Company Announcement
29 May 2019

TURNERS DELIVERS PROFIT UPLIFT AHEAD OF LATEST GUIDANCE AND PROGRESSES STRATEGIC REVIEW FOR FUTURE GROWTH

TRA Result for the financial year ended 31 March 2019

Key highlights

- Reported FY19 Net Profit Before Tax (NPBT) of $29.0m (FY18: $31.1m)
- Adjusted FY19 NPBT (excluding brand write-off) of $33.6m (FY18: $31.3m), above Q4 guidance of $32m and up 8% from the previous year.
- FY19 Revenue of $336.6m, up 2% from $330.5m in FY18.
- Continued investment in branch expansion with North Shore branch opening 2Q20 and plans for seven further branches, with contracts for two already in place.
- Group strategy review is largely complete, with a focus on leveraging strengths and core capabilities, de-risking and simplifying the business and accelerating growth in a capital efficient way.
- FNZC have commenced a strategic review of Oxford Finance. Turners will also conduct a strategic review of EC Credit in the next 12-24 months.
- The Board has declared a final quarter fully imputed dividend of 5.0 cents per share, taking full year dividends to 17 cents per share, up from 15.5 cents per share in FY18 (a 7% fully imputed yield based on current share price).
- Following the strategy review, the Directors have enhanced the dividend policy and resolved to increase the payout ratio to 60-70% of Net Profit After Tax (‘NPAT’) (previously 50-60%).

Financial Performance

Turners Automotive Group Limited (NZX/ASX:TRA) has reported $29.0m in Net Profit Before Tax (NPBT) for FY19. Excluding a $4.6m one-off, non-cash adjustment related to the rebranding of Buy Right Cars, the Company delivered FY19 NPBT of $33.6m, above Q4 guidance of $32m and ahead of last year’s result of $31.1m.

Turners is a major player in the New Zealand automotive sector, providing an integrated set of solutions across Automotive Retail, Finance and Insurance, as well as Credit Management.

Turners’ Chair, Grant Baker says the focus has been on organic growth and generating synergistic benefits across the group:

“We are seeing benefits from the Company’s expanding retail network, a focus on better quality loans and simplification of the business model into core brands,” says Baker.

Total FY19 revenue grew to $336.6m, up 2% from $330.5m in FY18, with Automotive Retail contributing 67% of operating revenue.

Operating profit (NPBT) of $29.0m included the Buy Right Cars brand write-off adjustment of ($4.6m), and was offset by gains on property sales and revaluations of $7.7m. FY19 Net Profit After Tax (NPAT) was $22.7m, down 3% from $23.4m in FY18.

Turners' CEO Todd Hunter says that Turners is continuing to invest in expanding and developing its Automotive Retail network, and currently has 33 sites across New Zealand.

"We are starting to see positive gains from the ongoing optimisation of our retail network, which has included the relocation of the Whangarei site, and addition of two new sites in Wellington and New Plymouth that are both performing above expectations," says Hunter.

A proportion of reserves from Turners' Insurance business has been allocated to support the retail expansion and assist in better utilisation of capital in the business. A new North Shore branch is expected to open towards the end of 2Q20 after the previous site was compulsorily acquired by NZTA, and there are plans to open a further seven sites, for which two already have contracts already in place.

Market conditions

The New Zealand used car market remains at strong historic levels and underlying medium term demand is still robust, with over 950,000 cars at 20+ years old. The market headwinds noted in the first half of the financial year have eased, and an improvement in trading performance and vehicle margins was noted in Q4 FY19.

Demand in the Auckland market remains soft and pressure on used vehicle import margins. A current oversupply of import cars is temporarily pushing down pricing and increased compliance costs are also having an adverse impact. Conversely, local stock is delivering much stronger margins and Turners is benefitting from its strategy to increase the number of 'owned' vehicles it sells, which provide higher margins.

Funding and Share Buyback

Turners' funding platform was further strengthened during the year, with the issue of a new $25m, 3-year Bond programme. Combined with the Securitisation Warehouse and the banking syndication with the ASB and BNZ, this provides Turners with a diversified funding structure and adequate headroom for forecast business growth. The previous Convertible Bond matured in August 2018, with 50% conversion into shares.

Total shareholder equity increased to $226.4m, up 6% from $214.3m in the prior year.

The Board regarded Turners stock as under-valued, and accordingly Turners bought-back 3% of shares on issue before pausing the Share Buy Back programme ahead of the results period. As the Board continues to see the stock as under-valued, it will revisit the buy-back programme in the near-term.

Divisional Performance

Automotive Retail

Automotive Retail was the largest contributor to the group, generating 67% of operating revenue and 63% of operating profit. Revenue was slightly up on the prior year to $225.7m, with operating profit increasing 10% to $18.3m.

Turner's Group is benefitting from its national network and strong online channels, which provide diversity across regional markets. The business delivered a 13% increase in operating profit, offsetting the downturn in Buy Right Cars which has been adversely impacted by the soft Auckland market, where all but one of its sites are located.

Turners' single brand strategy is now in force, with the rebrand of Buy Right Cars to Turners completed in May 2019. This provides the opportunity to further leverage the high levels of awareness and the very strong trust that Kiwis place in the Turners brand and will also enable marketing and other cost synergies to be achieved.

Approximately 49% of retail sales are cars owned by Turners, which generate better margins and an increased opportunity to cross sell finance and insurance products. Of the vehicles being sold on consignment, a higher number of these are ex-lease cars which provide less margin but provide good late model "NZ new" cars for sale. While import vehicle margins are well down, Turners has implemented a number of initiatives to improve local stock buying, which delivers higher margins.

Turners has also continued to grow its share of the niche end-of-life market and is increasingly being recognised by insurance companies as the provider of choice.

Finance

The Finance division delivered an 11% increase in operating revenue to $44.2m, however, operating profit decreased slightly to $11.1m due to increased impairment from a change in accounting standards and Motor Trade Finance (MTF) non-recourse offering. Good progress is being made on repositioning the borrower profile towards high quality and more profitable lending, aided by the introduction of comprehensive credit scoring in March 2019.

From August 2018, all new loans originated by Turners Cars are being directed into Oxford Finance, and the Turners Finance loan book with MTF will run down over the next 2 years. New loans originated by Turners Cars added $28m to the Oxford Finance loan book in FY19.

The number of active dealers selling Turners' finance offer continues to grow and was up 11% year on year. One in five loans are now being "auto-approved" through Turners' Auto App online loan approval platform, which makes it easier and faster for dealers and customers to gain a response on loan applications.

Insurance

Autosure has around 50% share of the motor vehicle mechanical breakdown insurance market. It is a lower risk insurance business which provides good returns and offers leverage for the group through the ability to use insurance reserves to invest in property. Operating revenue for the year was up 3% to $48.5m, with operating profit of $8.2m up 126%, which included a $3.0m gain on sale of an investment property.

The number of gross written policies and new policy sales increased, with an 8% increase in policies sold through Turners' Automotive Retail business. Loss ratios have improved across all insurance products through the benefits of risk pricing work and tight cost control in claims management. MBI (Mechanical Breakdown Insurance) loss ratios were at 72% for the year (FY18: 78%) with a further improvement targeted.

The final step in the large integration project to combine all Turner's insurance brands was completed this year, with the migration to a new front end retail system which was implemented in April 2019.

Credit Management

EC Credit Control continues to deliver consistent results with revenue of $18.2m in line with the prior year and operating profit up 4% to $6.3m. The unredeemed voucher release was under $0.2m (FY18: $0.4m), and similar levels are expected to be maintained in FY20.

EC Credit Control's share of the New Zealand market continues to grow, with increased debt load from new and existing customers. Australia remains more challenging, and this year's results were impacted by the loss of a key Australian corporate client. The business continues to reap benefits from its investment into Auto-dialler technology which is delivering significant cost efficiencies and an increasing number of calls and call connects.

Strategic Review

The previously advised comprehensive review of group strategy has largely been completed. The result of the review is a decision to simplify the business as well as leveraging core capabilities and strengths (such as the brand strength in Automotive Retail and the Turners brand name) in order to de-risk the group and accelerate growth in a capital efficient manner.

This new strategy enables the business to target significantly increasing its market share in its core business of Automotive Retail and participate in adjacent opportunities in the sector.

The Board believes this strategy will sharpen the focus on meeting customer needs; improve the efficiency of the business; and improve the returns generated for shareholders. There is a strong desire to invest in the brands and businesses where Turners has already achieved a leading position. The shift to a single brand strategy in Auto Retail, completed in May 2019, is one of the first projects implemented under the new strategy.

As a next step in Turners actioning this strategy, Grant Baker advises that the Board has appointed FNZC to conduct a strategic review of Oxford Finance, which has already commenced.

"Whilst Oxford Finance is a well performing and growing business with a strong network of active dealers across the country, the review of group strategy has highlighted that building a loan book is very capital intensive and we may be best to use our capital in growing our core business."

As a part of the review, Turners will consider alternative ownership options for Oxford Finance and assess these alternatives against the value the 'one stop shop' model currently provides Turners.

"Whatever the outcome of the strategic review, Turners will continue to maintain its close relationship with Oxford Finance through its expanding distribution platform, and Oxford Finance customers and the existing dealer network will see no change to the leading levels of service and quality they currently experience," says Baker.

Turners will also conduct a strategic review of EC Credit in the next 12-24 months.

Outlook

Automotive Retail has been identified as Turner's core strength. The long-term dynamics of this market are strong with hundreds of thousands of ageing vehicles needing to be replaced over the next decade. Turners is well positioned to take advantage of this, as well as the expected consolidation of the dealer network.

Expansion of the national network will continue as Turners strengthens its omni-channel approach – ensuring that it has a strong and consistent customer experience in all channels where consumers are looking to buy or sell cars, including online, through social media or 'in person'. The company continues to develop inhouse property expertise, and will continue to leverage reserves within the insurance business to deliver on the property strategy and continue to enhance capital efficiency.

Management have identified a number of growth opportunities across all businesses, which take advantage of the changing dynamics of the industry – digital disruption, increased regulation, increasing shift to online channels, alternative ownership models and industry consolidation. The new strategy will help position Turners to take advantage of investments in these opportunities as they arise.

"Better access, analysis and insights from the wealth of valuable data within each business is a priority. We believe this could substantially improve the way consumers buy and sell vehicles, and we will focus on our data opportunity over the medium term," says Hunter.

Company Announcement
29 May 2019

Dividend

The Board has declared a final quarter fully imputed dividend of 5.0 cents per share, taking full year dividends to 17 cents per share, up from 15.5 cents in FY18. Following the strategy work, the Directors have enhanced the dividend policy, resulting in a new payout ratio of 60-70% of NPAT (up from 50-60%).

The Board believe the change in strategic direction will help reduce the complexity of the current business structure and enable focus on the core automotive retail business which will generate more capital efficient growth and value for Turners' shareholders.

ENDS

Conference call details

Turners will host an investor conference call at 10.30am NZST today, with Turners CEO Todd Hunter and CFO Aaron Saunders, to review the FY19 results and provide more detail on the group strategy review.

To attend the conference call, participants will need to dial into one of the numbers below at least 5-10 minutes prior to the scheduled call time and identify themselves to the operator.

When prompted, please quote the conference code: 4765730.

Dial toll free from NZ: 0800 423 970
New Zealand local/other international calls:(not toll free) +64 9 9133 622
Dial toll free from Australia: +1 800 573 793
Dial toll free from United States/Canada : 800 458 4121
Dial toll free from UK: 0800 358 6377

The results presentation will be released to the NZX and can also be streamed live during the call by following this link: https://slideassist.webcasts.com/starthere.jsp?ei=1243855.
An online archive of the event will be available within 24 hours after the call and will be accessible for up to 90 days after the call by clicking the link above.
If you have any queries regarding the results announcement or the conference call, please contact Aaron Saunders on +64 9 580 9361.

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

TURNERS AUTOMOTIVE GROUP LIMITED

Results for announcement to the market

Reporting Period	12 months to 31 March 2019
Previous Reporting Period	12 months to 31 March 2018

	Amount (NZD000s)	Percentage change	
Revenue from ordinary activities	336,579	2%	increase
Expenses from ordinary activities	(307,530)	3%	increase
Profit before tax	29,049	-7%	decrease
Taxation expense	(6,330)	-19%	decrease
Net profit attributable to security holders	22,719	-3%	decrease

Final Dividend	Amount per security	Imputed amount per security
	$0.0500	$0.0194

Record Date	9 July 2019
Dividend Payment Date	18 July 2019

Comments:	

TURNERS AUTOMOTIVE GROUP LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

	2019 $'000	2018 $'000
Revenue from continuing operations	328,358	325,047
Other income	8,221	5,423
Cost of goods sold	(133,126)	(137,332)
Interest expense	(14,952)	(14,344)
Movement in impairment provisions	(7,943)	(6,380)
Subcontracted services expense	(12,888)	(10,777)
Employee benefits (short term)	(52,756)	(51,911)
Commission	(14,581)	(12,107)
Advertising expense	(3,918)	(4,001)
Depreciation and amortisation expense	(5,785)	(5,627)
Property and related expenses	(10,945)	(10,644)
Systems maintenance	(1,471)	(1,822)
Claims	(26,804)	(32,021)
Life fund movement	(718)	(82)
Write off of intangible brand asset	(4,300)	-
Other expenses	(17,343)	(12,289)
Profit/(loss) before taxation	**29,049**	**31,133**
Taxation (expense)/ benefit	(6,330)	(7,773)
Profit for the year	**22,719**	**23,360**
Other comprehensive income for the year (which may subsequently be reclassified to profit/loss), net of tax		
Cash flow hedges	(364)	(170)
Foreign currency translation differences	(26)	2
Total comprehensive income for the year	**22,329**	**23,192**
Earnings per share (cents per share)		
Basic earnings per share	26.3	29.3
Diluted earnings per share	27.4	28.9

Included in other income is $0.8m (2018: $1.4m) resulting from unrealised gains on the revaluation of assets.

TURNERS AUTOMOTIVE GROUP LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Share capital $'000	Share options $'000	Translation reserve $'000	Cash flow reserve $'000	Retained earnings $'000	Total $'000
Balance at 31 March 2017	**168,809**	**208**	**(23)**	**6**	**2,716**	**171,716**
Transactions with shareholders in their capacity as owners						
Capital contributions (net of issue costs)	30,339	-	-	-	-	30,339
Fair value options issued	-	493	-	-	-	493
Dividend paid	-	-	-	-	(11,417)	(11,417)
Total transactions with shareholders	30,339	493	-	-	(11,417)	19,415
Comprehensive income						
Profit	-	-	-	-	23,360	23,360
Other comprehensive income	-	-	2	(170)	-	(168)
Total comprehensive income for the year, net of tax	-	-	2	(170)	23,360	23,192
Balance at 31 March 2018	**199,148**	**701**	**(21)**	**(164)**	**14,659**	**214,323**
Change in accounting policy	-	-	-	-	(2,637)	(2,637)
Transactions with shareholders in their capacity as owners						
Capital contributions (net of issue costs)	13,388	-	-	-	-	13,388
Capital buy-back	(6,141)	-	-	-	-	(6,141)
Fair value options issued	-	326	-	-	-	326
Dividend paid	-	-	-	-	(15,214)	(15,214)
Total transactions with shareholders	7,247	326	-	-	(15,214)	(7,641)
Comprehensive income						
Profit	-	-	-	-	22,719	22,719
Other comprehensive income	-	-	(26)	(364)	-	(390)
Total comprehensive income for the year, net of tax	-	-	(26)	(364)	22,719	22,329
Balance at 31 March 2019	**206,395**	**1,027**	**(47)**	**(528)**	**19,527**	**226,374**

TURNERS AUTOMOTIVE GROUP LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Note	2019 $'000	2018 $'000
Assets			
Cash and cash equivalents	1	15,866	25,145
Financial assets at fair value through profit or loss	1	66,252	53,378
Trade receivables		12,471	11,323
Inventories		38,859	38,596
Finance receivables		290,017	289,799
Other receivables, deferred expenses and contract assets		10,685	11,747
Reverse annuity mortgages		8,294	9,997
Investment property		5,650	4,820
Property, plant and equipment		39,084	35,945
Intangible assets		166,734	170,982
Total assets		**653,912**	**651,732**
Liabilities			
Other payables		31,729	34,875
Financial liability at fair value through profit or loss		116	226
Contract liabilities		4,549	5,506
Tax payables		4,570	5,029
Derivative financial instruments		524	111
Deferred tax		13,918	18,786
Borrowings		312,863	317,373
Life investment contract liabilities		7,484	7,127
Insurance contract liabilities		51,785	48,376
Total liabilities		**427,538**	**437,409**
Shareholders' equity			
Share capital		206,395	199,148
Other reserves		452	516
Retained earnings		19,527	14,659
Total shareholders' equity		**226,374**	**214,323**
Total shareholders' equity and liabilities		**653,912**	**651,732**
Total assets per share ($ per share)		7.53	7.69
Net tangible asset per share ($ per share)		0.85	0.73

Note 1

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 term deposits, disclosed in financial assets through the profit or loss, held in the insurance business may not be a available for use by the wider Group. DPL Insurance's cash and cash equivalents at 31 March 2019 were $2.2m (2018: $9.2m) and term deposits at 31 March 2019 were $55.0m (2018: $42.5m).

Cash and cash equivalents at 31 March 2019 of $4.6m (2018: $4.9m) belong to the Turners Marque Trust 1 and are not available to the Group.

TURNERS AUTOMOTIVE GROUP LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	2019 $'000	2018 $'000
Cash flows from operating activities		
Interest received	45,023	41,925
Receipts from customers	278,645	281,031
Interest paid	(12,184)	(9,609)
Payment to suppliers and employees	(270,969)	(266,124)
Income tax paid	(10,752)	(5,824)
Net cash inflow from operating activities before changes in operating assets and liabilities	**29,763**	**41,399**
Net increase in finance receivables	(34,926)	(75,248)
Net decrease in reverse annuity mortgages	2,545	66
Net decrease of financial assets at fair value through profit or loss	(12,163)	(41,937)
Net (withdrawals)/contributions from life investment contracts	16	(5,765)
Changes in operating assets and liabilities arising from cash flow movements	**(44,528)**	**(122,884)**
Net cash (outflow)/inflow from operating activities	**(14,765)**	**(81,485)**
Cash flows from investing activities		
Proceeds from sale of property, plant, equipment, intangibles and held for sale assets	9,452	4,319
Purchase of property, plant, equipment and intangibles	(12,817)	(23,073)
Purchase of subsidiaries and investments	41	(3,754)
Net cash inflow/(outflow) from investing activities	**(3,324)**	**(22,508)**
Cash flows from financing activities		
Net bank loan advances/(repayments)	20,314	39,005
Proceeds from the issue of shares	7,100	29,656
Proceeds from the issue of bonds	(561)	-
Other borrowings	(2,837)	2,837
Dividend paid	(15,214)	(11,417)
Net cash inflow/(outflow) from financing activities	**8,802**	**60,081**
Net movement in cash and cash equivalents	**(9,287)**	**(43,912)**
Add opening cash and cash equivalents	25,145	69,069
Cash included with purchase of subsidiaries	-	-
Translation difference	8	(12)
Closing cash and cash equivalents	**15,866**	**25,145**
Represented By:		
Cash at bank	15,866	25,145
Closing cash and cash equivalents	**15,866**	**25,145**

TURNERS AUTOMOTIVE LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS (CONT)

For the year ended 31 March 2019

RECONCILIATION OF NET SURPLUS WITH CASH FLOWS FROM OPERATING ACTIVITIES

	2019 $'000	2018 $'000
Profit or loss	22,719	23,360
Adjustment for non-cash items		
Impairment charge on finance receivables, reverse annuity mortgages and other receivables	7,943	6,390
Net (profit)/loss on sale of property, plant and equipment	(3,660)	(1,000)
Depreciation and amortisation	5,785	5,627
Capitalised reverse annuity mortgage interest	(846)	(869)
Contract liabilities	1,066	917
Financial assets at fair value through profit and loss	(799)	(1,139)
Net annuity and premium change to policyholder accounts	341	45
Non-cash long term employee benefits	330	516
Non-cash adjustment to finance receivables effective interest rates	(209)	109
Deferred expenses	3,109	(7,135)
Fair value adjustment on investment property	(830)	(820)
Fair value adjustment to contingent consideration	-	(2,845)
Write off of intangible brand asset	4,300	-
Adjustment for movements in working capital		
Net (increase)/decrease in receivables and pre-payments	(414)	1,009
Net (increase)/decrease in inventories	(263)	5,958
Net increase in current tax payable	(851)	1,881
Net increase/(decrease) in payables	(4,393)	9,761
Net increase in finance receivables	(34,926)	(75,248)
Net decrease in reverse annuity mortgages	2,545	66
Net decrease of insurance assets at fair value through profit or loss	(12,163)	(41,937)
Net (withdrawals)/contributions from life investment contracts	16	(5,765)
Net increase in deferred tax	(3,565)	(366)
Net cash inflow/(outflow) from operating activities	**(14,765)**	**(81,485)**

TURNERS AUTOMOTIVE GROUP LIMITED
SEGMENTAL INFORMATION
For the year ended 31 March 2019

OPERATING SEGMENTS

Revenue	**Total segment revenue 2019 $'000**	**Inter-segment revenue 2019 $'000**	**Revenue from external customers 2019 $'000**	**Total segment revenue 2018 $'000**	**Inter-segment revenue 2018 $'000**	**Revenue from external customers 2018 $'000**
Automotive retail	228,672	(2,963)	225,709	226,434	(3,222)	223,212
Finance	44,193	-	44,193	39,747	-	39,747
Credit management	18,196	-	18,196	18,677	-	18,677
Insurance	49,206	(742)	48,464	46,923	-	46,923
Corporate & other	17	-	17	1,911	-	1,911
	340,284	(3,705)	336,579	333,692	(3,222)	330,470

Operating profit	**2019 $'000**	**2018 $'000**
Automotive retail	18,274	16,550
Finance	11,112	11,735
Credit management	6,321	6,069
Insurance	8,227	3,645
Corporate & other	(14,885)	(6,866)
Profit/(loss) before taxation	29,049	31,133
Income tax	(6,330)	(7,773)
Net profit attributable to shareholders	22,719	23,360

	Interest revenue 2019 $'000	**Interest revenue 2018 $'000**	**Interest expense 2019 $'000**	**Interest expense 2018 $'000**	**Depreciation and amortisation expense 2019 $'000**	**Depreciation and amortisation expense 2018 $'000**
Automotive retail	8,383	9,311	(4,206)	(4,767)	(2,457)	(2,351)
Finance	38,544	34,432	(6,596)	(5,829)	(413)	(348)
Credit management	9	12	-	-	(104)	(93)
Insurance	2,434	1,997	-	-	(2,746)	(2,767)
Corporate & other	17	22	(4,368)	(4,438)	(65)	(68)
	49,387	45,774	(15,170)	(15,034)	(5,785)	(5,627)
Eliminations	(218)	(690)	218	690	-	-
	49,169	45,084	(14,952)	(14,344)	(5,785)	(5,627)

Other material non-cash items	Revenue **2019 $'000**	Revenue **2018 $'000**	Expenses **2019 $'000**	Expenses **2018 $'000**
Automotive retail - impairment provisions	-	-	(503)	(423)
Finance - impairment provisions	-	-	(7,436)	(5,929)
Insurance - Reverse annuity mortgage interest	846	869	-	-
Corporate & other - Write down of brand and collateral	-	-	(4,570)	-
	846	869	(12,509)	(6,352)

Segment assets and liabilities	**Assets 2019 $'000**	**Assets 2018 $'000**	**Liabilities 2019 $'000**	**Liabilities 2018 $'000**
Automotive retail	132,839	152,006	88,065	115,071
Finance	276,356	253,832	216,996	188,217
Credit management	31,685	28,780	5,686	6,937
Insurance	135,001	124,358	73,293	69,213
Corporate & other	195,673	205,356	83,030	78,356
	771,554	764,332	467,070	457,794
Eliminations	(117,642)	(112,600)	(39,532)	(20,385)
	653,912	651,732	427,538	437,409

TURNERS AUTOMOTIVE GROUP LIMITED
SEGMENTAL INFORMATION (CONT)
For the year ended 31 March 2019

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

	Other 2019 $'000	2018 $'000
Automotive retail	11,478	21,515
Finance	671	418
Credit management	135	140
Insurance	14,884	8,384
Corporate & Other	74	10
	27,242	30,467
Eliminations	(14,425)	(7,394)
	12,817	23,073

Automotive retail segment analysis	Total division revenue 2019 $'000	Inter-division revenue 2019 $'000	Revenue from external customers 2019 $'000	Total division revenue 2018 $'000	Inter-division revenue 2018 $'000	Revenue from external customers 2018 $'000
Auctions	46,536	(2,805)	43,731	41,655	(472)	41,183
Finance	17,111	-	17,111	14,711	(143)	14,568
Fleet	101,479	-	101,479	108,047	-	108,047
Buy Right Cars	63,546	(158)	63,388	62,021	(2,607)	59,414
	228,672	(2,963)	225,709	226,434	(3,222)	223,212

Operating profit	2019 $'000	2018 $'000
Auctions	5,975	3,410
Finance	7,927	5,724
Fleet	5,243	4,970
Buy Right Cars	(871)	2,446
	18,274	16,550

Division assets and liabilities	Assets 2019 $'000	Assets 2018 $'000	Liabilities 2019 $'000	Liabilities 2018 $'000
Auctions	45,182	44,395	17,330	24,038
Finance	43,877	66,294	36,328	60,133
Fleet	17,925	14,595	11,923	8,373
Buy Right Cars	27,937	28,549	23,084	23,045
	134,921	153,833	88,665	115,589
Eliminations	(2,082)	(1,827)	(600)	(518)
	132,839	152,006	88,065	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.

Credit management - 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.

Note:

To ensure consistency, the prior year comparative segment assets and liabilities for Finance, Corporate and Eliminations have been regrouped to reflect the amalgamations undertaken in the current financial year.

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 year ended 31 March 2019.

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 ($2,292,000) 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 year ended 31 March 2019.

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 ($273,000) adjustment to opening retained income.

Motor Vehicle Insurance (MVI) Commission Income
The Group has used the portfolio approach to account for contracts of the same nature. It has been assessed that MVI commission income should be recognised over the policy term. The adoption of NZ IFRS 15 has impacted the timing of when MVI Commission Income should be recognised resulting in a ($72,000) adjustment to retained income (net of deferred tax).

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	(3,184)
Deferred tax	892
NZ IFRS 15 Adjustment	
Change in collection income	(617)
Change in collection expenses	349
Change in MVI commission income	(100)
Tax payable	3
Deferred tax	20
Adjusted balance at 1 April 2018	**12,022**