272	4,820	60,092
Financial liabilities:				
Derivative cash flow hedges	-	295	-	295
Financial liability at fair value through profit or loss	-	-	174	174
	-	295	174	469
30 September 2017	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets:				
Financial assets at fair value through profit or loss - insurance	-	7,345	-	7,345
Financial assets at fair value through profit or loss - investment equities	-	3,620	-	3,620
Financial assets at fair value through profit or loss - other	-	-	4,000	4,000
	-	10,965	4,000	14,965
Financial liabilities:				
Derivative cash flow hedges	-	43	-	43
Financial liability at fair value through profit or loss	-	-	2,767	2,767
	-	43	2,767	2,810

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

7. FAIR VALUE DISCLOSURES (continued)

31 March 2018	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets:				
Financial assets at fair value through profit or loss - insurance	-	7,249	-	7,249
Financial assets at fair value through profit or loss - investment equities	-	3,629	-	3,629
Financial assets at fair value through profit or loss - term deposits	42,500	-	-	42,500
Investment property	-	-	4,820	4,820
	42,500	10,878	4,820	58,198
Financial liabilities:				
Derivative cash flow hedges	-	111	-	111
Financial liability at fair value through profit or loss	-	-	226	226
	-	111	226	337

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 based on the market price quoted by the fund manager, ANZ Investments Limited.

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.

Fair value liability - term deposits and fixed interest securities

Term deposits are recognised at fair value based on quoted bid market price.

Fair value - investment property

The fair value of investment property at 31 March 2018 was determined by an independent registered valuer using the comparable sales methodology.

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).

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.

Buy Right Cars

On 29 July 2016, contingent consideration of \$6.3m was recognised and re-measured to \$6.8m on 31 March 2017.

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 out periods.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

7. FAIR VALUE DISCLOSURES (continued)

Fair value of financial assets and liabilities carried at fair value are determined as follows:

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).

Level 3 the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

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

30 September 2018	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets:				
Financial assets at fair value through profit or loss - insurance	-	7,693	-	7,693
Financial assets at fair value through profit or loss - investment equities	-	3,579	-	3,579
Financial assets at fair value through profit or loss - term deposits	50,000	-	-	50,000
Investment property	-	-	4,820	4,820
	50,000	11,272	4,820	66,092

Financial liabilities:

Derivative cash flow hedges	-	295	-	295
Financial liability at fair value through profit or loss	-	-	174	174
	-	295	174	469

30 September 2017	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets:				
Financial assets at fair value through profit or loss - insurance	-	7,345	-	7,345
Financial assets at fair value through profit or loss - investment equities	-	3,620	-	3,620
Financial assets at fair value through profit or loss - term deposits	32,000	-	-	32,000
Investment property	-	-	4,000	4,000
	32,000	10,965	4,000	46,965

Financial liabilities:

Derivative cash flow hedges	-	43	-	43
Financial liability at fair value through profit or loss	-	-	2,767	2,767
	-	43	2,767	2,810

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

8. COMMITMENT & CONTINGENT LIABILITIES

The Group had no capital commitments at 30 September 2018 (30 September 2017: \$nil 31 March 2018: \$nil).

Contingent liabilities

30 September 2018 & 31 March 2018

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 hearing was held on 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.

9. SUBSEQUENT EVENTS AFTER BALANCE DATE

30 September 2018

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.

On 27 November 2018, the Group announced an On-Market Share Buyback programme of up to 5% of shares on issue.

30 September 2017

There were no material events subsequent to balance date.

31 March 2018

On 3 May 2018, the Group entered into a syndicated funding facility with the Bank of New Zealand and ASB Bank, refer note 25 of the Group annual report for the year ended 31 March 2018.

DIRECTORY

DIRECTORS

Grant Baker
Chairman
Appointed 10 September 2009

Paul Byrnes
Deputy chairman & non-executive director
Appointed 2 February 2004

Martin Berry
Independent Director
Appointed 17 August 2018

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

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AUDITOR

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