INNOVATIVE THINKING

Turners.
Automotive Group

ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2019

For more than 52 years, **innovative thinking** has underpinned all that we do. It's what has made us the biggest second hand automotive business in New Zealand and one of the country's most trusted automotive brands.

Innovative thinking allows us to find better ways to serve our customers, helping them to buy and sell cars and get finance and insurance, all through one trusted source.

It enables us to identify better ways of working together as a team, across our businesses and our group, to achieve our ambitions.

It is driven by our people and their passion for what they do, and we encourage an 'anything is possible' attitude.

However, we know that innovation for the sake of innovation is not the answer. Doing the right thing is key and all our solutions must be beneficial for our customers, our people and our business.

This year, we are taking another step forward with innovative thinking.

The automotive industry is changing and we are looking ahead to ensure we are well positioned to take advantage of future trends. This takes innovative thinking - about our business and our offer - and we are excited about our company's potential in this rapidly changing world.

Since 2018, Turners has sponsored New Zealand's latest racing prodigy, 17 year old Liam Lawson. Liam is the reigning NZ Toyota Racing Series champion and NZ GP winner. Picked up by the Red Bull Junior Team this season, Liam is currently in Europe racing in two series; the all new FIA F3 championship, featuring at 8 rounds of Formula 1 for the Dutch team MP Motorsport; as well as the contesting the Formula European Masters (FEM) with Motopark from Germany.

AT A GLANCE

FY19 AT A GLANCE

EXPANSION OF NATIONAL RETAIL NETWORK: Relocation of Whangarei site and opening of new sites in Porirua, New Plymouth and Wellington City, as well as temporary branch in Hamilton.

MANAGING HEADWINDS IN IMPORT MARKET: On both supply and demand side, particularly in Auckland market.

REBRANDING OF BUY RIGHT CARS: Decision made to rebrand Buy Right Cars to Turners, with project completed in May 2019.

INCREASED REFERRER NETWORK: 11% increase in active dealers selling Oxford Finance's loans, with one in five loans being 'auto-approved' through Turners' Auto App online loan approval platform.

FINANCE INTEGRATION: Turners Finance origination fully committed to Oxford Finance from September 2018.

HIGHER QUALITY LENDING: Repositioning towards high quality and more profitable lending, aided by the introduction of comprehensive credit scoring.

IMPROVED INSURANCE LOSS RATIOS: Insurance claims loss ratios have improved from 78% to 72%.

FUNDING FOR GROWTH: Issue of new $25m, 3-year bond programme, combined with securitisation warehouse and banking syndication with the ASB and BNZ.

GROUP STRATEGY REVIEW: Commenced at end of 2018, with a focus on leveraging strengths and core capabilities, de-risking and simplifying the business and accelerating growth in a capital efficient way.

FY20 KEY FOCUS AREAS

AUTO RETAIL: Develop and extend retail footprint, deliver better digital and mobile customer experience, build data tools to understand demand, develop new sourcing opportunities.

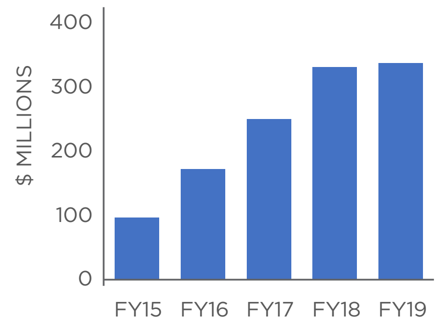
FINANCE: Extend distribution through use of APIs and partnerships, grow direct lending, further automate the credit decision process.

INSURANCE: Increase distribution, launch new products through delivery of retail system development, optimise repair network.

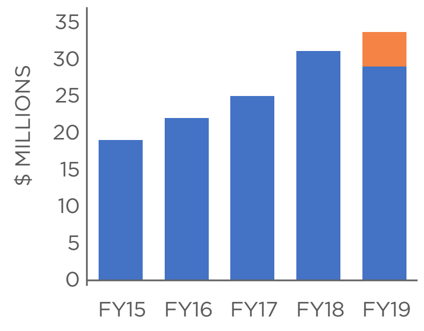
CREDIT MANAGEMENT: Australian corporate customer acquisition, MYOB / XERO integration, further enhance Collections Scorecard.

FINANCIAL SNAPSHOT

GROUP REVENUE
$336.6M
+2%

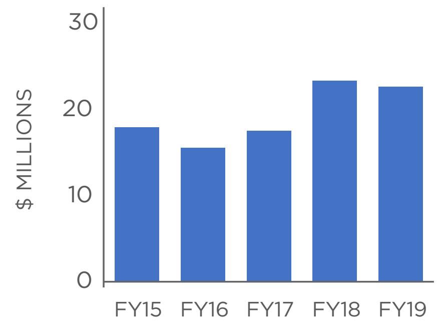


NET PROFIT BEFORE TAX
$29.0M
-7%

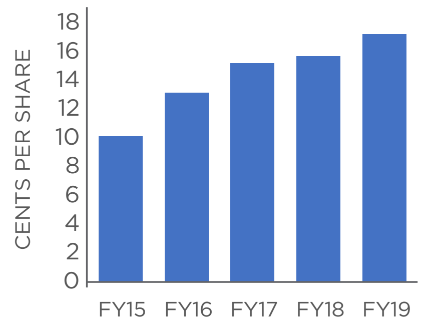


$33.6M EXCL BRC BRAND WRITE DOWN, +8%

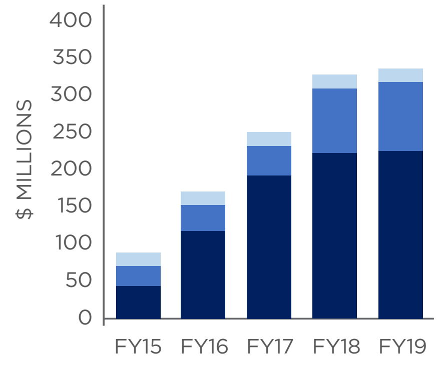
NET PROFIT AFTER TAX
$22.7M
-3%



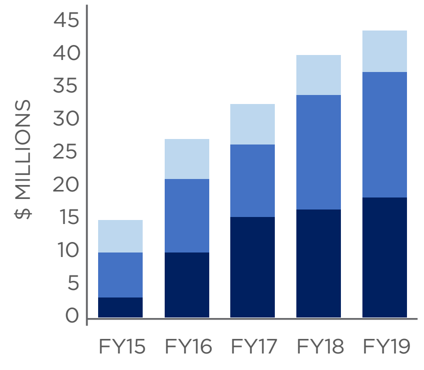
FULL YEAR DIVIDENDS
17.0 CENTS PER SHARE
+10%



SECTOR REVENUE



SECTOR OPERATING PROFIT



■ AUTOMOTIVE RETAIL ■ FINANCE AND INSURANCE ■ DEBT MANAGEMENT

CHAIR AND CEO'S REPORT

IN FY19, TURNERS AUTOMOTIVE GROUP CONTINUED THE WORK STARTED IN THE PRIOR YEAR TOWARDS SIMPLIFICATION OF OUR BUSINESS, WITH A FOCUS ON ORGANIC GROWTH.

We are now seeing the benefits from the launch of core brands for each business, common operating and funding platforms and centralised locations for our teams. Our business is more streamlined and more efficient, allowing us to generate synergies across the group and better leverage our collective knowledge.

Our expanding retail network and focus on better quality lending are also generating positive gains for the business and remain a focus for the year ahead.

After adjusting for one-off and non-cash items, Turners' underlying results for the year were flat on the last year, mainly due to market headwinds in the used import vehicle sector and the impact of impairments from MTF non-recourse lending (which has now been discontinued). Some pleasing improvements were noted in damaged vehicle volumes and sales and loss ratios in the insurance business.

Revenue was $336.6m for the year, with $29.0m in Net Profit Before Tax (NPBT). 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. Net Profit After Tax (NPAT) was $22.7m, down 3% from $23.4m in FY18. More detail on our financial results is provided in the commentary on page 14.

GROUP STRATEGY REVIEW

The dynamics of the automotive industry are changing and we are changing our business too.

In recent months, we have undertaken a detailed strategic review of our business. The result has been a decision to simplify and de-risk the business as well as leverage core capabilities and strengths (such as the brand strength in Automotive Retail and the Turners brand name) in order to accelerate growth in a capital efficient manner.

We believe this approach will sharpen the focus on meeting customer needs; improve the efficiency of the business; and enhance the returns generated for shareholders. There is a strong desire to invest in the brands and businesses where we have 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.

We have also appointed Jardens (FNZC) to conduct a strategic review of Oxford Finance, which has 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 in Automotive Retail.

As a part of the review, we will consider alternative ownership options for Oxford Finance. Whatever the outcome, we will continue to maintain our close relationship with Oxford Finance and originate loans through the Turners' network. Oxford Finance customers and the existing dealer network will see no change to the leading levels of service and quality they currently experience.

We will also conduct a strategic review of EC Credit Control in the next 12 to 24 months.

We are applying innovative thinking to determine what the future will look like for our company and we are pleased to share this thinking with you on pages 12 and 13 of this report.

THE USED CAR ECONOMY

While the used car market remained at historically strong levels in FY19, with 1.13 million used car transactions in the year to end of March, it definitely plateaued. However, underlying medium term demand is still robust, with over 950,000 cars at 20+ years old.

There continues to be pressure on import margins. A current oversupply of import cars is temporarily pushing down pricing and increased compliance costs are also having an adverse impact. From 2020, all imports will be required to have Electronic Stability Control, which will mostly impact on the sub-$8,000 budget segment. Our research shows 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.

Vehicle margins have recovered from the low point in October/November last year and local stock is delivering much stronger margins. We are benefitting from our strategy to increase the number of 'owned' vehicles we sell, which provide higher margins.

New Zealand's vehicle fleet continues to age. There are over 3.8 million light vehicles in the used vehicle fleet and around 20% of these, or 950,000 vehicles, are at or very near the scrapping age. The scrapping age has been dropping and is now at 19.5 years for an import and 17.5 years for a NZ new car. We're seeing more cars exiting the fleet due to the cost of repairs increasing and a stricter Warrant of Fitness regime.

The number of registered dealers has dropped 4% to 3,377 over the last 12 months. We still see further consolidation as inevitable and we are well positioned to take advantage of this.

OPERATIONAL PERFORMANCE

Our ability to meet all our customer's automotive needs remains a lynchpin of our business and offers a myriad of advantages. We can provide an end-to-end customer journey within our own channels which provide higher margin transactions, we develop better customer relationships and we can easily adapt to meet customer needs with new and innovative solutions.

Our goal is to be the retailer of choice for anyone wishing to buy or sell a used vehicle, be it a car, a truck or a unit of machinery. Our multi-channel platform ensures we are where our customers are – online, on Trade Me, in our retail yards nationwide and in our auction rooms. At the same time, our finance and insurance offer allows us to meet all our customer needs at the time of purchase.

AUTOMOTIVE RETAIL

- **Revenue: $225.7m +1%**
- **Operating Profit: $18.3m +10%**
- **Underlying Op Profit: $14.7m -8%**
- **631 staff**
- **National network of 32 sites and yards**
- **NPS customer score of 64**

Automotive Retail was the largest contributor to the group in FY19, 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. This included $3.4m in one-off property gains associated with the NZTA settlement for Albany.

During the year, the division operated through two brands, however, as part of the drive for simplification, a decision was made to consolidate to a single brand in Auto Retail and rebrand Buy Right Cars to Turners Cars. This project has now been completed. The move to a single brand 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.

Turners continued to benefit 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.

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.

Our property strategy remains an important driver for this business. A proportion of reserves from our insurance business has been allocated to support the property expansion and assist in better utilisation of capital in the business. During the year, we relocated the Whangarei site and opened two new sites in Wellington and New Plymouth, both of which are performing above expectations. The new North Shore branch is expected to open towards the end of the 2Q20 and we have plans for a further seven sites around the country for which two contracts are already in place.

FINANCE

- **Revenue: $44.2m +11%**
- **Operating Profit: $11.1m -5%**
- **Underlying Op Profit: $10.3m -6%**
- **Finance book (excluding Turners Finance) grew by 9% to $254m as at 31 March 2019**
- **70 staff**
- **Average Equifax credit score 547 in 2H19 (450 in 2H18)**

The Finance division delivered an 11% increase in operating revenue to $44.2m, however, segment profit decreased slightly to $11.1m due to increased impairments from the MTF non-recourse offer. In the core lending book, 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.

We take our responsibilities seriously and continue to monitor our customer on-boarding processes to ensure that we are compliant with legislation including the Credit Contracts and Consumer Finance Act and the Responsible Lending Code.

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 be run down over the next two years, and we believe has now been adequately provisioned. New loans originated by Turners Cars added $28m to the Oxford Finance loan book in FY19, which grew 9% to $254m as at 31 March 2019.

The number of active dealers selling Turners' finance offer continues to grow and was up 11% year on year to 419. 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

- **Revenue: $48.5m +3%**
- **Operating Profit: $8.2m +126%**
- **Underlying Op Profit: $5.2m +137%**
- **Net Earned Premium $38.0m**
- **49 staff**
- **More than 6,600 Motor Vehicle Breakdown, Loan Protection and Motor Vehicle insurance policies sold every month**

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 segment profit of $8.2m, which included a $3.0m gain on sale of an investment property.

The number of 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, down from 78% the year before, 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. A refreshed suite of insurance products as well as new pricing and vehicle categories for Mechanical Breakdown insurance have been launched.

CREDIT MANAGEMENT

- **Revenue: $18.2m -3%**
- **Operating Profit: $6.3m +4%**
- **Underlying Op Profit: $6.2m +9%**
- **Total debt load $237m, up 15% year on year**
- **Unredeemed voucher release $0.2m**
- **87 staff**

EC Credit Control continues to deliver consistent results with revenue of $18.2m down slightly on the prior year and segment 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 we continue to focus on winning new Australian corporate clients.

The business continues to reap benefits from the investment into Auto-dialler technology which is delivering significant cost efficiencies and an increasing number of calls and connected calls. This combined with the use of the debtor scorecard we have developed is delivering better collections results faster for our customers.

In total, 28% more debtor actions were taken in FY19 and total debt load was up 15% to $237m.

Our ability to meet all our customer's automotive needs remains a lynchpin of our business and offers a myriad of advantages.

DIVIDEND

The Board was pleased to declare a final quarter fully imputed dividend of 5.0 cents per share, taking total FY19 dividends to 17 cents per share, up from 15.5 cents in FY18. Following the strategy work, and for the second year in a row, the Directors have approved a change in the Dividend Policy, increasing the payout ratio from 60-70% of NPAT (previously 50-60% of NPAT).

The Board continues to believe the share price undervalues the business, and 2.6m shares have been acquired under the Share Buyback scheme, which equates to about 3% of shares on issue. The scheme was put on hold during the strategic review and the Board will revisit the buy-back programme in the near-term based on how the stock performs.

OUTLOOK

We have identified our Automotive Retail business 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. We are 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 we strengthen Turners' 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'. We will also continue to develop our inhouse property expertise and leverage reserves within the insurance business to deliver on the property strategy and enhance capital efficiency.

We have identified a number of growth opportunities across all businesses, which take advantage of the changing dynamics of the industry – digital disruption, increased regulation, an 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.

Accessing and analysing the wealth of valuable data within each business is a priority. This will provide us with better insights and, with innovative thinking, could substantially improve the way consumers buy and sell vehicles.

We are excited about the future holds for our company and the changing landscape ahead of us. Delivering value to our shareholders remains a priority and we look forward to providing a further update at our Annual Shareholder's Meeting in Auckland on 18 September 2019.

Grant Baker
Chairman

Todd Hunter
Chief Executive Officer

INNOVATIVE THINKING DEFINING OUR FUTURE

"The automotive industry is changing and we are looking ahead to ensure we are well positioned to take advantage of future trends. This requires innovative thinking - about our business and our offer - and we are excited about our company's potential in this changing world."

THE USED-CAR INDUSTRY IS ON THE CUSP OF SOME SIGNIFICANT CHANGES, CREATING BOTH OPPORTUNITIES AND THREATS

- Customers are more informed than ever and delivering great customer outcomes is vital to survive and prosper.
- Big data and technology are changing how and where we do business.
- Regulation and compliance across all our businesses is increasing.
- While most of our customers still like to visit a physical site to view and test drive a car, more and more of the customer experience is transitioning online… and the number of online purchases is also growing. In our other businesses, such as finance and insurance, there's an even greater shift to online where our customers can transact conveniently and quickly.
- Aggregator and comparison sites are proliferating… again, it's all about customers wanting to be informed and able to access the best option at the best price in the easiest way to meet their needs.
- Industry consolidation is inevitable and we are in the midst of this right now.
- Finally, looking at the big picture, there's potentially greater industry disruption from alternative ownership models which could see people moving away from owning one, two or more cars per household, to flexible ownership and subscription models.

LOOKING AT OUR BUSINESS IN THIS CONTEXT, THERE ARE FOUR THINGS THAT STAND OUT

- The strength of the Turners brand
- The complexity of our existing business model
- The opportunity available in NZ's ageing vehicle fleet
- And the growing customer demand for digitisation.

Our ambition is for Turners is to be New Zealand's best place to buy and sell vehicles with continually high customer satisfaction. We've identified three key strategic pathways that we believe will help us achieve our goal and improve the return for shareholders.

SIMPLIFY THE BUSINESS

With single brands for each of our sectors; a focus on core products and a strategic review of business units where we don't hold dominant market position.

DE-RISK THE BUSINESS

By continuing to write higher quality loans, early adoption of comprehensive credit reporting, actively engaging with regulators in regards to compliance and regulatory changes, and focusing on loan origination rather than underwriting credit risk.

GROW THE BUSINESS

By continuing to expand our auto retail footprint across NZ, shifting marketing investment into digital platforms, leveraging data analytics to buy and sell smarter, evolving the customer experience in person and online, and looking for innovation and disruptive opportunities within the auto sector.

Work has already started in much of these areas with projects such as the brand consolidation now completed. More recently, we have appointed Jardens (FNZC) to conduct a strategic review of Oxford Finance. And we have engaged experts in social media and data analytics to build our online presence and strategy.

We have a number of strengths – a strong balance sheet, a large customer base, a great consumer brand and rich data assets. This puts us in a unique position to partner with other parties to harness the changing market dynamic. Our criteria for any investment is that it must be highly adjacent to the auto market, have alignment with the Turners' brand, and significantly improve the way customer needs are met.

WHAT DOES THIS MEAN FOR OUR STAKEHOLDERS?

We'll have a narrower focus concentrating on growing the brands where we have a dominant position. We'll be more competitive with a leaner, more competitive business model. We'll be more customer relevant, capital efficient, have a lower risk profile and less complex business model, which will allow us to continue to offer high yielding shareholder returns.

We're looking to the future to ensure the sustainability of our business in a changing industry and we're excited about the potential this offers.

FY19 FINANCIAL COMMENTARY

This financial commentary should be read in conjunction with the full financial statements and Notes to the Financial Statements in the FY19 Annual Report.

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

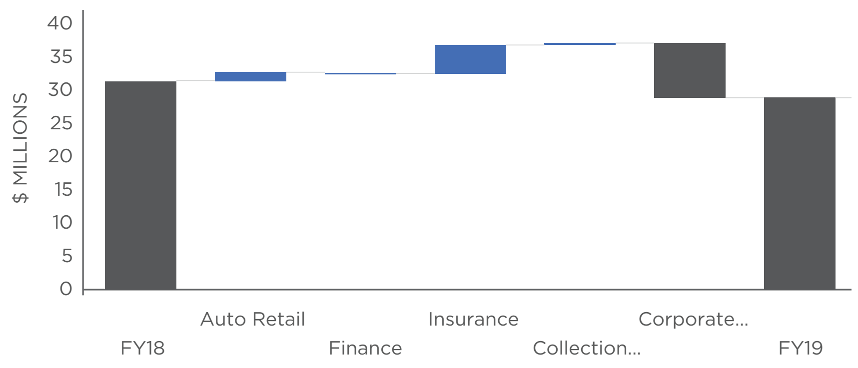
Excluding the $4.6m adjustment for the Buy Right Cars brand write-off, net profit before tax (NPBT) was $33.6m, above Q4 guidance and ahead of last year's result.

Underlying NPBT excludes those items which are one-off or non-cash costs. Property sales and acquisitions had the biggest impact this year, with proceeds from the sale of property and the settlement from NZTA following the compulsory acquisition of the North Shore site. The other major item is the Buy Right Cars brand write off adjustment of $4.6m. The total unredeemed voucher release for EC Credit Control was under $0.2m, with similar levels expected in FY20.

A reconciliation of Underlying to Reported NPBT is below.

Turners Group and the insurance business were the biggest contributors to operating profit. In Automotive Retail, the gains made by Turners Group were offset by Buy Right Cars, which is being affected by the tough market conditions in the Auckland used import market. The finance result was impacted by impairments in the high risk MTF non-recourse lending, which we have now discontinued. Insurance reflects improvements in claims management, as well as a $3.0m gain on the sale of an investment property in Wiri. EC Credit delivered an increase on the back of improving New Zealand collections performance. Finally, corporate and other costs includes the one off non-cash impact of the Buy Right Cars brand write off of $4.6m (compared to a release of earn out consideration in the prior year).

FY18:FY19 NET PROFIT BEFORE TAX



$000s	FY19	FY18	Var
Underlying NBPT	**25,775**	**25,953**	**-0.7%**
Other Adjustments			
EC Vouchers	164	433	
Worsley Prestige revaluation	830	820	
MTF Share revaluation	0	590	
Acquisition adjustments	-4,570	2,664	
Sale of Property	3,457	673	
Property Settlement Albany site	3,393	0	
Total Adjustments	**3,274**	**5,180**	**-36.8%**
Reported NPBT	**29,049**	**31,133**	**-6.7%**

FY19 Net Profit After Tax (NPAT) was $22.7m, compared to $23.4m in FY18.

NPATA is NPAT with tax adjusted addback of amortised acquisition intangibles. This was down 3% to $24.4m.

DIVIDEND

Turners Automotive Group is a strong yielding stock, with a quarterly dividend payment structure.

A final quarter fully imputed dividend of 5.0 cents per share took full year dividends to 17 cents per share, up from 15.5 cents in FY18. Following the strategy work, and for the second year in a row, the Directors have enhanced the dividend policy with an increase in the payout ratio to 60% to 70% of NPAT (previously 50% to 60% of NPAT).

BALANCE SHEET

Turners has a strong balance sheet. The cash balance reduced year on year due to the investment of insurance reserves into longer dated term deposits. The change in Finance Receivables reflects growth in Oxford Finance offset by the rundown in the MTF non-recourse ledger. Property, plant and equipment increased due to development of new sites in Whangarei and North Shore. The increase in Insurance contract liabilities reflects growth in Autosure policy sales.

$000s	FY19	FY18
Cash and cash equivalents	15,866	25,145
Financial assets at fair value	66,252	53,378
Finance Receivables	290,017	289,799
Inventory	38,859	38,596
Property, Plant and Equipment	39,084	35,945
Other Assets	37,370	37,887
Intangible Assets	166,734	170,982
Total Assets	**654,182**	**651,732**
Borrowings	312,863	317,373
Other Payables	33,906	38,588
Deferred Tax	13,918	18,786
Insurance Contract Liabilities	51,785	48,376
Other Liabilities	15,336	14,286
Total Liabilities	**427,808**	**437,409**

FUNDING MIX

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 the Group with a diversified funding structure and adequate headroom for forecast business growth.

The previous Bond programme matured in September 2018, with 52% conversion into shares.

FIVE YEAR FINANCIAL PERFORMANCE

$ Millions	FY15	FY16	FY17	FY18	FY19
Total Revenue	97.3	170.3	251.0	330.5	336.6
Net Profit Before Tax	19.0	21.6	24.6	31.1	29.0
Net Profit After Tax	18.1	15.6	17.6	23.4	22.7
Earnings Per Share*	32.8	24.7	25.5	29.3	26.2
Dividends Per Share*	10.0	13.0	14.5	15.5	17.0
Financial Position					
Finance Receivables	142.8	167.6	207.1	289.8	290.0
Total Assets	329.0	367.1	556.6	651.7	654.2
Borrowings	157.0	174.8	265.9	317.4	312.9
Shareholder Funds	121.0	129.8	171.7	214.3	226.4
Shares on issue (Millions as at 31 March)*	63.1	63.4	74.5	84.8	86.9

*FY15 adjusted for 10:1 share consolidation which occurred in March 2016

THE BOARD

GRANT BAKER
Non-executive Chairman | Appointed September 2009

As businessmen go, Grant Baker is probably at the more unconventional end of the spectrum. The co-founder of The Business Bakery has a number of successes under his belt, including the 42 Below vodka venture and Trilogy International, which sold to Chinese Citic Group, amongst a number of other ventures he has been involved in.

With a 7.02% shareholding, Grant is long term committed investor in Turners Automotive Group. As an avid collector of specialist vehicles and motor racing enthusiast, both as a competitor and as a backer of young up and coming drivers, he is passionate about the strong Turners brand and its focus on cars. He has wide experience at a senior level in both public and private New Zealand companies and has been Chairman of Turners Automotive Group since September 2009.

PAUL BYRNES
Deputy Chairman and Non-executive Director
Appointed February 2004

Paul Byrnes is a chartered accountant, a professional director and an investor with over 25 years' experience in senior and CEO roles in private and listed companies. His career has included the management buyout of previously listed Holeproof Industries, consulting and participation in merger and acquisition opportunities and business 'turnaround' management. Paul was appointed CEO and Executive Director of Dorchester Pacific in May 2008 (now Turners Automotive Group), handing over the CEO role to Todd Hunter in June 2016. Paul is entrepreneurial at heart but combines this with a wealth of top class governance experience (Top Energy and Hellaby Holdings) and the real world CEO experience of bringing a finance company positively out of the GFC. Paul has a 2.86% shareholding in Turners Automotive Group.

MATTHEW HARRISON
Non-executive Director | Appointed December 2012

Matthew Harrison has extensive management experience and a background in finance and business administration. He is the former Managing Director of EC Credit Control, the debt recovery business acquired in 2012 and has great experience dealing with credit cycles and credit management. He joined EC Credit Control in 1998, following senior management roles in the courier industry. Matthew joined the Turners Automotive Group Board in 2012 and represents his family interests, which have a 7.73% combined holding in the company. Matthew is a self-confessed "car nut" and has owned some very special cars over the years including a McLaren P1. He is very enthusiastic about the future of Turners and, given his large shareholding and love for automobiles, is strongly committed to seeing Turners continue its successful journey.

ALISTAIR PETRIE
Non-executive Director | Appointed February 2016

Alistair Petrie has over 15 years of senior management experience in both private and listed companies in the agribusiness sector. He has extensive knowledge in sales and marketing in both international and domestic environments, which is particularly useful for some of the challenges and opportunities Turners has importing vehicles from Japan. He has a number of directorships with companies that have a focus on growth and innovation, and he represents the interests of Bartel Holdings, which has a 10.99% shareholding in Turners Automotive Group. Alistair worked for many years at Turners & Growers, the original parent company of Turners Auctions, which provides a nice connection at Board level back to those foundational brand values of "trust and integrity". Alistair has a BSC (hons) from Newcastle Upon Tyne university and an EMBA from Melbourne University.

JOHN ROBERTS
Independent Director | Appointed July 2015

John Roberts has extensive experience in the financial services industry, having held the role of Managing Director of credit bureau Veda International for 10 years, during which time the Veda Advantage business was successfully listed on the ASX. John previously had over 15 years in advertising, with CEO roles with Saatchi & Saatchi in New Zealand and Asia Pacific, before heading up MasterCard in New Zealand for three years. John is currently a director of Centrix, a leading credit rating agency in NZ, and this keeps him connected with the financial sector and the NZ credit cycle. John's advertising and branding experience has been invaluable across a number of projects within the business and he continues to add value and thought leadership around the use of data and analytics, drawing on his Veda NZ experience.

ANTONY VRIENS
Independent Director | Appointed January 2015

Antony Vriens has been a director and chairman of Turners' insurance subsidiary, DPL Insurance (now Autosure), since 2012. He is a highly experienced financial services industry professional, with demonstrated success as a senior executive and consultant in insurance and wealth management businesses across Asia Australia and New Zealand. Antony currently holds the position of VP of Technical Insurance Services for Manulife Asia responsible for digital transformation. He brings a hands on, practical and commercial approach and a strong technology focus to his Board role. His relationships across the insurance industry and regulators are highly valuable to the Turners business and his collaborative approach is embraced by both the board and management.

MARTIN BERRY
Independent Director | Appointed August 2018

Martin Berry is a seasoned global financial services executive, having run large international businesses for the likes of ANZ, Citibank, Barclays and Standard Chartered. He later focused on more entrepreneurial ventures with a successful track record of having built, acquired and sold several companies with values in excess of USD $100m. Martin has a strong focus on technology and emerging opportunities with networks and business relationships throughout the Pacific and Asian region. He founded and now runs venture capital firm Brandhaus Capital Partners out of Singapore, investing across the region with a strong focus on fintech. Martin's experience in the financial services sector combined with his entrepreneurial acumen are an asset for the Turners group.

LEADERSHIP TEAM

Todd Hunter
Chief Executive Officer

Aaron Saunders
Group Chief Financial Officer

Simon Gould-Thorpe
Group Chief Information Officer

Greg Hedgepeth
CEO Turners Automotive Retail

James Searle
Group General Manager
Insurance

David Wilson
Chief Executive Officer
EC Credit Control

Jeremy Rooke
General Manager Digital Strategy

Todd Hunter
Chief Executive Officer

Todd is a strong and experienced senior executive, with a background in marketing, sales and accounting in both large global and domestic businesses. Before joining Turners Auction in 2006 Todd worked for Microsoft NZ and Ernst and Young. He was appointed CEO of NZX listed Turners Auctions in 2013, and took on the CEO role for the wider Turners Automotive Group in 2016. Todd is a chartered accountant and holds a Bachelor and Diploma of Commerce from Auckland University.

Aaron Saunders
Group Chief Financial Officer

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

Simon Gould-Thorpe
Group Chief Information Officer

Simon joined Turners in 2010. With over 30 years' experience in IT, he has led dynamic and innovative IT Teams to success across a wide range of industries. His current role has seen the delivery of significant advancements to assist Turners business transformation, including the development of new core systems and the introduction of key business and process automation. Turners IT utilizes leading technologies and follows best practice IT management including DevOps and Agile methodologies.

Greg Hedgepeth
CEO Turners Automotive Retail

Greg joined Turners in 2017 as CEO of the Automotive Retail Division, with responsibility for Turners Cars, Trucks & Machinery and the Damaged & End of Life business. He is an experienced automotive executive and has previously held a number of senior roles with BMW Group NZ and Armstrong Motor Group, one of NZ's largest private owned retail automotive networks. With a Bachelor of Commerce from Auckland University and a number of years working for Saatchis both in NZ and the US, Greg brings a strong sales and marketing focus to his role.

James Searle
Group General Manager Insurance

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

David Wilson
Chief Executive Officer EC Credit Control

Dave joined EC Credit in 2007 and was appointed to his current role in April 2015. He has over 20 years' experience in the banking, finance and recruitment industries, and has worked in the credit management industry since 2001. Dave has a Diploma in Business Studies.

Jeremy Rooke
General Manager Digital Strategy

Jeremy joined Turners Automotive Group in 2009. His role involves leading the application of new technologies, business models and channels to enable and expand Turners' digital capabilities. Jeremey holds degrees in Law and Arts, and prior to Turners, worked as a business analyst and projects manager on several large transformative IT programmes, most notably in the insurance sector.

Turners Automotive Group

FINANCIAL REPORTS
FOR THE YEAR ENDED
31 MARCH 2019

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Turners Automotive Group Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Turners Automotive Group Limited and its subsidiaries ('the Group') on pages 31 to 93, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Our report is made solely to the Shareholders of Turners Automotive Group Limited, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Turners Automotive Group Limited and the Shareholders of Turners Automotive Group Limited, for our audit work, for our report or for the opinions we have formed.

Basis for Opinion

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

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

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

Key Audit Matters

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

Key Audit Matter	How our audit addressed the key audit matter
Impairment testing of Goodwill and Other Indefinite Life Intangible Assets As disclosed in Note 20 of the Group's consolidated financial statements the Group has goodwill of $92.5m allocated across five of the Group's cash-generating units ('CGUs') and brand assets of $67.1m allocated across two of those CGUs. Goodwill and brand assets were significant to our audit due to the size of the assets and the subjectivity, complexity and uncertainty inherent in the measurement of the recoverable amount of these CGUs for the purpose of the required annual impairment test. The measurement of a CGUs recoverable amount includes the assessment and calculation of its 'value in-use'. Management has completed the annual impairment test for each of these five CGUs as at 31 March 2019. Management has engaged an external valuation expert to assist in the annual impairment testing of the five CGUs. This annual impairment test involves complex and subjective estimation and judgement by Management on the future performance of the CGUs, discount rates applied to future cash flow forecasts, and future market or economic conditions.	Our audit procedures among others included: ▪ Evaluating Management's determination of the Group's five CGUs based on our understanding of the nature of the Group's business and the economic environment in which the segments operate. We also analysed the internal reporting of the Group to assess how the CGUs are monitored and reported. ▪ Challenging Management's assumptions and estimates used to determine the recoverable value of its indefinite life intangible assets, including those relating to forecasted revenue, cost, capital expenditure and discount rates, by adjusting for future events and corroborating the key market related assumptions to external data. Procedures included: o Evaluating the logic of the value-in-use calculations supporting Management's annual impairment test and testing the mathematical accuracy of these calculations; o Evaluating Management's process regarding the preparation and review of forecasts; o Comparing forecasts to Board approved forecasts; o Evaluating the historical accuracy of the Group's forecasting to actual historical performance; o Challenging and evaluating the forecast growth assumptions; o Evaluating the inputs to the calculation of the discount rates applied; o Engaging our own internal valuation experts to evaluate the logic of the value-in-use calculation and the inputs to the calculation of the discount rates applied; o Evaluating Management's sensitivity analysis for reasonably possible changes in key assumptions; and o Performing our own sensitivity analyses for reasonably possible changes in key assumptions, the two main assumptions being: the discount rate and forecast growth assumptions. ▪ Evaluating the related disclosures about indefinite life intangible assets which are included in Note 20 in the Group's consolidated financial statements.

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Key Audit Matter	How our audit addressed the key audit matter
Valuation of Finance Receivables including the adoption of NZ IFRS 9 *Financial Instruments* As disclosed in Note 14 of the Group's consolidated financial statements the Group has finance receivable assets of $290.0m. Finance receivable assets were significant to our audit due to the size of the assets and the subjectivity, complexity and uncertainty inherent in the recognition of impairment in respect of finance receivables and the amount of that impairment. Management has prepared impairment models to complete its assessment of impairment for the Group's finance receivables as at 31 March 2019. This assessment involves complex and subjective estimation and judgement by Management on credit risk and the future cash flows of the finance receivables. As disclosed in Note 31 and Note 14, on 1 April 2018, the Group adopted NZ IFRS 9 *Financial Instruments*, which resulted in the Group having to develop new impairment models to assess impairment under the expected credit losses model specified in NZ IFRS 9. In accordance with the transitional provisions outlined in NZ IFRS 9, the Group has applied the cumulative effect method and therefore the comparative information has not been restated and continues to be reported under NZ IAS 39. As at 31 March 2018, the Group had finance receivable assets of $289.8m, as disclosed in Note 31, on 1 April 2018 upon adoption of NZ IFRS 9, the Group finance receivable assets were restated from $289.8m to $286.6m.	Our audit procedures among others included: ▪ Evaluating the design and operating effectiveness of the key controls over finance receivable origination, ongoing administration and impairment model data and calculations; ▪ Challenging and evaluating Management's assessment of the impact of adopting NZ IFRS 9, the logic, key assumptions, and calculation of its new impairment models against the requirements specified in NZ IFRS 9 for recognising expected credit losses on financial assets; ▪ For individually assessed finance receivables, examining those finance receivables and forming our own judgements as to whether the impairment provision recognised by Management was appropriate; ▪ For the collectively assessed finance receivables, challenging and evaluating the logic of Management's impairment models and the key assumptions used with our own experience as at 1 April 2018 (on adoption of NZ IFRS 9) and as at 31 March 2019 (at reporting date). Also, testing key inputs used in the impairment models and the mathematical accuracy of the calculations within the models; ▪ Evaluating the related disclosures about the adoption NZ IFRS 9 in Note 31 in the Group's consolidated financial statements; ▪ Evaluating the related disclosures (including the accounting policies) about finance receivable assets, and the risks attached to them which are included in Note 5 and 14 in the Group's consolidated financial statements.

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Key Audit Matter	How our audit addressed the key audit matter
Valuation of Insurance Contract Liabilities As disclosed in Note 34 of the Group's consolidated financial statements the Group has insurance contract liabilities of $51.8m. The Group's insurance contract liabilities were significant to our audit due to the size of the liabilities and the subjectivity, complexity and uncertainty inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain. Management has engaged an external actuarial expert to estimate the Group's insurance contract liabilities as at 31 March 2019.	Our audit procedures among others included: ▪ Evaluating the design and operating effectiveness of the key controls over insurance contract origination, ongoing administration, integrity of data provided to Management's external actuarial expert used in the estimation process and Management's review of the estimates; ▪ Evaluating the competence, capabilities, objectivity and expertise of Management's external actuarial expert and the appropriateness of the expert's work as audit evidence for the relevant assertions; ▪ Agreeing the data provided to Management's external actuarial expert to the Group's records; ▪ Engaging our own actuarial expert to assist in understanding and evaluating: o the work and findings of the Group's external actuarial expert engaged by Management; o the Group's actuarial methods and assumptions to assist us in challenging the appropriateness of actuarial methods and assumptions used by Management; ▪ Assessing the selection of methods and assumptions with a view to identify management bias; ▪ Evaluating the related disclosures about insurance contract liabilities, and the risks attached to them which are included in Note 34 in the Group's consolidated financial statements.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 March 2019 (but does not include the consolidated financial statements and our auditor's report thereon).

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

This audit report relates to the consolidated financial statements of Turners Automotive Group Limited and its subsidiaries for the year ended 31 March 2019 included on Turners Automotive Group Limited's website. The Directors of Turners Automotive Group Limited are responsible for the maintenance and integrity of Turners Automotive Group Limited's website. We have not been engaged to report on the integrity of Turners Automotive Group Limited's website. We accept no responsibility for any changes that may have occurred to the consolidated financial statements since they were initially presented on the website.

The audit report refers only to the consolidated financial statements named above. It does not provide an opinion on any other information which may have been hyper linked to or from these consolidated financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited consolidated financial statements and related audit report dated 28 June 2019 to confirm the information included in the audited consolidated financial statements presented on this website.

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

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

Baker Tilly Staples Rodway

BAKER TILLY STAPLES RODWAY AUCKLAND

Auckland, New Zealand

28 June 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2019

	Notes	2019 $'000	2018 $'000
Revenue from continuing operations	7	**328,358**	325,047
Other income	7	**8,221**	5,423
Cost of goods sold		**(133,126)**	(137,332)
Interest expense	7	**(14,952)**	(14,344)
Impairment provision expense	7	**(7,892)**	(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	7	**(5,785)**	(5,627)
Property and related expenses		**(10,945)**	(10,644)
Systems maintenance		**(1,471)**	(1,822)
Claims		**(26,804)**	(32,021)
Movement in life insurance liabilities	34	**(718)**	(82)
Insurance deferred acquisition costs		**(423)**	3,387
Impairment of intangible brand asset		**(4,300)**	-
Other expenses		**(16,971)**	(15,676)
Profit before taxation		**29,049**	31,133
Taxation (expense)/benefit	8	**(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 other comprehensive income		**(390)**	(168)
Total comprehensive income for the year		**22,329**	23,192
Earnings per share (cents per share)			
Basic earnings per share	9	**26.21**	29.26
Diluted earnings per share	9	**27.28**	28.87

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2019

	Notes	Share capital $'000	Share options $'000	Translation reserve $'000	Cash flow hedge 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)	26	30,339	-	-	-	-	30,339
Employee share based payments	27	-	493	-	-	-	493
Dividend paid	28	-	-	-	-	(11,417)	(11,417)
Total transactions with shareholders in their capacity as owners		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 policies							
Impact of the implementation of NZ IFRS 15	31	-	-	-	-	(345)	(345)
Impact of the implementation of NZ IFRS 9	31	-	-	-	-	(2,292)	(2,292)
		-	-	-	-	(2,637)	(2,637)
Balance at 1 April 2018 (restated)		199,148	701	(21)	(164)	12,022	211,686
Transactions with shareholders in their capacity as owners							
Capital contributions (net of issue costs)	26	**13,388**	**-**	**-**	**-**	**-**	**13,388**
Capital buy back	26	**(6,141)**	**-**	**-**	**-**	**-**	**(6,141)**
Employee share based payments	27	**-**	**326**	**-**	**-**	**-**	**326**
Dividend paid	28	**-**	**-**	**-**	**-**	**(15,214)**	**(15,214)**
Total transactions with shareholders in their capacity as owners		**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**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the year ended 31 March 2019

	Notes	**2019 $'000**	2018 $'000
Assets			
Cash and cash equivalents	10	**15,866**	25,145
Financial assets at fair value through profit or loss	11	**66,252**	53,378
Trade receivables	12	**12,471**	11,323
Inventory	13	**38,859**	38,596
Finance receivables	14	**290,017**	289,799
Other receivables, deferred expenses and contract assets	15	**10,955**	11,747
Reverse annuity mortgages	16	**8,294**	9,997
Investment property	17	**5,650**	4,820
Property, plant and equipment	19	**39,084**	35,945
Intangible assets	20	**166,734**	170,982
Total assets		**654,182**	651,732
Liabilities			
Other payables	21	**33,906**	38,588
Financial liability at fair value through profit or loss	22	**116**	226
Contract liabilities	23	**2,642**	1,793
Deferred tax	24	**13,918**	18,786
Tax payables		**4,570**	5,029
Derivative financial instruments		**524**	111
Borrowings	25	**312,863**	317,373
Life investment contract liabilities	34	**7,484**	7,127
Insurance contract liabilities	34	**51,785**	48,376
Total liabilities		**427,808**	437,409
Shareholders' equity			
Share capital	26	**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		**654,182**	651,732

For and on behalf of the Board

G.K. Baker
Chairman Director

P.A. Byrnes
Deputy chairman

Authorised for issue on 28 June 2019

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 March 2019

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Interest received		**45,023**	41,925
Receipts from customers		**279,472**	281,031
Interest paid		**(12,184)**	(9,609)
Payment to suppliers and employees		**(272,052)**	(266,124)
Income tax paid		**(10,752)**	(5,824)
Net cash outflow from operating activities before changes in operating assets and liabilities		**29,507**	41,399
Net increase in finance receivables		**(34,926)**	(75,248)
Net decrease in reverse annuity mortgages		**2,545**	66
Net (increase)/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	30	**(15,021)**	(81,485)
Cash flows from investing activities			
Proceeds from sale of property, plant, equipment, intangibles and held for sale assets		**9,388**	4,098
Purchase of property, plant and equipment		**(10,646)**	(22,013)
Purchase of intangible assets		**(2,107)**	(839)
Purchase of subsidiaries		**-**	(3,733)
Sale/(purchase) of investments		**41**	(21)
Net cash inflow/(outflow) from investing activities		**(3,324)**	(22,508)
Cash flows from financing activities			
Net bank loan advances/(repayments)		**20,570**	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		**9,058**	60,081
Net movement in cash and cash equivalents		**(9,287)**	(43,912)
Add opening cash and cash equivalents		**25,145**	69,069
Translation difference		**8**	(12)
Closing cash and cash equivalents		**15,866**	25,145
Represented By:			
Cash at bank	10	**15,866**	25,145
Closing cash and cash equivalents		**15,866**	25,145

The accompanying notes from part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2019

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.

The Group is a for profit entity.

The Group's principal activities are:
- automotive retail (second hand vehicle retailer)
- finance and insurance (loans and insurance products); and
- credit management (collection services).

The financial statements were authorised for issue by the directors on 28 June 2019.

***2.* BASIS OF PREPARATION**

2.1 Statement of Compliance

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

2.2 Basis of measurement

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

2.3 Functional and Presentation Currency and Rounding

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

3. SIGNIFICANT ACCOUNTING POLICIES

Except as detailed in note 31, the accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

3.1 *Adoption of new and revised Standards and Interpretations*

New standards and amendments and interpretations to existing standards that came into effect during the current accounting period beginning on 1 April 2018 that materially impact the Group's financial statements are as follows:
- NZ IFRS 15 *'Revenue from Contracts with Customers'; and*
- NZ IFRS 9 *'Financial Instruments'.*

The other standards did not have a material impact on the Group's financial statements and did not require retrospective adjustment.

Refer to note 31 for the impact of implementing these new standards.

3.2 *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 financial year beginning 1 April 2019.

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:
- Initially the ROU asset would be measured its carrying amount as if NZ IFRS 16 had been applied since the commencement of the lease, but discounted using the Group's incremental borrowing rate at the date of initial application; 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. The Group’s operating lease commitments as at 31 March 2019 are set out in note 32.

The Group has elected to adopt the Cumulative effect approach under which the Group will not restate comparative information.
Based on existing lease arrangements, the preliminary assessment of the adoption of IFRS 16, is expected to result in the recognition of the following:

As at 1 April 2019, the recognition of the following on the Group’s Statement of Financial Position:
- a ROU asset of $30.3m;
- a lease liability of $36.9m;
- a net movement in deferred tax of $1.8m (comprised of an increase in deferred tax assets of $10.3m and deferred tax liabilities of $8.5m); and
- a decrease in retained earnings of $4.8m.

For the year ended 31 March 2020, the recognition of the following on the Group’s Statement of Comprehensive Income:
- a decrease in rental expense (included within Property and related expenses) of $8.6m;
- an increase in depreciation expense of $6.4m;
- an increase in finance costs of $1.9m; and
- a decrease in tax expense of $0.1m.

As at 31 March 2020, the recognition of the following on the Group’s Statement of Financial Position:
- a ROU asset of $23.9m;
- a lease liability of $30.1m; and
- a net movement in deferred tax of $1.7m (comprised of an increase in deferred tax assets of $8.4m and deferred tax liabilities of $6.7m); and
- a decrease in retained earnings of $4.5m.

For the year ended 31 March 2020, overall there would be no impact on the Group’s Statement of Cash flows, however there would be an increase in net cash from operating activities of $6.6m and corresponding decrease in net cash from/(used in) financing activities $6.6m.

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

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

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

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

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

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

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

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

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

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

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

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

3.4 *Foreign currency*
Foreign currency transactions
Transactions in foreign currencies are translated to the respective functional currency of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

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

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

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

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

3.5 *Revenue and expense recognition*
The principal sources of revenue are sales of goods, sales of service, interest income, fees, commissions, and insurance premium income.

3.5.1 Revenue from contracts with customers
Sales of goods
Sales of goods comprise sales of motor vehicle and commercial goods owned by the Group. Sales of goods are recognised when the customer gains control of the goods. This normally occurs on receipt of a deposit, full payment or approval of financing.

Sales-related warranties associated with goods cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications and cover the standard period established by legislation.

There is no material amount of variable consideration under these contracts nor is there the existence of a significant financing component.

Sales of service
Auction commission is recognised at a point in time in the accounting period in which the service is rendered. Payment for services is normally deducted from the proceeds from the sale. Other than those provided by legislation no warranties are provided by the Group. There is no material amount of variable consideration under these contracts nor is there the existence of a significant financing component.

Other sales revenue comprises services rendered preparing the asset for sale and commission earned on the sale of third party products. Services rendered while preparing the asset for sale are recognised over time in the accounting period in which the service is rendered, and a contract asset is recognised for amounts relating to services rendered not yet invoiced. Payment for services rendered are either deducted from the proceeds from the sale or raised as a trade receivable. Other than those provided by legislation no warranties are provided by the Group. There are no rebated or volume discounts. Commissions earned on the sale of third party products is recognised at a point in time when the sale is made. Payment is usually received when the sale is made. Other than those provided by legislation no warranties are provided by the Group. There are no rebates or volume discounts.

Collection income, which is largely fees and commission earned for collecting debt on behalf of third parties and the sale of customised terms of trade documents, is recognised at a point in time in the accounting period in which the service is rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total service to be provided. Payment is either deducted from the monies collected or raised as trade receivable and therefore a contract liability is recognised over the period in which the services are performed representing the Group's right to consideration for the services performed to date. If the consideration promised includes a variable amount for rebates, refunds or credit, then the Group estimates the amount of variable consideration, to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur, and recognises a contract liability. Other than those provided by legislation no warranties are provided by the Group. Costs to obtain contracts such as commissions are recognised as contract assets and incurred when the related revenue for the contract is released to profit or loss.

Voucher income
Voucher income is the proceeds from the sale of a voucher that on presentation entitles the holder to either load a debt for collection or register of a security on the Personal Property Securities Register ('PPSR')., Voucher income is recognised, at a point in time, when the voucher is redeemed and the debtor's information is loaded into the collection system or a security is registered on the PPSR. Payment is normally received when the voucher is sold, and voucher income is initially recognised as a contract liability. 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. Other than those provided by legislation no warranties are provided by the Group. There is no material amount of variable consideration under these contracts nor is there the existence of a significant financing component. Costs to obtain contracts such as commissions are recognised as contract assets and incurred when the related revenue for the contract is released to profit or loss.

For the accounting policies applied prior to the adoption of IFRS15 please refer to note 31.

3.5.2 Financial instruments
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.

3.5.3 Insurance Contracts
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.

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.

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

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

3.6 *Financial instruments*
Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets
All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets
Financial assets that meet the following conditions are measured subsequently at amortised cost:
- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):
- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:
- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a financial asset that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and effective interest method
The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the financial asset, or, where appropriate, a shorter period, to the gross carrying amount of the financial asset on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below).

For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Financial assets measured at amortised cost include cash and cash equivalents, trade receivables, finance receivables, reverse annuity mortgages and other receivables.

(ii) Financial assets at FVTPL
Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Financial assets that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, financial assets that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called ‘accounting mismatch’) that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any financial assets as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). Fair value is determined in the manner described in note 5.5.

Financial assets measured at FVTPL include unitised funds, fixed interest securities and term deposits.

The Group has no financial assets measured at FVTOCI.

Impairment of financial assets
The Group recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition,
the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

The nature of the Group’s finance receivables (second tier retail and commercial lending) means there is little or no updated credit risk information that is routinely obtained and monitored on an individual instrument until a customer breaches the contractual terms.

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Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default
The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated
future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:
a) significant financial difficulty of the borrower;
b) a breach of contract, such as a default or past due event (see (ii) above); and
c) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy
The Group writes off a financial asset when there is information indicating that the borrower is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the borrower has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group’s recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

v) Measurement and recognition of expected credit losses
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets’ gross carrying amount at the reporting date. No further advances are allowed against financial assets in default.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset’s carrying
amount and the sum of the consideration received and receivable is recognised in profit or loss

Financial liabilities
All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship (see Hedge accounting policy).

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Fair value is determined in the manner described in note 5.5.

Financial liabilities measured at FVTPL include contingent consideration.

Financial liabilities measured subsequently at amortised cost
Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Derivative financial instruments
The Group enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, and interest rate swaps.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both legal right and intention to offset.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting
The Group designates certain derivatives as hedging instruments in respect of interest rate risk in cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Cash flow hedges
The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss.

For the accounting policy applied prior to the adoption of IFRS9 please refer to note 31.

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

- Long-term insurance contracts with fixed and guaranteed terms, these contracts insure events associated with human life (for example, death) over a long duration;
- Temporary life insurance contracts covering death disablement, disability and redundancy risks; and
- Short term motor vehicle contracts covering comprehensive, third party and mechanical breakdown risks.

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

The liability for life insurance contracts is determined in accordance with Appendix C of NZ IFRS 4 Insurance Contracts and Professional Standard No 20 of the New Zealand Society of Actuaries. In terms of these standards, the liability is determined using the methodology referred to as Margin on Service (MoS). Under MoS the excess premium received over claims and expenses, 'the profit margin', is recognised over the life of the contract in a manner that reflects the pattern of risk accepted from the policyholder 'the service'. Longer-term lines of business (annuities, funeral plan) are valued using the projection method, and shorter-term life and longer-term life contracts written on yearly renewable premiums, are valued using the accumulation method, as provided for in NZ IFRS 4.

General insurance contract liabilities include claims provision and the provision for unearned premium. The outstandings claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling cost and a reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of claims, therefore the ultimate cost of these cannot be known at reporting date and are estimated based on past experience. The liability is not discounted for the time value of money and is derecgonised when the obligation to pay the claim expires, is discharged or is cancelled.

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

Liability adequacy testing is performed in terms of NZ IFRS 4 in order to test the adequacy of all insurance liabilities recorded in the statement of financial position, net of deferred acquisition costs. Liability adequacy testing is performed at a portfolio level of contracts that are subject to broadly similar risks and are managed together as a single portfolio.

3.8 Life investment contracts
Life investment contracts are those contracts with minimal insurance risk and are accounted for in accordance with NZ IFRS 15 'Revenue from Contracts with Customers' (refer note 3.5.1) and NZ IFRS 9 'Financial Instruments' (refer note 3.5.2). The life investment contacts are unit-linked and fair value of a unit linked contract is determined using the current unit values that reflect the fair value of the financial assets backing the contract, multiplied by the number of units attributable to the contract holder.

3.9 Inventories
Inventories comprise primarily motor vehicles held for sale and are stated at the lower of cost or net realisable value. Cost comprises purchase price, shipping cost, compliance cost and other sundry related costs. Estimated selling prices are based upon recent observed vehicle sales prices for comparable vehicles. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

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

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

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

The rates for the following asset classes are:

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

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

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

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

Corporate relationship assets are amortised on the straight line basis over the expected life (2 – 10 years) of the relationship and are recognised in the statement of financial position at cost less accumulated amortisation and impairment losses.

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

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

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

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

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

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

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

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

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

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

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

3.16 Managed funds
DPL Insurance Limited, a wholly owned subsidiary, has saving plans, which are not open to new members, with assets managed by a third party investment manager. The assets and liabilities of these funds are included in the financial statements.

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

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

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

Share based payments
The cost of options issued to employees under the Group's share option plan is measured by reference to fair value of the options at the date on which they are granted. Service and non-market performance conditions are not taken into account when determining the grant date fair value, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market conditions are reflected within the grant date fair value.

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

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

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

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

3.19 Comparatives
Where necessary, comparative information has been reclassified and represented for consistency with current year. Comparative information has not been restated for the impact on application of NZ IFRS 15 and NZ IFRS 9.

4. USE OF ESTIMATES AND JUDGEMENTS
In preparing the financial statements in accordance with NZ IFRS, IFRS and applicable reporting standards management has made judgements, estimates and assumptions that affect the application of accounting policies and about the future that affect the reported amounts

of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The principal areas of judgement in preparing these financial statements are set out below.

Provision for impairment on loan receivables
Significant increase in credit risk
As explained in note 3.6, ECL are measured as an allowance equal to 12 month ECL for performing assets, or lifetime ECL for doubtful or in default assets. An asset moves to doubtful when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

Calculation of loss allowance
When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

If the ECL rates on performing finance receivables increased/(decreased) by 1% higher (lower) as at 31 March 2019, the loss allowance on finance receivables would have been $0.024 million higher/(lower).

If the ECL rates on doubtful or in default finance receivables increased/(decreased) 1% higher (lower) as at 31 March 2019, the loss allowance on finance receivables would have been $0.153 million higher/(lower).

Impairment of goodwill
The carrying value of goodwill is assessed at least annually to ensure that it is not impaired. Performing this assessment generally requires management to estimate future cash flows to be generated by the cash-generating unit, which entails making judgements, including the expected rate of growth of revenues, margins expected to be achieved and the appropriate discount rate to apply when valuing future cash flows (refer note 20). A sensitivity analysis of the recoverable amounts of the CGU's is disclosed in note 20.

When estimating future cash flows, Management's judgements include forecasting year-on-year movements in the operating assets of individual CGUs such as:

- for the Finance and Turners Group (NZ) CGUs, the movement in their portfolios of finance receivables and related movement in debt financing;
- for the Turners Group (NZ) and Buy Right Cars CGUs, the movement in inventory levels, trade payables and related movement trade financing; and
- for the DPL Insurance CGU, the movement in deferred insurance contract premiums and acquisition costs, and solvency capital requirements.

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

The estimation of the ultimate liability arising from claims made under insurance contracts is based on a number of actuarial techniques that analyse experience, trends and other relevant factors. The estimate process involves using Group specific data, relevant industry data and general economic data, including but not limited to, claim frequencies, average claim sizes and historical trends (refer note 34A).

Impairment of corporate brands
The carrying values of brands are assessed at least annually to ensure that it is not impaired. Performing this assessment generally requires management to estimate future cash flows to be generated by the related investment or a cash-generating unit, which entails making judgements, including the expected rate of growth of revenues, margins expected to be achieved and the appropriate discount rate to apply when valuing future cash flows (refer note 20).

Unredeemed voucher liabilities
The Group's estimate of the unredeemed voucher liability is based on historic redemption patterns. Changes in the redemption pattern of unredeemed vouchers could affect the reported value of this liability. At year end, the Group readjusted the unredeemed prepaid collection voucher liability write off methodology based on movements in the actual redemption patterns to reflect the continued decline in the redemption of historically issued prepaid collection vouchers. The change in accounting estimate resulted in a $0.2m (2018: $0.7m) decrease in the unredeemed voucher liability (note 23).

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2019

The derecognition of finance receivables
The Group follows the guidance in and NZ IFRS 9 'Financial Instruments', in transactions where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the Group derecognises the transferred asset if control over that asset is relinquished. The rights and obligations retained in the transfer, such as servicing assets and liabilities, are recognised separately as assets and liabilities, as appropriate. If control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, which is determined by the extent to which it remains exposed to changes in the value of the transferred asset. This determination of whether risks and rewards of ownership of a financial asset are neither retained nor transferred requires significant judgement (refer note 3.6). Prior to derecognition, the Group assesses whether the finance receivables qualify for derecognition using the criteria noted above.

Fair value measurement
The fair value of financial instruments that are not quoted in active markets are determined using discounted cash flow models. To the extent practical, models use observable data however normal volatilities require management to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments (refer note 11 and 22).

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

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

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. The fair value of level 3 instruments is determined by using valuation techniques based on a range of unobservable inputs. The Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. Investments in equity instruments that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are recognised and subsequently carried at cost.

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

5. RISK MANAGEMENT

The financial condition and operating results of the Group are affected by a number of key financial and non-financial risks. Financial risks include credit risk, liquidity risk and market risk. The non-financial risks include insurance risk, which is covered in note 34, and fair value risk relating to the Group's Investment property.

5.1 Financial instrument by category

Carrying value	**2019 $'000**	2018 $'000
Financial assets		
Cash and cash equivalents	**15,866**	25,145
Financial assets at fair value through profit or loss	**66,252**	53,378
Amortised cost		
Trade receivables	**12,471**	11,323
Finance receivables	**290,017**	289,799
Other receivables and deferred expenses	**3,776**	6,111
Reverse annuity mortgages	**8,294**	9,997
	396,676	395,753
Financial liabilities		
Other payables	**25,247**	24,043
Financial liability at fair value through profit or loss	**116**	226
Borrowings	**312,863**	317,373
	338,226	341,642

5.2 Credit risk

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

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

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

To manage credit on finance receivables the Group performs credit evaluations on all customers requiring advances. The approval process considers a number of factors including: borrower's past performance, ability to repay, amount of money to be borrowed against the security and the creditworthiness of the guarantor/co-borrower involved.
The Group operates a lending policy with various levels of authority depending on the size of the loan. A lending and credit committee operates and overdue loans are assessed on a regular basis by this body.

Risk grades categorise loans according to the degree of risk of financial loss faced and focuses management on the attendant risks. The current risk grading framework consists of four grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. They are as follows:

- performing – the counterparty has a low risk of default and does not have any past due amounts;
- doubtful –amount is > 30 days past due or there has been a significant increase in credit risk since initial recognition;
- in default - amount is > 90 days past due or evidence indicating the asset is credit impaired; and
- write-off – there is evidence indicating the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.

The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for finance receivables are:

- mortgages over properties, with the maximum loan to value rate being 75%;
- mortgages over houses for reverse annuity mortgages, with a maximum loan to value ratio of 30% at inception (no new reverse annuity mortgages have been advanced since 2009);
- charges over vehicle stock for dealer floorplans;
- chattel paper where the Group acts as a wholesale funder;
- charges over business assets such as equipment; and
- charges over motor vehicles.

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

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

5.3 Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its obligations associated with financial liabilities as they fall due.

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

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

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

	0-6 months $'000	7-12 months $'000	13-24 months $'000	25-60 months $'000	60+ months $'000	Total $'000
2019						
Contractual undiscounted cash flows:						
Other payables	**25,247**	**-**	**-**	**-**	**-**	**25,247**
Derivative cash flow hedges	**164**	**142**	**175**	**43**	**-**	**524**
Borrowings	**35,870**	**17,951**	**174,007**	**106,093**	**-**	**333,921**
	61,281	**18,093**	**174,182**	**106,136**	**-**	**359,692**
Expected undiscounted cash flows:						
Other payables	**25,247**	**-**	**-**	**-**	**-**	**25,247**
Derivative cash flow hedges	**164**	**142**	**175**	**43**	**-**	**524**
Borrowings	**35,870**	**17,951**	**19,409**	**94,832**	**213,492**	**381,554**
	61,281	**18,093**	**19,584**	**94,875**	**213,492**	**407,325**
2018						
Contractual undiscounted cash flows:						
Other payables	24,043	-	-	-	-	24,043
Derivative cash flow hedges	29	30	37	15	-	111
Borrowings	88,066	30,690	193,070	18,615	-	330,441
	112,138	30,720	193,107	18,630	-	354,595
Expected undiscounted cash flows:						
Other payables	24,043	-	-	-	-	24,043
Derivative cash flow hedges	29	30	37	15	-	111
Borrowings	42,352	28,281	30,728	83,505	274,473	459,339
	66,424	28,311	30,765	83,520	274,473	483,493

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

5.4.1 Insurance business
For the investment linked policies the market risk is transferred to the policy holder. The Group earns fees on investment linked policies that are based on the amount of assets invested and it may receive lower fees should markets fall. Asset allocation for investment linked policies is decided by the Policy Holder.

In the other insurance business, market risk arises when there is a mismatch between the insurance policy liabilities and the assets backing those liabilities. Refer to note 34K for insurance liabilities interest rate sensitivity. The insurance business has no significant currency and equity risk.

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

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

The interest rates earned on finance receivables are fixed over the term of the contract. When approving interest rates for individual loan advances, interest rate risk is measured in accordance with the approved lending policy. The Group uses interest rate swap contracts to convert a portion of its variable rate debt to fixed rate debt. No exchange of principal takes place. The notional principal amount of interest rate swaps at 31 March 2019 was $74m (2018: $70m) and weighted average interest was 2.23% (2018: 2.24%). There was no hedge ineffectiveness recognised in profit or loss during the period (2018: $nil).

Turners Finance Limited borrows at fixed rates to fund finance receivables. The terms and the amounts of the finance payables are matched to each corresponding finance receivable, for which the lending rates are also fixed at inception, thus eliminating the cash flow interest rate risk on these financial instruments.

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

	Carrying amount $'000	-1% Profit $'000	-1% Equity $'000	+1% Profit $'000	+1% Equity $'000
2019					
Financial Assets					
Cash and cash equivalents	**15,866**	**(159)**	**(114)**	**159**	**114**
Financial assets at fair value through profit or loss	**66,252**	**(663)**	**(477)**	**663**	**477**
Finance receivables	**290,017**	**(2,900)**	**(2,088)**	**2,900**	**2,088**
Reverse annuity mortgages	**8,294**	**(83)**	**(60)**	**83**	**60**
Financial Liabilities					
Financial liability at fair value through profit or loss	**116**	**1**	**1**	**(1)**	**(1)**
Derivative cash flow hedges	**524**	**-**	**(1,404)**	**-**	**295**
Borrowings	**312,863**	**3,129**	**2,253**	**(3,129)**	**(2,253)**
Total increase/(decrease)		**(675)**	**(1,889)**	**675**	**780**

	Carrying amount $'000	-1% Profit $'000	-1% Equity $'000	+1% Profit $'000	+1% Equity $'000
2018					
Financial Assets					
Cash and cash equivalents	25,145	(251)	(181)	251	181
Financial assets at fair value through profit or loss	53,378	(534)	(384)	534	384
Finance receivables	289,799	(2,323)	(1,673)	2,323	1,673
Reverse annuity mortgages	9,997	(100)	(72)	100	72
Financial Liabilities					
Financial liability at fair value through profit or loss	226	2	1	(2)	(1)
Derivative cash flow hedges	111	-	(827)	-	636
Borrowings	317,373	3,174	2,285	(3,174)	(2,285)
Total increase/(decrease)		(32)	(851)	32	660

5.4.3 Currency risk

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

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

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

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

in NZD'000	**2019** **NZ$'000**	2018 NZ$'000
Net exposure to AUD	**224**	122
Net exposure to JPY	**1,560**	525

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

In NZD'000	-10% Profit	-10% Equity	+10% Profit	+10% Equity
2019				
AUD	**-**	**(25)**	**-**	**21**
JPY	**(177)**	**129**	**145**	**(105)**
2018				
AUD	67	(5)	(55)	4
JPY	(306)	(43)	251	34

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5.4.4Equity price risk

Equity price risk is the risk that the Group's profit or loss will fluctuate as a result of changes in share prices. The Group is exposed to equity price risk through its investment in MTF Shares. A +1%/-1% movement in the MTF share price will increase/(decrease) profit and equity by $36k/($36k) (2018: $36k/($36k)).

5.5 Assets and liabilities carried at fair value:

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

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

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2019				
Fair value assets:				
Financial assets at fair value through profit or loss - Insurance	**-**	**7,658**	**-**	**7,658**
Financial assets at fair value through profit or loss - investment in equities	**-**	**3,595**	**-**	**3,595**
Financial assets at fair value through profit or loss - term deposits	**54,999**	**-**	**-**	**54,999**
Investment property	**-**	**-**	**5,650**	**5,650**
	54,999	**11,253**	**5,650**	**71,902**
Fair value liabilities:				
Financial liability at fair value through profit or loss	**-**	**-**	**116**	**116**
Derivative cash flow hedges	**-**	**524**	**-**	**524**
	-	**524**	**116**	**640**
2018				
Fair value 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 in 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
Fair value liabilities:				
Financial liability at fair value through profit or loss	**-**	-	226	226
Derivative cash flow hedges	**-**	111	-	111
	-	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 New Zealand Investments Limited (refer to 5.4.1).

Fair value assets - investment in equities

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

Fair value liability - term deposits and fixed interest securities

Term deposits are recognised at fair value based on the interest rate set at inception of the term deposit (refer 5.4.2).

Fair value - investment property

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

This is a level 3 fair value measurement and the key output 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 $0.3m/($0.3m).

Financial liability at fair value through profit or loss – contingent consideration

The fair value of the contingent consideration was determined using estimates of the expected pay out discounted at current borrowing rates.

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

Derivative cash flow hedges
The fair value of forward exchange contracts is determined using forward exchange rates at balance date, with the resulting value discounted to present value. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows based on observable yield curves.

Reconciliation of recurring level 3 fair value movements:

Reconciliation of recurring level 3 fair value measurements

Assets	**2019**	2018
	$'000	$'000
Opening balance	**4,820**	4,000
Revaluation at reporting date - investment property	**830**	820
Closing balance	**5,650**	4,820

Liabilities	**2019**	2018
	$'000	$'000
Opening balance	**226**	7,611
On acquisition contingent consideration - Motorplus	**-**	221
Revaluation at reporting date	**(110)**	(3,190)
Settlement of period one and part of period tw o earn out consideration	**-**	(4,416)
Closing balance	**116**	226

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

6. SEGMENTAL INFORMATION

6.1 Description of segments

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

Five reportable segments have been identified as follows:

Automotive retail:	Remarketing (motor vehicles, trucks, heavy machinery and commercial goods) and purchasing goods for sale.
Finance:	Provides asset based finance to consumers and SME's.
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.
Insurance:	Marketing and administration of a range of life and consumer insurance products.
Corporate & other:	Corporate centre.

Operating segments

OPERATING SEGMENTS

Revenue	Total segment revenue **2019**	Inter-segment revenue **2019**	Revenue from external customers **2019**	Total segment revenue 2018	Inter-segment revenue 2018	Revenue from external customers 2018
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Automotive retail	**228,672**	**(2,963)**	**225,709**	226,434	(3222)	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

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

Operating profit	**2019**	2018
	$'000	$'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**	Interest revenue 2018	Interest expense **2019**	Interest expense 2018	Depreciation and amortisation expense **2019**	Depreciation and amortisation expense 2018
	$'000	$'000	**$'000**	$'000	**$'000**	$'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**	Revenue 2018	Expenses **2019**	Expenses 2018
	$'000	$'000	**$'000**	$'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**	Assets 2018	Liabilities **2019**	Liabilities 2018
	$'000	$'000	**$'000**	$'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	**(117,372)**	(112,600)	**(39,262)**	(20,385)
	654,182	651,732	**427,808**	437,409

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

	Other	
	2019	2018
	$'000	$'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	**(14,489)**	(7,615)
	12,753	22,852

Automotive retail segment analysis	Total division revenue	Inter-division revenue	Revenue from external customers	Total division revenue	Inter-division revenue	Revenue from external customers
	2019	**2019**	**2019**	2018	2018	2018
	$'000	**$'000**	**$'000**	$'000	$'000	$'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**	2018
	$'000	$'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		Liabilities	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'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

7. PROFIT BEFORE TAX

	Notes	**2019** **$'000**	2018 $'000
Revenue from continuing operations includes:			
Interest income			
Bank accounts, short term deposits and investments		**1,791**	1,343
Finance receivables		**46,532**	42,872
Reverse annuity mortgages		**846**	869
Total interest income		**49,169**	45,084
Operating revenue			
Sales of goods		**159,438**	163,622
Commission and other sales revenue		**48,965**	46,730
Finance related insurance commissions		**4,199**	4,718
Loan fee income		**2,950**	2,766
Insurance and life investment contract income		**42,968**	41,685
Collection income		**18,187**	18,665
Bad debts recovered		**897**	887
Other revenue		**1,585**	890
Total operating revenue		**279,189**	279,963
Revenue from continuing operations		**328,358**	325,047
Other income comprises:			
Revaluation gain on investments		**-**	590
Revaluation gain on investment property		**830**	820
Dividend income		**391**	349
Gain of sale of property, plant and equipment		**3,607**	1,000
Gain on compulsory acquisition on leasehold premise by the NZTA		**3,393**	-
Fair value gain on contingent consideration		**-**	2,664
		8,221	5,423
Revenue from contracts with customers			
Over time			
Automotive retail			
Commission and other sales revenue		**23,352**	-
Insurance			
Motor vehicle insurance commissions		**1,731**	-
		25,083	-
At a point in time			
Automotive retail			
Sales of goods		**159,438**	-
Auction commissions		**25,613**	-
Credit management			
Collection income		**16,506**	-
Voucher income		**1,681**	-
Interest expense			
Bank borrowings and other		**13,241**	12,516
Bonds		**1,711**	1,828
Total interest expense		**14,952**	14,344
Movement in impairment provisions			
Provisions for:			
Specific impaired finance receivables	14	**914**	619
Collective impairment provision for finance receivables	14	**6,890**	5,300
Collective impairment on reverse annuity mortgages	16	**(47)**	28
Finance receivables bad debts written off		**135**	433
Movement		**7,892**	6,380

	2019 $'000	2018 $'000
Net operating profit includes the following specific expenses		
Depreciation		
- Plant, equipment & motor vehicles	**675**	614
- Leasehold improvements, furniture, fittings & office equipment	**864**	747
- Computer equipment	**519**	436
- Signs & flags	**96**	82
Intangible amortisation		
Amortisation of software	**1,435**	1,587
Amortisation of customer relationships	**630**	594
Insurance contract liabilities amortisation		
Amortisation of policies in force	**1,566**	1,567
	5,785	5,627
Tax advisory fees	**104**	121
Donations	**5**	15
Directors' fees	**637**	425
Post-employment benefits	**1,164**	1,314
Loss on sale of property, plant and equipment	**-**	**23**
Fees paid to auditor		
Baker Tilly Staples Rodway Auckland (auditor of the Group)		
Audit of financial statements		
Audit of annual financial statements	**442**	441
Other services		
Other assurance services		
- audit of DPL Insurance Limited solvency return	**7**	6
- Agreed Upon Procedures in relation to the EC Credit Control Limited trust account	**3**	3
Total other services	**10**	9
Total fees paid to Baker Tilly Staples Rodway Auckland	**452**	450

8. TAXATION

	2019 $'000	2018 $'000
Net operating profit before taxation	**29,049**	31,133
Income tax expense at prevailing rates	**(8,134)**	(8,722)
Tax impact of income not subject to tax	**2,035**	1,248
Tax impact of expenses not deductible for tax purposes	**(125)**	(437)
Tax assets recognised	**-**	93
Under provision in prior years	**(106)**	45
Taxation (expense)/benefit	**(6,330)**	(7,773)
Comprising:		
Current	**(10,030)**	(9,205)
Deferred	**3,958**	1,387
Under provision in prior years	**(258)**	45
	(6,330)	(7,773)

9. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at 31 March was based on the profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding, as follows:

	2019	2018
Profit for the year ($'000)	**22,719**	23,360
Weighted average number of ordinary shares at 31 March	**86,671,483**	79,835,734
Basic earnings per share (cents per share)	**26.21**	29.26

	2019	2018
Weighted number of shares		
Opening balance	**84,802,612**	74,523,527
Shares issued for the purchase of Buy Right Cars	**-**	132,270
Shares issued for the share placement	**-**	4,377,211
Shares issued for the share purchase plan	**-**	**775,873**
Shares issued under the staff share scheme	**-**	**26,684**
Shares issued for the conversion of bonds	**2,303,925**	**-**
Shares issued for the dealer share scheme	**20,766**	**169**
Share cancel from the share buy back	**(455,820)**	-
	86,671,483	79,835,734

Diluted earnings per share

The calculation of diluted earnings per share at 31 March was based on the diluted profit attributable to shareholders and a diluted weighted average number of ordinary shares outstanding as follows:

	2019 $'000	2018 $'000
Continuing operations	**22,719**	23,360
Add: interest expense relating to optional convertible bonds, net of tax	**598**	1,196
Add: Long term incentive expense relation to options	**326**	493
Profit for the year	**23,643**	25,049
Weighted number of ordinary shares (diluted)		
Weighted average number of shares (basic)	**86,671,483**	79,835,734
Effect of the conversion of bonds	**-**	6,816,220
Effect of the exercise of the options	**-**	107,222
Weighted average number of shares (diluted)	**86,671,483**	86,759,176
Diluted earnings per share (cents per share)	**27.28**	28.87

10. CASH AND CASH EQUIVALENTS

	2019 $'000	2018 $'000
The carrying value of cash and cash equivalents are denominated in the following currencies:		
Australian dollars	**663**	1,046
Japanese yen	**142**	975
New Zealand dollars	**15,061**	23,124
	15,866	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. DPL Insurance's cash and cash equivalents at 31 March 2019 were $2.2m (2018: $9.2m).

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

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 $'000	2018 $'000
Insurance:		
Investments in unitised funds	**7,658**	7,249
Term deposits	**54,999**	42,500
Other:		
Investment in equities	**3,595**	3,629
Total	**66,252**	53,378
Investments in unitised funds comprise:		
New Zealand and overseas equities	**1,309**	3,055
Fixed Interest securities	**1,350**	1,351
Cash	**3,141**	1,143
New Zealand and overseas property securities	**1,858**	1,700
Total	**7,658**	7,249
Investments with external investment managers		
ANZ New Zealand Investments Limited - Unitised Funds	**7,658**	7,249

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

Australian dollars	**-**	-
New Zealand dollars	**58,594**	46,129
	58,594	46,129

All term deposits held in the insurance business may not be available for use by the wider Group (refer note 10). DPL Insurance's term deposits at 31 March 2019 were $55.0m (2018: $42.5m).

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

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

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

12. TRADE RECEIVABLES

	2019 $'000	2018 $'000
Performing	**11,633**	10,068
Doubtful	**807**	1,255
In default	**323**	275
	12,763	11,598
Impairment provision	**(292)**	(275)
Net trade receivables	**12,471**	11,323

Trade receivables are a current asset, with terms of trade usually 30 days or less.

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

	2019 $'000	2018 $'000
The age of default trade receivables is as follows:		
Past due up to 30 days	**-**	16
Past due 30 – 60 days	**-**	15
Past due 60 – 90 days	**-**	-
Past due 90+ days	**323**	244
	323	275
The age of doubtful trade receivables is as follows:		
Past due up to 30 days	**722**	447
Past due 30 – 60 days	**59**	16
Past due 60 – 90 days	**26**	-
Past due 90+ days	**-**	792
	807	1,255
Movement in the impairment provision:		
Opening balance	**275**	203
Impairment charge/(release) included in other operating expenses	**27**	103
Amounts written off	**(10)**	(31)
	292	275

The Group recognises lifetime expected credit loss for trade receivables. Tithe expected credit loss rate is 2.3%. Amounts charged to the impairment provision are generally written off when there is no expectation of recovering additional cash.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

Australian dollars	**1,099**	918
New Zealand dollars	**11,372**	10,405
	12,471	11,323

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

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

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

13. INVENTORY

	2019 $'000	2018 $'000
Motor vehicles	**40,391**	39,631
Commercial goods	**30**	14
	40,421	39,645
Less provision for stock obsolescence	**(1,562)**	(1,049)
	38,859	38,596

Inventories are a current asset.

Movement in provisions for stock obsolescence

Opening balance	**1,049**	776
Movement	**513**	273
Closing balance	**1,562**	1,049

14. FINANCE RECEIVABLES

	2019 $'000	2018 $'000
Commercial loans	**25,831**	27,665
Finance leases	**6,860**	4,902
Consumer loans	**266,518**	253,168
Property development & investment loans	**3,069**	8,492
Legacy	**1,098**	1,426
Gross finance receivables	**303,376**	295,653
Specific impairment provision	**(1,915)**	(1,592)
Collective impairment provision	**(17,680)**	(9,702)
Deferred fee revenue and commission expenses	**6,236**	5,440
	290,017	289,799
Current	**147,101**	144,001
Non-current	**142,916**	145,798
	290,017	289,799

	2019 $'000	2018 $'000
Gross financial receivables are summarised as follows:		
Performing	**262,160**	258,433
Doubtful	**25,247**	28,902
In default	**15,969**	8,318
	303,376	295,653
Movement in specific impaired receivables		
Opening balance	**2,342**	990
Additions	**1,179**	1,471
Amounts moved to doubtful	**(283)**	-
Amounts recovered	**(422)**	(47)
Amounts written off	**(439)**	(72)
	2,377	2,342
The aging of loans specifically assessed are as follows:		
Past due up to 30 days	**1,944**	894
Past due 30 – 60 days	**1,305**	1,422
Past due 60 – 90 days	**572**	445
Past due 90+ days	**1,695**	929
In default	**2,377**	2,342
	7,893	6,032

The following table details the risk profile of the Group's provision matrix for finance receivables collectively assessed for impairment. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

31 March 2019	**Expected loss rate %**	**Gross finance receivables $'000**	**Collective impairment provision $'000**
Performing	**0.90**	**262,160**	**2,358**
Past due up to 30 days	**8.72**	**10,552**	**920**
Past due 30 – 60 days	**19.95**	**4,036**	**805**
Past due 60 – 90 days	**29.25**	**1,200**	**351**
Past due 90+ days	**55.72**	**3,943**	**2,197**
In default	**81.29**	**13,592**	**11,049**
		295,483	**17,680**
1April 2018 (restated)			
Performing	0.92	258,947	2,387
Past due up to 30 days	8.51	10,687	909
Past due 30 – 60 days	20.55	3,319	682
Past due 60 – 90 days	25.04	1,230	308
Past due 90+ days	47.16	4,892	2,307
In default	59.67	10,546	6,293
		289,621	12,886

	2019 $'000	2018 $'000
Movement in the impairment provisions:		
Specific impairment provision		
Opening balance	**1,592**	973
Impairment charge/(release) through profit or loss	**914**	619
Amounts written off	**(591)**	-
	1,915	1,592

	2019 $'000	2018 $'000
Collective impairment provision		
Opening balance	**9,702**	5,055
Change in accounting policy	**3,184**	-
Impairment charge/(release) through profit or loss	**6,890**	5,300
Amounts written off	**(2,096)**	(653)
	17,680	9,702
Total impairment provision	**19,595**	11,294

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

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

Fair value and credit risk	Carrying amount **2019** **$'000**	Fair value **2019** **$'000**	Carrying amount 2018 $'000	Fair value 2018 $'000
Finance receivables	**290,017**	**290,326**	289,799	289,951

The fair values are based on cash flows discounted using a weighted average interest rate of 14.46% (2018: 15.01%).

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

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

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 provide funding to the Trust secured by finance receivables sold to the Trust from the finance sector. The facility is for a 24 month term that will be renewed annually. The facility is for $184m.

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

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

The Group retains 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 financial year $114.5m finance receivables were sold to the Trust (2018: $144.5m). As at 31 March 2019 the carrying value of finance receivables in the Trust was $175.3m (2018: $145.6m).

15. OTHER RECEIVABLES, DEFERRED EXPENSES AND CONTRACT ASSETS

	2019	2018
	$'000	$'000
Other receivables and prepayments	**5,129**	6,302
Insurance deferred acquisition costs	**4,015**	4,214
Contract assets		
- Amount relating to services rendered not yet invoiced	**1,538**	1,231
- Contract fulfilment costs	**273**	-
	10,955	11,747
Current	**6,961**	7,411
Non-current	**3,994**	4,336
	10,955	11,747
Carrying amount of financial assets included in other receivables	**3,776**	6,111

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

Australian dollars	**3**	5
New Zealand dollars	**3,773**	6,106
	3,776	6,111

Expected credit losses on contract assets and other receivables is 0%.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2019

Fair value and credit risk

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

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

16. REVERSE ANNUITY MORTGAGES

	2019	2018
	$'000	$'000
Reverse annuity mortgages	**8,344**	10,094
Provision for impairment	**(50)**	(97)
	8,294	9,997
Current	**-**	-
Non-current	**8,294**	9,997
	8,294	9,997
Movement in provisions for impairment		
Opening balance	**97**	69
Impairment charge/(release) through profit or loss	**(47)**	28
Closing balance	**50**	97

Interest rate

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

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

Fair value and credit risk

	Carrying amount **2019** **$'000**	Fair value **2019** **$'000**	Carrying amount 2018 $'000	Fair value 2018 $'000
Reverse annuity mortgages	**8,294**	**9,333**	9,997	11,866

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

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

17. INVESTMENT PROPERTY

	2019	2018
	$'000	$'000
Investment property	**5,650**	4,820
Movements in carrying amounts		
Opening balance	**4,820**	4,000
Net change in fair value	**830**	820
Closing balance	**5,650**	4,820

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

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

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

18. INVESTMENT IN SUBSIDIARIES

		Ownership Interest Held 2019	2018
Subsidiary			
Buy Right Cars (2016) Limited	Vehicle trade	**100.0%**	100.0%
Dorchester Staff Share Plan Trustees Limited	Trustee	**100.0%**	100.0%
DPL Insurance Limited	Insurance	**100.0%**	100.0%
EC Credit Control (Aust) Pty Limited	Collection services	**100.0%**	100.0%
EC Credit Control (NZ) Limited	Collection services	**100.0%**	100.0%
Estate Management Services Limited	Collection services	**100.0%**	100.0%
Oxford Finance Limited	Finance	**100.0%**	100.0%
Payment Management Services Limited	Collection services	**100.0%**	100.0%
Turners Finance Limited	Finance	**100.0%**	100.0%
Turners Fleet Limited	Vehicle and commercial goods trade	**100.0%**	100.0%
Turners Group NZ Limited	Auctions	**100.0%**	100.0%
Turners Property Holdings Limited	Property	**100.0%**	100.0%
EC Web Services Limited	Dormant	**66.6%**	66.6%

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

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

In May 2018, Dorchester Oxford Limited, Oxford Finance Limited, Southern Finance Limited and Dorchester Finance Limited were amalgamated to become Dorchester Finance Limited which changed its name on amalgamation to Oxford Finance Limited.

In August 2018, Smart Group Services Limited, Turners International Holding Limited, Turners Smart Autocentre Limited and Turners Group NZ Limited were amalgamated to become Turners Group NZ Limited and Dorchester Life Trustees Limited, Dorchester RAMS Limited, Dorchester Turners Limited, EGPTM Limited, EGPTT Limited and Turners Automotive Group Limited were amalgamated to become Turners Automotive Group Limited.

19. PROPERTY, PLANT AND EQUIPMENT

	Land	Plant, equipment & motor vehicles	Leasehold improvements, furniture, fittings & office equipment	Computer equipment	Signs & flags	Total
	$'000	$'000	$'000	$'000	$'000	$'000
2019						
At cost	**23,352**	**3,632**	**12,652**	**2,023**	**471**	**42,130**
Accumulated depreciation	**-**	**(1,622)**	**(2,987)**	**(1,257)**	**(319)**	**(6,185)**
Opening carrying amount	**23,352**	**2,010**	**9,665**	**766**	**152**	**35,945**
Additions	**-**	**1,391**	**8,550**	**441**	**264**	**10,646**
Disposals & translation difference	**(4,261)**	**(382)**	**(706)**	**2**	**(6)**	**(5,353)**
Depreciation	**-**	**(675)**	**(864)**	**(519)**	**(96)**	**(2,154)**
Closing carrying amount	**19,091**	**2,344**	**16,645**	**690**	**314**	**39,084**
At cost	**19,091**	**4,613**	**20,495**	**2,467**	**729**	**47,395**
Accumulated depreciation	**-**	**(2,269)**	**(3,850)**	**(1,777)**	**(415)**	**(8,311)**
Closing carrying amount	**19,091**	**2,344**	**16,645**	**690**	**314**	**39,084**
2018						
At cost	11,155	3,169	6,866	1,735	462	23,387
Accumulated depreciation	-	(1,093)	(2,153)	(995)	(237)	(4,478)
Opening carrying amount	11,155	2,076	4,713	740	225	18,909
Additions	14,215	948	6,368	470	12	22,013
Disposals & translation difference	(2,018)	(400)	(669)	(8)	(3)	(3,098)
Depreciation	-	(614)	(747)	(436)	(82)	(1,879)
Closing carrying amount	23,352	2,010	9,665	766	152	35,945
At cost	23,352	3,632	12,652	2,023	471	42,130
Accumulated depreciation	-	(1,622)	(2,987)	(1,257)	(319)	(6,185)
Closing carrying amount	23,352	2,010	9,665	766	152	35,945

20. INTANGIBLE ASSETS

	2019 $'000	2018 $'000
Brand		
Opening carrying amount at cost	**71,400**	71,400
Impairment	**(4,300)**	-
Closing carrying amount	**67,100**	71,400
Goodwill		
Opening carrying amount at cost	**92,524**	92,509
Foreign exchange adjustment	**10**	15
Closing carrying amount	**92,534**	92,524
Software		
At cost	**6,235**	5,646
Accumulated amortisation	**(4,390)**	(3,053)
Opening carrying amount	**1,845**	2,593
Additions	**2,107**	839
Amortisation	**(1,435)**	(1,587)
Closing carrying amount	**2,517**	1,845
At cost	**8,342**	6,235
Accumulated amortisation	**(5,825)**	(4,390)
Closing carrying amount	**2,517**	1,845
Corporate relationships		
At cost	**6,510**	6,289
Accumulated amortisation	**(1,297)**	(703)
Opening carrying amount	**5,213**	5,586
Additions - business combinations	**-**	221
Amortisation	**(630)**	(594)
Closing carrying amount	**4,583**	5,213
At cost	**6,510**	6,510
Accumulated amortisation and impairment provision	**(1,927)**	(1,297)
Closing carrying amount	**4,583**	5,213
Total intangible assets carrying amount	**166,734**	170,982

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

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

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

	2019 $'000	2018 $'000
Goodwill		
Allocated to the insurance CGU/segment	**12,777**	12,777
Allocated to collection services CGU/segment	**23,998**	23,988
Allocated to the finance CGU/segment	**9,272**	9,272
Allocated to the automotive retail CGU/segment -Turners Group (NZ)	**35,627**	35,627
Allocated to the automotive retail CGU/segment - Buy Right Cars	**10,860**	10,860
	92,534	92,524

	2019 $'000	2018 $'000
Brand		
Allocated to the insurance CGU/segment	**21,500**	21,500
Allocated to the automotive retail CGU/segment -Turners Group (NZ)	**45,600**	45,600
Allocated to the automotive retail CGU/segment - Buy Right Cars	**-**	4,300
	67,100	71,400

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

Insurance CGU

The year 1 forecast cash flows were extrapolated using the following growth rates; year 2 - 12.7%; year 3 - 3.2%; year 4 - 2.5%; year 5 - 2.5% and a terminal rate of 1.5% (2018: year 2 - 23%; year 3 - 3%, years 4 - -15%; year 5 - 1% and 2% terminal rate). A pre-tax discount rate of 13.1% (2018: 12.4%) was applied in determining the recoverable amount. The discount rate was established based on weighted average cost of capital taking into account the specific attributes and size of the CGU (2018: weighted average cost of capital taking into account the specific attributes and size of the CGU).

In assessing the impairment of the goodwill and brand value in the insurance CGU, a sensitivity analysis for reasonably possible changes in key assumptions was performed. This included increasing and reducing the terminal growth rate by 0.5% (2018: increasing and reducing the terminal growth rate by 1%) and increasing and decreasing the discount rate by 1% (2018: 1%). These reasonably possible changes in rates did not cause any impairment.

Collection services CGU

The year 1 forecast cash flows were extrapolated using the following growth rates; year 2 - 0.2%; year 3 - 5%, year 4 - 5% and year 5 - 5% and a terminal rate of 1.5% (2018: year 2 - 11%; year 3 - 6%, year 4 - 4%; year 5 - 5.0% and a terminal rate of 2.0%). A pre-tax discount rate of 13.6% (2018: 14.0%) was applied in determining the recoverable amount. The discount rate was established based on weighted average cost of capital taking into account the specific attributes and size of the CGU (2018: weighted average cost of capital taking into account the specific attributes and size of the CGU).

In assessing the impairment of the goodwill in the collection services CGU, a sensitivity analysis for reasonably possible changes in key assumptions was performed. This included increasing and reducing the terminal growth rate by 0.5% (2018: increasing and reducing the terminal growth rate by 1%) and increasing and decreasing the discount rate by 1% (2018: 1%). These reasonably possible changes in rates did not cause any impairment.

Finance CGU

The year 1 forecast cash flows were extrapolated using the following growth rates; year 2 - 30.7%, year 3 - 20.4%, year 4 - 5.0%, year 5 - 5.0% and a terminal rate of 1.5% (2018: year 2 - 290%; year 3 - 19%, year 4 to 5 - 5.0% and a terminal rate of 2.0%). A pre-tax discount rate of 18.1% (2018: 19.0%) was applied in determining the recoverable amount. The discount rate was established based on the cost of equity of the finance businesses taking into account the specific attributes and size (2018: based on the cost of equity of the finance businesses taking into account the specific attributes and size).

In assessing the impairment of the goodwill in finance businesses, a sensitivity analysis for reasonably possible changes in key assumptions was performed. This included increasing and reducing the terminal growth rate by 0.5% (2018; 1%) increasing and decreasing the discount rate by 1% (2018: 1%). These reasonably possible changes in rates did not cause any impairment.

Automotive retail CGU

Turners Group (NZ) (TGNZ)

The year 1 forecast cash flows were extrapolated using the following growth rates; year 2 - 22.3%; year 3 - 19.3%, years 4 - 15.6%; year 5 - 2.0% and a terminal rate of 1.5% (2018: year 2 - 5%; year 3 - 7%, years 4 to 5 - 5% and a terminal rate of 2.0%). A pre-tax discount rate of 17.1% (2018: 18.1%) was applied in determining the recoverable amount. The discount rate was established based on the cost of equity of TGNZ taking into account the specific attributes and size of TGNZ (2018: cost of equity of TGNZ taking into account the specific attributes and size of TGNZ).

In assessing the impairment of the goodwill and brand value in TGNZ, a sensitivity analysis for reasonably possible changes in key assumptions was performed. This included increasing and reducing the terminal growth rate by 0.5% (2018: increasing and reducing the terminal growth rate by 1%) and increasing and decreasing the discount rate by 1% (2018: 1%). These reasonably possible changes in rates did not cause any impairment.

Buy Right Cars (BRC)

The year 1 forecast cash flows were extrapolated using the following growth rates; year 2 - 14.6%; year 3 - 11.0%, years 4 - -9.3%; year 5 - 12.8% and a terminal rate of 1.5% (2018: year 2 - -60%; year 3 - 8%, years 4 to 5 - 5.0% and a terminal rate of 2.0%) . A pre-tax discount rate of 12.5% (2018: 12.9%) was applied in determining the recoverable amount. The discount rate was established based on weighted average cost of capital taking into account the specific attributes and size of BRC (2018: weighted average cost of capital taking into account the specific attributes and size of BRC).

In assessing the impairment of the goodwill and brand value in BRC, a sensitivity analysis for reasonably possible changes in key assumptions was performed. This included increasing and reducing the terminal growth rate by 0.5% (2018: increasing and reducing the terminal growth rate by 1%) and increasing and decreasing the discount rate by 1% (2018: increasing and decreasing the discount rate by 1%). These reasonably possible changes in rates did not cause any impairment.

21. OTHER PAYABLES

	2019	2018
	$'000	$'000
Accounts payable	**12,743**	16,168
Employee entitlements (short term)	**4,127**	4,169
Employee entitlements (long term)	**225**	221
Other payables and accruals	**16,811**	18,030
	33,906	38,588
Carrying value of financial liabilities in other payables	**25,247**	24,043

The carrying amounts of the Group's financial liabilities in other payables are denominated in the following currencies:

Japanese Yen	**1,738**	865
Australian dollars	**536**	614
New Zealand dollars	**22,973**	22,564
	25,247	24,043

Currency risk

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

Fair value

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

22. FINANCIAL LIABILITY AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	$'000	$'000
Contingent consideration	**116**	226

Interest rate and foreign exchange risk

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

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

23. CONTRACT LIABILITIES

	2019	2018
	$'000	$'000
Unredeemed debt and PPSR voucher liability	**2,502**	1,793
Motor vehicle insurance rebate liability	**140**	-
	2,642	1,793
Movement in contract liabilities		
Unredeemed debt and PPSR voucher liability		
Opening balance	**1,793**	2,226
Change in accounting policy	**617**	-
Additions	**1,773**	786
Release to profit or loss	**(1,681)**	(1,219)
	2,502	1,793
Release to profit or loss		
Income relating to current year	**485**	557
Income relating to prior years	**1,196**	662
	1,681	1,219
Motor vehicle insurance rebate liability		
Opening balance	**-**	
Change in accounting policy	**100**	
Additions	**-**	
Release to profit or loss	**40**	
	140	
Release to profit or loss		
Income relating to current year	**(40)**	
Income relating to prior years	**-**	
	(40)	

24. DEFERRED TAXATION

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

	2019	2018
	$'000	$'000
Opening balance	**18,786**	20,173
Change in accounting policy	**(910)**	-
Charge to profit or loss	**(3,958)**	(1,387)
Closing balance	**13,918**	18,786

	2019 $'000	2018 $'000
The charge to profit or loss is attributable to the following items:		
Corporate relationships	**(146)**	(146)
Policy in force asset	**(438)**	(438)
Loan impairment provision	**(1,428)**	(1,474)
Brand write off	**(1,204)**	-
Insurance deductible reserves	**(264)**	223
Property, plant and equipment	**42**	164
Provisions and accruals	**(520)**	284
	(3,958)	(1,387)
Deferred tax (assets)/liabilities to be recovered after more than 12 months	**14,627**	16,138
Deferred tax (assets)/liabilities to be recovered within 12 months	**(709)**	2,648
Closing balance	**13,918**	18,786

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

	2019 $'000	2018 $'000
Deferred tax relates to the following:		
Deferred tax assets:		
Loan impairment provision	**5,558**	3,229
Provisions and accruals	**2,062**	1,542
Total deferred tax asset	**7,620**	4,771
Deferred tax liabilities:		
Brand	**18,788**	19,992
Customer relationships	**1,165**	1,344
Insurance reserves - policies in force	**439**	877
Deferred expenses and accruals	**1,146**	1,344
	21,538	23,557
Net deferred tax liabilities	**13,918**	18,786
Imputation credit memorandum account		
Opening balance	**7,010**	5,707
Income tax payments/(refunds received)	**10,744**	5,743
Imputation credits utilised	**(5,875)**	(4,440)
Closing balance	**11,879**	7,010

Policy holder tax losses

The policy holder tax losses carried forward at 31 March 2019 are $4,949,000 (2018: $4,753,000). The policy holder tax losses are only available to be offset against future policy holder income.

25. BORROWINGS

	2019 $'000	2018 $'000
Secured bank borrowings	**251,282**	230,712
Deferred borrowing costs	**(105)**	(253)
	251,177	230,459
Non-bank borrowings		
Motor Trade Finance	**37,055**	58,603
Vendor property funding	**-**	2,837
Bonds	**25,000**	25,561
Deferred issue costs	**(369)**	(87)
	24,631	25,474
Total borrowings	**312,863**	317,373
Current	**34,981**	111,399
Non-current	**277,882**	214,028
	312,863	317,373

Secured bank borrowings

In May 2018 the Group entered into a 3 year syndicated funding facility, including a 1 year working capital facility, with the Bank of New Zealand and ASB Bank and a self liquidating trade finance facility with ASB Bank. The facilities replaced the Group's bank borrowing excluding securitisation which remains with the Bank of New Zealand.

The bank borrowings, together with trade and lease premise guarantees of $0.9 million (2018: $4.1 million), are secured by a first-ranking genera security agreement over the assets of the Company and its subsidiaries, excluding DPL Insurance Limited, Turners Finance Limited and EC Credit (Aust.) Limited. Current interest rates on the bank borrowings are variable and average 3.88% (2018: 3.65%). The Group's securitisation financing arrangement with the Bank of New Zealand as described in note 14.

Motor Trade Finance

Turners Finance Limited is a shareholder of a motor trade based company called Motor Trade Finance Limited (MTF). MTF provides the services of a finance company, including funding, on a full recourse basis back to its shareholders.

MTF provides finance to Turners Finance Limited to fund the finance receivables. The MTF funding is secured by a chattel security over the Turners Finance Limited's customer's asset securing the finance receivable and by a general security over the assets of Turners Finance Limited.

Turners Finance Limited has also given undertakings to MTF as the nature and conduct of its business, and overall quality of the finance receivables and aggregate. Turners Finance has complied with these undertakings in the current and prior financial year.

Vendor property funding

The 3% vendor property funding was repaid in November 2018 and was secured over property

Bonds

On 1 October 2018 Turners Automotive Group issued secured subordinated fixed rate bonds with a fixed maturity on 30 September 2021. Interest is fixed at 5.5% and is paid quarterly in arrears in equal amounts. The bonds rank behind the indebtedness owing under the bank facilities and are guaranteed by Turners Automotive Group Limited, Oxford Finance Limited, Buy Right Cars (2016) Limited, EC Credit (NZ) Limited, Estate Management Services Limited, Payment Management Services Limited, EC Web Services Limited, Turners Group NZ Limited, Turners Fleet Limited and Turners Property Holdings Limited.

On 30 September 2016 Turners Automotive Group Limited issued bonds with a fixed maturity on 30 September 2018 and a fixed return with the option to convert to shares in Turners Limited or repayment in cash. The interest on the bonds was fixed at 6.5%. 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.

Borrowing covenants

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

Foreign currency risk

All the Group's borrowings are in NZD.

Fair value	Carrying amount 2019 $'000	Fair value 2019 $'000	Carrying amount 2018 $'000	Fair value 2018 $'000
Borrowings	**312,863**	**312,863**	317,373	317,388

The fair values are based on cash flows discounted using a weighted average borrowing rate of 3.91% (2018: 4.24%).

	2019 $'000	2018 $'000
Contractual repricing dates		
1 year or less	**269,343**	283,205
Over 1 to 2 years	**13,282**	19,714
Over 2 to 5 years	**30,712**	14,794
	313,337	317,713

Reconciliation of borrowings arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings	Motor Trade Finance	Vendor property funding	Bonds
	$'000	**$'000**	**$'000**	$'000
Balance at 31 March 2017	191,565	49,021	-	25,303
Financing cash flows (i)	39,005	-	2,837	-
Other - netted off finance receivables	-	9,582	-	-
Non-cash changes				
Deferred borrowing costs	(111)	-	-	171
Balance at 31 March 2018	**230,459**	**58,603**	**2,837**	**25,474**
Financing cash flows (i)	**20,570**	**-**	**(2,837)** -	**561**
Other - netted off finance receivables	**-**	**(21,548)**	**-**	**-**
Non-cash changes				
Deferred borrowing costs	**148**	**-**	**-**	**(282)**
Balance at 31 March 2019	**251,177**	**37,055**	**-**	**24,631**

(i) Financing cash flows make up the net amount of proceeds from borrowings and repayments of borrowings in the statement of cash flows.

26. SHARE CAPITAL

	2019	2018
Number of ordinary shares		
Opening balance	**84,802,612**	74,523,527
Shares issued for the purchase of Buy Right Cars	**-**	227,729
Shares issued for the share placement	**-**	8,278,146
Shares issued for the share purchase plan	**-**	1,656,104
Shares issued under the staff share scheme	**-**	86,192
Shares issued for the dealer share scheme	**79,050**	30,914
Shares issued for the conversion of bonds	**4,646,037**	-
Shares cancel for share buy back	**(2,639,635)**	
Total issued and authorised capital	**86,888,064**	84,802,612

	2019	2018
	$'000	$'000
Dollar value of ordinary shares		
Opening balance	**199,148**	168,809
Shares issued for the conversion of bonds	**13,241**	-
Shares issued for the share placement	**-**	25,000
Shares issued for the share purchase plan	**-**	5,001
Shares issued for the purchase of Buy Right Cars	**-**	683
Shares issued under the staff share scheme	**-**	265
Shares issued for the dealer share scheme	**200**	92
Shares purchased and cancelled under share buy back	**(6,141)**	-
Share issue costs	**(53)**	(702)
Total issued capital	**206,395**	199,148

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

Capital management

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

The Group's funding covenants include minimum equity ratios. There have been no breaches of covenants. In addition to the above, the life insurance company is required to retain equity for solvency purposes, refer note 34G.

27. SHARE OPTIONS

No options were granted in the current financial year. In July 2017, Senior Executives of the Company were granted 1,700,000 options at an exercise price of $3.60 under the Group's Share Option Plan. The grant is split into four tranches of 425,000 options with the following vesting dates; 1 August 2017, 1 August 2018, 1 August 2019 and 1 August 2020. Each tranche expires two year after the vesting date.

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

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

The weighted average fair value of the options granted in the previous financial year, using the Binomial Tree option pricing model, was $0.36 per option. The significant inputs in the model were, the share price at grant date of $3.53, the exercise price of $3.60, volatility of 21.5%, an expected option life for tranche 1 of 2.03 years, tranche 2 of 3.03 years, tranche 3 of 4.03 years, tranche 4 of 5.03 years and an annual risk free rate of 2.63%.Volatility is measured as the standard deviation of changes in the Company's share price over a 12 month period. The share based payment for the current financial year is $326,000 (2018: $493,000).

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

	Exercise price **2019**	Options **2019**	Exercise price 2018	Options 2018
	$	**000's**	$	000's
Opening balance	**3.32316**	**2,203**	2.99195	1,003
Granted	**-**	**-**	3.60000	1,700
Cancelled	**-**	**-**	3.60000	(500)
Closing balance	**3.32316**	**2,203**	3.32316	2,203

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

Expiry date	Exercise price $	Options **2019** **000's**	Options 2018 000's
31 May 2019	3.32316	**251**	251
31 July 2019	3.60000	**300**	300
31 May 2020	3.32316	**251**	251
31 July 2020	3.60000	**300**	300
31 May 2021	3.32316	**251**	251
31 July 2021	3.60000	**300**	300
31 May 2022	2.99195	**250**	250
31 July 2022	3.60000	**300**	300

28. DIVIDENDS

	2019 $'000	2018 $'000
Interim dividend for the 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
Final dividend for the year ended 31 March 2018 of $0.05 (31 March2017: $0.045) per fully paid ordinary share, imputed paid on 21 July 2018 (2017: 21 July 2017)	**4,240**	3,353
Interim dividend for the year ended 31 March 2019 of $0.04 (31 March 2018: $0.03) per fully paid ordinary share, imputed, paid on 30 October 2018 (2018: 3 November 2017).	**3,596**	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, paid on 3 January 2019 (22 December 2017).	**3,562**	2,544
	15,214	11,417

Dividends not recognised at year end
In addition to the above dividend in 2019, after year end the directors recommended the payment of the following dividend:

Interim dividend of $0.040 (31 March 2018: $0.045) per fully paid ordinary share, imputed, payable on 30 April 2019 (2018: 20 April 2018)	**3,489**	3,816
Final dividend of $0.05 (31 March 2018: $0.05) per fully paid ordinary share, imputed, payable on 18 July 2019 (2018: 18 July 2018).	**4,344**	4,240

29. TRANSACTIONS WITH RELATED PARTIES

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

Shares
During the financial year ending 31 March 2018, as part of the Share Purchase Plan 1,861, 4,966 and 4,966 shares were issued to directors, Alistair Petrie, John Roberts and Paul Byrnes respectively.

Bonds
In the financial year ending 31 March 2017, Bartel Holdings Limited (major shareholder) subscribed for $8,000,000 6.5% bonds with a maturity date of 30 September 2018. Interest of $260,000 (2018: $520,000) was paid to Bartel Holding Limited on the bonds during the year. The bonds were converted into 2,807,018 ordinary shares on 1 October 2018 (refer note 25).

Turners Automotive Group Limited Employee Share Scheme
During the financial year ended 31 March 2018, the Company issued 282,040 shares pursuant to an offer under the Turners Automotive Group Limited Employee Share Scheme ('Scheme'), the shares were issued for $3.02, the market value of the shares on that date was $3.02. Participants in the Scheme may not sell their shares for 18 months following issue or until their loans are repaid, whichever comes later. No shares were issued under the scheme in the current financial year.

As at 31 March 2019, 41,746 shares (2018: 198,918) were issued and allocated to employees under the scheme.

At 31 March 2019 balance on the loans outstanding to the share scheme were $63,458 (2018: $120,094). The loans bear interest at 5%, are for a 3 year term with fortnightly repayments and the Group has unlimited recourse against the participants in the Scheme.

Key management personnel compensation
The key management personnel are all the Directors of the Company and Group General Managers. Compensation of key management personnel for the years ended 31 March 2019 and 31 March 2018 was as follows:

($'000)	Short-term benefits $'000	Post-employment benefits $'000	Other long-term benefits $'000	Share-based payments $'000	Total $'000
Year ended 31 March 2019	3,004	-	77	326	3,407
Year ended 31 March 2018	3,583	-	78	493	4,154

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

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

The Group has no transactions or loans with key management personnel, other than what is reported above and detailed in the statutory information section on pages 94 to 97. Directors fees are detailed in note 7 and in the shareholder and statutory information section. The details of the director share purchases are included in the statutory and shareholder information section.

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

	2019 $'000	2018 $'000
Profit for the year	**22,719**	23,360
Adjustment for non-cash and other items		
Impairment (charge)/ release on finance receivables, reverse annuity mortgages and other receivables	**7,943**	6,390
Net (profit)/loss on sale fixed assets	**(3,660)**	(1,000)
Depreciation and amortisation	**5,785**	5,627
Capitalised reverse annuity mortgage interest	**(846)**	(869)
Deferred revenue	**1,620**	917
Fair value adjustments on assets/liabilities 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	**2,839**	(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	**(259)**	1,009
Net (increase)/decrease in inventories	**(263)**	5,958
Net (increase)/decrease in current tax receivables	**(851)**	1,881
Net increase/(decrease) in payables	**(5,220)**	9,761
Net increase/(decrease) in contract liabilities	**132**	-
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)
Cash flows from operating activities	**(15,021)**	(81,485)

31 CHANGE IN ACCOUNTING POLICY

Impact of the adoption of NZ IFRS 15 and NZ IFRS 9.

This note explains the impact of the adoption of NZ IFRS 15 'Revenue from Contracts with Customer' and NZ IFRS 9 'Financial Instruments'.

The Group adopted NZ IFRS 15 and NZ IFRS 9 from 1 April 2018.

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.

For the revenue streams impacted by this standard please refer to note 3.5.

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 year ended 31 March 2019.

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

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 earnings (net of tax and deferred tax).

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 earnings (net of deferred tax).

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 year ended 31 March 2019.

The Group's classification of financial assets and liabilities under NZ IFRS 9 remains largely the same as it was under NZ IAS 39. Loans and receivables under NZ IAS 39 are now named as Amortised cost. There have been no changes in categorisations.

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) (net of deferred tax) adjustment to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2019

The total impact on the Group's retained earnings as at 1 April 2019 is as follows:

	$'000
Balance at 1 April 2018	14,659
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
NZ IFRS 9 adjustments:	
Change in impairment	(3,184)
Deferred tax	892
Adjusted balance at 1 April 2018	**12,022**

Impact of the adoption of NZ IFRS 9 and NZ IFRS 15 on the Statement of financial position as at 1 April 2018:

	31-Mar-18 As originally presented $'000	1-Apr-18 NZ IFRS 15 adjustments $'000	1-Apr-18 NZ IFRS 9 adjustments $'000	1-Apr-18 restated $'000
Assets				
Cash and cash equivalents	25,145	-	-	25,145
Financial assets at fair value through profit or loss	53,378	-	-	53,378
Trade receivables	11,323	-	-	11,323
Inventory	38,596	-	-	38,596
Finance receivables	289,799	-	(3,184)	286,615
Other receivables, deferred expenses and contract assets	11,747	154	-	11,901
Reverse annuity mortgages	9,997	-	-	9,997
Investment property	4,820	-	-	4,820
Property, plant and equipment	35,945	-	-	35,945
Intangible assets	170,982	-	-	170,982
Total assets	651,732	154	(3,184)	648,702
Liabilities				
Other payables	38,588	(195)	-	38,393
Financial liability at fair value through profit or loss	226	-	-	226
Contract liabilities	1,793	717	-	2,510
Deferred tax	18,786	(20)	(892)	17,874
Tax payables	5,029	(3)	-	5,026
Derivative financial instruments	111	-	-	111
Borrowings	317,373	-	-	317,373
Life investment contract liabilities	7,127	-	-	7,127
Insurance contract liabilities	48,376	-	-	48,376
Total liabilities	437,409	499	(892)	437,016
Shareholders' equity				
Share capital	199,148	-	-	199,148
Other reserves	516	-	-	516
Retained earnings	14,659	(345)	(2,292)	12,022
Total shareholders' equity	214,323	(345)	(2,292)	211,686
Total shareholders' equity and liabilities	651,732	154	(3,184)	648,702

Presentation of the Statement of comprehensive income for the year ended 31 March 2019 as if NZ IFRS 15 and NZ IFRS 9 had not been adopted:

	31-Mar-19 reported with adopting NZ IFRS 15 & 9 $'000	Year ended 31-Mar-19 NZ IFRS 15 adjustments $'000	Year ended 31-Mar-19 NZ IFRS 9 adjustments $'000	31-Mar-19 reported without adopting NZ IFRS 15 & 9 $'000
Revenue from continuing operations	328,358	1,078	-	329,436
Other income	8,221	-	-	8,221
Cost of goods sold	(133,126)	-	-	(133,126)
Interest expense	(14,952)	-	-	(14,952)
Impairment provision expense	(7,892)	-	378	(7,514)
Subcontracted services expense	(12,888)	-	-	(12,888)
Employee benefits (short term)	(52,756)	40	-	(52,716)
Commission	(14,581)	(24)	-	(14,605)
Advertising expense	(3,918)	-	-	(3,918)
Depreciation and amortisation expense	(5,785)	-	-	(5,785)
Property and related expenses	(10,945)	-	-	(10,945)
Systems maintenance	(1,471)	-	-	(1,471)
Claims	(26,804)	-	-	(26,804)
Movement in life insurance liabilities	(718)	-	-	(718)
Insurance deferred acqisition costs	(423)	-	-	(423)
Impairment of intangible brand asset	(4,300)	-	-	(4,300)
Other expenses	(16,971)	(931)	-	(17,902)
Profit before taxation	29,049	163	378	29,590
Taxation (expense)/benefit	(6,330)	(45)	(106)	(6,481)
Profit for the year	22,719	118	272	23,109
Other comprehensive income for the year (which may subsequently be reclassified to profit/loss), net of tax				
Cash flow hedges	(364)	-	-	(364)
Foreign currency translation differences	(26)	-	-	(26)
Total other comprehensive income	**(390)**	**-**	**-**	**(390)**
Total comprehensive income for the year	**22,329**	**118**	**272**	**22,719**

There are no changes to the Statement of cash flows as a result of the adoption of NZ IFRS 15 and NZ IFRS 9.

Presentation of the Statement of financial position as at 31 March 2019 as if NZ IFRS 15 and NZ IFRS 9 had not been adopted:

	31-Mar-19 reported with with adopting NZ IFRS 15 & 9 $'000	Year ended 31-Mar-19 NZ IFRS 15 adjustments $'000	Year ended 31-Mar-19 NZ IFRS 9 adjustments $'000	31-Mar-19 reported with without adopting NZ IFRS 15 & 9 $'000
Assets				
Cash and cash equivalents	15,866	-	-	15,866
Financial assets at fair value through profit or loss	66,252	-	-	66,252
Trade receivables	12,471	-	-	12,471
Inventory	38,859	-	-	38,859
Finance receivables	290,017	-	3,562	293,579
Other receivables, deferred expenses and contract assets	10,955	(273)	-	10,682
Reverse annuity mortgages	8,294	-	-	8,294
Investment property	5,650	-	-	5,650
Property, plant and equipment	39,084	-	-	39,084
Intangible assets	166,734	-	-	166,734
Total assets	654,182	(273)	3,562	657,471
Liabilities				
Other payables	33,906	193	-	34,099
Financial liability at fair value through profit or loss	116	-	-	116
Contract liabilities	2,642	(1,013)	-	1,629
Deferred tax	13,918	87	997	15,002
Tax payables	4,570	(3)	-	4,567
Derivative financial instruments	524	-	-	524
Borrowings	312,863	-	-	312,863
Life investment contract liabilities	7,484	-	-	7,484
Insurance contract liabilities	51,785	-	-	51,785
Total liabilities	427,808	(736)	997	428,069
Shareholders' equity				
Share capital	206,395	-	-	206,395
Other reserves	452	-	-	452
Retained earnings	19,527	463	2,565	22,555
Total shareholders' equity	226,374	463	2,565	229,402
Total shareholders' equity and liabilities	654,182	(273)	3,562	657,471

Accounting policies
For the Group's current accounting policies for revenue recognition refer to accounting policy 3.5 on page 37 and for financial instruments refer to accounting policy 3.6 on page 39 of the Group's consolidated financial statements for the year ended 31 March 2019.

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

Sales of goods
Sales of goods comprise sales of motor vehicle and commercial goods owned by the Group. Sales of goods are recognised when the risks and rewards of ownership are transferred, which is when the customer gains control of the goods. 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 in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

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

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

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

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

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

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

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 and have an expiry date, income is recognised on expiry. For those vouchers that are unredeemed and have no expiry date, 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.

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

Group's previous accounting policies for financial instruments
Financial assets
The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and available for sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Financial assets are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

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

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

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

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

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

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

Regular purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in the profit or loss in the period in which they arise. Realised and unrealised gains and losses arising from changes in the fair value of securities classified as available for sale are recognised in other comprehensive income, except for foreign exchange movements on monetary assets, which are recognised in profit or loss. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in profit or loss as gains and losses from investment securities. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

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

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

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

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

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

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

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

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

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

The Group's financial liabilities at fair value through profit or loss comprise contingent consideration and foreign exchange derivatives.

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

Borrowings
The Group's borrowings comprise bank and non-bank borrowings and bonds.

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

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

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

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

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

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

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

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

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

32. COMMITMENTS AND CONTINGENT LIABILITIES

	2019	2018
	$'000	$'000
Operating lease commitments under non-cancellable operating leases:		
Not later than 1 year	**9,136**	9,473
1-2 years	**6,447**	8,064
2-5 years	**9,302**	10,262
5+ years	**7,626**	3,154
	32,511	30,953

The group leases various premises under non cancellable operating lease agreements. The lease terms are between 5 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rates.

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

Capital Expenditure:

At reporting date the Group has no capital commitments (2018: nil).

Loan Commitments:

The Group has no material undrawn credit commitments at reporting date (2018: nil).

Contingent Liabilities:

Buy Right Cars

The vendor of the business has brought legal action against the Company disputing the quantum of the final earn out. A trial date has been set for 11 May 2020 with both parties seeking payment. The directors consider that on balance of probabilities no payment will be made to the vendor.

The Group has no other material contingent liabilities at reporting date.

2018

Autosure

DPL Insurance Limited (DPL) and Vero Insurance New Zealand Limited (Vero) 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 were seeking a payment. The directors consider that on balance of probabilities DPL was likely to receive a payment. Pending the outcome of the determination, DPL may have been required to make a payment to Vero. At time of issuing the 31 March 2018 financial statements, the timing and amount of any payment could not be reliably estimated. In December 2018, the expert decided in DPL's favour with settlement received in January 2019.

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.

33. SUBSEQUENT EVENTS AFTER BALANCE DATE

In June 2019, all staff options were cancelled for no consideration, resulting in release of $1,027,000 from the share option reserve to retained income.

34. Insurance related disclosures

A. Actuarial policies and the methods
The actuarial report on insurance contract liabilities and prudential reserves for the current reporting period was prepared as at 31 March 2019 by Peter Davies, a Fellow of the New Zealand Society of Actuaries.

Life insurance contract liabilities
The value of life insurance contract liabilities has been determined in accordance with Professional Standard No. 20 of the New Zealand Society of Actuaries. After making appropriate checks, the actuary was satisfied as to the accuracy of the data from which the amount of policy liabilities has been determined.

The key assumptions used in determining policy liabilities are as follows:

a) *Discount Rates*

Discount rates used to determine the life insurance contract liabilities are based on an appropriate risk-free rate of return, taking account of the term of the insurance contracts.

Tax was deducted at the rate of 28% on investment earnings net of investment expenses (2018: 28%). The net discount rates assumed were as follows:

	2019	2018
Whole of Life and Endowment Policies (including Funeral Plan)*	Treasury risk-free rates	Treasury risk-free rates
Quick Cover term life plan*	Treasury risk-free rates	Treasury risk-free rates
Term Insurance Policies	Not applicable	Not applicable
Caring Plan Funeral Benefit Policies	Not applicable	Not applicable
Annuity Policies	Treasury risk-free rates	Treasury risk-free rates
Consumer Credit and Key Person Loan Protection	Not applicable	Not applicable

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

Cash-flows in year 10:	March 2018:	2.61% per annum net of tax
	March 2019:	1.83% per annum net of tax

b) *Inflation Rates*
In determining the future expected rate of return, general inflation was assumed to continue into the future at 2.0% per annum (2018: 2.0%).

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

For underwritten whole of life, endowment and term insurance policies: NZ97 (2018: NZ97).

For guaranteed issue regular premium funeral plans: NZ97 multiplied by a factor to reflect higher mortality at younger ages.

For annuities and Reverse Mortgages the Directors assumed mortality according to 90% of the NZ12-14 population tables (2018: PA(90) table, reduced by four years). For the Cook Islands Annuity Pension Plan the assumed mortality table is the PA(90) table without adjustment (2018: no change).

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

Major Product Groups	*Carrier*
Participating Whole of Life and Endowment Policies	Premiums
Non Participating Whole of Life and Endowment Policies	Premiums
Lump Sum Funeral Benefit Policies (Caring Plan)	Not Applicable
Term Insurance Policies	Premiums
Funeral Plan Policies (Regular premium guaranteed issue) (2018: net claims + reinsurance)	Gross claims
Quick Cover term life plan (2018: net claims and reinsurance)	Gross claims
Annuities	Annuity payments
Consumer Credit / Lifestyle	Not Applicable
Motor business	Not Applicable
Accidental death & redundancy – Stop Gap	Not Applicable
Accidental death regular & single premium	Not Applicable

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

Endowments	$149 per policy per annum (2018: $149)
Funeral plans	$9 per policy per annum (2018: $37)
Term life plans (for loss recognition)	$9 per policy per annum (2018: $74)
Consumer credit plans (for loss recognition):	$9 per policy per annum (2018: $37)
Annuity plans	$149 per policy per annum (2018: $149)

Investment management expenses were assumed to be 1.0% (2018: 1.0%) of policy liabilities.

f) *Inflation and Automatic Indexation of Benefits*
Maintenance expenses are assumed to increase 2.0% per annum (2018: 2.0%). Investment management expenses are assumed to remain a constant percentage of funds under management.

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

h) *Rates of Discontinuance*
Rates of discontinuance are assumed to be 5.0% for whole of life, endowment and term insurance business (2018: 5.0%), and nil for annuity pension plan business (2018: nil).
For the DPL Funeral plan the rates of discontinuance are based on company experience, beginning at 15% in year 1 and reducing ultimately to 8% per annum (2018: No change).
For the Funeral plan (ex Greenwich) product the rates of discontinuance are based on the pricing assumption for this product, beginning at 40% in year 1, and reducing ultimately to 6% per annum (2018:10% to 2%).
For Quick Cover the rates of discontinuance are based on the pricing assumption for this product, beginning at 40% in year 1, and reducing ultimately to 10% per annum (2018: 25% to 12%).

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

j) *Rates of Future Supportable Participating Benefits*
Rates of bonus supported by the participating fund are simple annual bonuses of $2.00 (2018: $2.00) per $1,000 of sum assured on endowment policies.

k) *Impact of changes in assumptions*

The impact of the change in the discount rate is an increase in policy liabilities of $207,000 (2018: $121,000).

The policy liabilities are not affected by the revised expense assumptions (2018: $11,000).

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

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

B. Financial strength rating
The Insurance (Prudential Supervision) Act 2010 requires all licensed insurers to have a current Financial Strength Rating, given by an approved rating entity. DPL Insurance Limited has been issued a Financial Strength Rating of B+ (Good) and an Issuer Credit Rating of bbb- (Good), with the outlook assigned to both ratings as 'Stable' by A.M. Best. The rating was issued by A.M. Best on 29 June 2018.

The A.M Best company rating scale is

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

Issuer credit rating:

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

C. Surplus after taxation from insurance activities arose from:

	2019 $'000	2018 $'000
Insurance Contracts		
Planned margin of revenues over expenses	**164**	137
Change in valuation assumptions	**-**	(11)
Change in discount rate: 2.61% to 1.83% (2018: 3.08% to 2.61%)	**(207)**	(120)
Difference between actual and assumed experience	**5,745**	2,491
Life investments contracts		
Difference between actual and assumed experience	**266**	294
Investment returns on assets in excess of insurance contract and investment contract liabilities	**1,022**	823
Surplus after taxation attributable to insurance activities	**6,990**	3,614

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

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

D. Insurance and investment contract income

	2019 $'000	2018 $'000
Insurance contract premiums	**40,416**	39,719
Investment revenue	**792**	549
Less: investment revenue paid to life insurance investment contracts	**(680)**	(439)
Other Revenues	**2,440**	1,856
Total insurance and investment contract income	**42,968**	41,685
Investment Income		
Equity securities	**382**	398
Fixed interest securities	**104**	76
Property investments	**306**	75
	792	549

Included within equity securities is dividend income of $Nil (2018: $Nil) and included within fixed interest securities is interest income of $Nil (2018: $Nil). Included within total Investment Income is net realised and unrealised gains/(losses) on securities at fair value through profit or loss of $792,000 (2018: $549,000).

E. Insurance related expenses

	2019 $'000	2018 $'000
Insurance contract claims	**25,112**	28,882
Reinsurance expenses	**630**	658
Insurance contracts		
Policy acquisition expenses - commission costs	**2,382**	2,126
Deferred acquisition cost amortisation	**423**	(3,387)
Total insurance contract related expenses	**2,805**	(1,261)
Life investment contracts		
Investment management expenses	**40**	39
Movement in life insurance liabilities	**718**	82
Net operating profit includes the following specific expenses		
Audit fees for the audit of financial statements	**125**	114
Rental and lease costs	**481**	284
Amortisation of policies in force	**1,566**	1,566
Amortisation of customer relationships	**630**	594
Amortisation of other intangible assets	**262**	390
Depreciation	**287**	215
Employee benefits	**5,912**	6,914

F. Taxation

	2019 $'000	2018 $'000
Net operating profit before taxation	**8,577**	4,195
Income tax expense at prevailing rates	**2,402**	1,175
Tax impact of expenses not deductible for tax purposes	**(826)**	(594)
Prior year adjustment	**11**	-
Taxation (expense)/benefit	**1,587**	581
Comprising:		
Current	**2,530**	296
Deferred	**(954)**	285
Prior year adjustment	**11**	-
	1,587	581
Deferred tax		
Opening balance	**(9,395)**	(9,110)
Charge to profit or loss	**998**	(285)
Transition adjustment	**28**	-
Deferred tax on intangibles	**-**	-
Closing balance	**(8,369)**	(9,395)
The charge to profit or loss is attributable to the following items:		
Insurance deductible reserves	**702**	(222)
Provisions and accruals	**252**	(63)
Prior year adjustment	**44**	-
	998	(285)

Income tax losses on policyholder base
The policy holder tax losses carried forward at 31 March 2019 are $4,948,638 (2018: $4,783,224).

Imputation credit memorandum account
The policyholder imputation credit account has a closing balance at 31 March 2019 of $Nil (2018: $Nil).

G. DPL Insurance Limited solvency calculation

In terms of the Insurance (Prudential Supervision) Act 2010, DPL Insurance Limited must comply with the Solvency Standard for Life Insurance Business 2014 and the Solvency Standard for Non-life Business 2014. DPL Insurance Limited is required to hold minimum solvency capital of $5.0 million and have a solvency margin of at least $0.

	2019 $'000	2018 $'000
Actual solvency capital	**33,284**	**26,799**
Calculated minimum solvency capital	**16,714**	**17,007**
Coverage ratio on calculated margin (times)	**1.99**	**1.58**
Overall minimum capital requirement	**16,714**	**17,007**
Solvency margin on overall minimum requirement	**16,570**	**9,792**
Coverage ratio on overall minimum requirement (times)	**1.99**	**1.58**
Non-life insurance		
Actual solvency capital	**21,557**	**17,905**
Calculated minimum solvency capital	**12,850**	**11,404**
Solvency margin on calculated minimum requirement	**8,707**	**6,501**
Life insurance		
Actual solvency capital	**11,727**	**8,894**
Calculated minimum solvency capital	**3,864**	**5,603**
Solvency margin on calculated minimum requirement	**7,863**	**3,291**

H. Policyholder liabilities

	2019 $'000	2018 $'000
Insurance contract liabilities		
Opening insurance contract liabilities	**48,376**	42,874
Increase in insurance contract liabilities	**4,519**	8,142
Amortisation Intangible asset - policies in force	**(1,566)**	(1,567)
Increase in deferred acquisition costs	**456**	(1,073)
Closing insurance contract liabilities	**51,785**	48,376

Policyholder liabilities contain the following components:

Future policy benefits	**57,964**	58,792
Future expenses	**6,283**	6,578
Future profit margins	**5,250**	2,810
Balance of future premiums	**(21,058)**	(18,633)
Re-insurance	**5,348**	4,774
Life deferred acquisition costs	**(435)**	(2,812)
Intangible asset - policies in force	**(1,567)**	(3,133)
	51,785	48,376
Life insurance contracts with a discretionary participation feature - the amount of the liabilities that relates to guarantees	**262**	250
Other contracts with a fixed or guaranteed termination value - current termination value	**6,577**	6,610

Life investment contracts at fair value through profit or loss

Opening life investment contracts at fair value through profit or loss	**7,127**	12,847
Increase / (decrease) in life investment contract liabilities recognised through profit or loss	**607**	340
Deposit premium	**1,611**	1,754
Withdrawals	**(1,595)**	(7,519)
Activity, plan, and establishment fees	**(266)**	(295)
Closing life investment contract liabilities	**7,484**	7,127

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

Policyholder liabilities comprise

	2019 $'000	2018 $'000
Annuities	**1,245**	1,403
Endowment	**279**	266
Whole of life, provision for bonus and future margins	**3,651**	2,661
Consumer Credit Protection & key person loan protection	**5,093**	4,948
Accidental death/redundancy	**7**	8
Term Life	**65**	72
General	**38,236**	35,604
General claims provisions	**3,644**	4,305
Saving plans	**7,484**	7,127
Deferred acquisition costs - life	**(435)**	(891)
	59,269	55,503
Life investment contract liabilities	**7,484**	7,127
Insurance contract liabilities	**51,785**	48,376
	59,269	55,503
General outstandings claim provision		
Gross claims	**113**	647
Third party recoverables	**-**	(57)
IBNR provision	**3,020**	2,928
	3,133	3,518
Reconciliation of movement in general gross claims liability		
Opening Balance	**3,518**	556
Movement	**23,012**	26,645
Payments	**(23,397)**	(23,683)
Closing Balance	**3,133**	3,518

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

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

Statement of income for the year ended 31 March 2019	**Statutory**	**Shareholder**	**Total**
	$'000	**$'000**	**$'000**
Insurance contract premiums	**7,598**	**32,818**	**40,416**
Outward reinsurance premium	**(630)**	**-**	**(630)**
Recoveries	**324**	**92**	**416**
Other insurance revenue	**270**	**1,763**	**2,033**
Insurance revenue	**7,562**	**34,673**	**42,235**
Claims expense	**(1,537)**	**(23,575)**	**(25,112)**
Movement in life insurance liabilities	**(718)**	**-**	**(718)**
Commission expense	**(1,226)**	**(1,156)**	**(2,382)**
Other expenses	**(1,819)**	**(10,320)**	**(12,139)**
Underwriting (loss)/profit	**2,262**	**(378)**	**1,884**
Investment income	**1,216**	**5,477**	**6,693**
Profit before taxation	**3,478**	**5,099**	**8,577**
Taxation	**(644)**	**(943)**	**(1,587)**
Profit after taxation	**2,834**	**4,156**	**6,990**

Statement of financial position as 31 March 2019	**Statutory**	**Shareholder**	**Total**
Assets	**$'000**	**$'000**	**$'000**
Investments backing insurance policy liabilities	**29,845**	**68,364**	**98,209**
Other assets	**-**	**37,694**	**37,694**
Total assets	**29,845**	**106,058**	**135,903**
Liabilities			
Life investment contract liabilities	**7,484**	**-**	**7,484**
Insurance contract liabilities	**10,416**	**41,369**	**51,785**
Deferred taxation	**-**	**8,369**	**8,369**
Other liabilities	**218**	**5,437**	**5,655**
Total liabilities	**18,118**	**55,175**	**73,293**
Solvency			
Actual Solvency capital	**11,727**	**21,557**	**33,284**
Minimum solvency capital	**3,864**	**12,850**	**16,714**
Solvency Margin	**7,863**	**8,707**	**16,570**

Statement of income for the year ended 31 March 2018	Statutory	Shareholder	Total
	$'000	$'000	$'000
Insurance contract premiums	6,375	33,344	39,719
Outward reinsurance premium	(543)	(115)	(658)
Recoveries	443	555	998
Other insurance revenue	860	2,252	3,112
Insurance revenue	7,135	36,036	43,171
Claims expense	(2,216)	(26,666)	(28,882)
Movement in life insurance liabilities	(82)	-	(82)
Commission expense	(1,022)	(1,104)	(2,126)
Other expenses	(2,644)	(8,885)	(11,529)
Underwriting (loss)/profit	1,171	(619)	552
Investment income	979	2,664	3,643
Profit before taxation	2,150	2,045	4,195
Taxation	(298)	(283)	(581)
Profit after taxation	1,852	1,762	3,614

Statement of financial position as 31 March 2018	Statutory	Shareholder	Total
Assets	$'000	$'000	$'000
Investments backing insurance policy liabilities	25,787	61,288	87,075
Other assets	-	38,288	38,288
Total assets	25,787	99,576	125,363
Liabilities			
Life investment contract liabilities	7,127	-	7,127
Insurance contract liabilities	9,254	39,122	48,376
Deferred taxation	-	9,395	9,395
Other liabilities	512	4,262	4,774
Total liabilities	16,893	52,779	69,672
Solvency			
Actual Solvency capital	8,894	17,905	26,799
Minimum solvency capital	5,603	11,404	17,007
Solvency Margin	3,291	6,501	9,792

Reconciliation of Profit before tax to Operating profit (note 6)

	2019	2018
	$'000	$'000
Profit before tax	**8,577**	4,195
Less: revaluation of investment property disclosed as property, plant and equipment in the Group financial statements at cost	**(350)**	(550)
Operating profit (note 6)	**8,227**	3,645

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

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

	Investment linked	Non – investment linked	Total
	$'000	$'000	$'000
2019			
Premium income	**-**	**39,786**	**39,786**
Investment income	**792**	**5,901**	**6,693**
Claims expense	**-**	**(25,112)**	**(25,112)**
Other operating revenue	**-**	**2,449**	**2,449**
Other operating expenses	**(69)**	**(14,559)**	**(14,628)**
Investment revenues allocated to policyholders	**(611)**	**-**	**(611)**
Net profit before taxation	**112**	**8,465**	**8,577**
Net profit after taxation	**81**	**6,909**	**6,990**
Policy liabilities	**7,484**	**51,785**	**59,269**
Investment assets	**7,658**	**90,551**	**98,209**
Other assets	**-**	**37,694**	**37,694**
Other liabilities	**-**	**14,024**	**14,024**
Retained earnings	**1,170**	**15,090**	**16,260**

	Investment linked $'000	Non – investment linked $'000	Total $'000
2018			
Premium income	-	39,061	39,061
Investment income	549	3,094	3,643
Claims expense	-	(28,882)	(28,882)
Other operating revenue	-	4,110	4,110
Other operating expenses	(99)	(13,298)	(13,397)
Investment revenues allocated to policyholders	(340)	-	(340)
Net profit before taxation	110	4,085	4,195
Net profit after taxation	79	3,535	3,614
Policy liabilities	7,127	48,376	55,503
Investment assets	7,249	67,414	74,663
Other assets	-	50,700	50,700
Other liabilities	-	14,169	14,169
Retained earnings	1,089	8,253	9,342

The above information is disclosed prior to the elimination of any related party transactions or balances as the insurance contract disclosures relate to DPL Insurance Limited.

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

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

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

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

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

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

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

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

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

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

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

Change in key assumptions ($'000)	Effect on policy liabilities	Effect on future profit
2019		
Market risks		
Increase in interest rates of 1%	**(224)**	**(48)**
Decrease in interest rates of 1%	**249**	**52**
Insurance risks		
Increase in expenses of 10%	**1**	**(28)**
Decrease in expenses of 10%	**(1)**	**28**
Decrease in mortality by 10%	**(4)**	**(242)**
Increase in mortality by 10%	**5**	**266**
Worsening of discontinuance rate by 10%	**-**	**76**
Improvement in discontinuance rate by 10%	**-**	**(86)**
2018		
Market risks		
Increase in interest rates of 1%	(217)	(50)
Decrease in interest rates of 1%	241	55
Insurance risks		
Increase in expenses of 10%	1	(30)
Decrease in expenses of 10%	(1)	30
Decrease in mortality by 10%	(4)	(253)
Increase in mortality by 10%	5	278
Worsening of discontinuance rate by 10%	-	77
Improvement in discontinuance rate by 10%	-	(87)

Directors' remuneration and other benefits

	Directors' fees $
Grant Baker	150,000
Paul Byrnes	75,000
Martin Berry	46,875
Matthew Harrison	75,000
Alistair Petrie	75,000
John Roberts	75,000
Antony Vriens	75,000

During the year ended 31 March 2018 Mr Byrnes was an executive for Turners Automotive Group Limited and has been remunerated for his services on an arms length consultancy basis. The total consultancy fees paid for the year ended 31 March 2018 were $396,925 GST.

During the year ended 31 March 2019 Mr Harrison received an additional $15,000 (2018: $7,500) in fees for services as chairman of the Credit and Lending Committee.

During the year ended 31 March 2019 Mr Roberts received an additional $15,000 (2018: $7,500) in fees for his services as chairman of the Audit and Risk Management Committee.

During the year ended 31 March 2019 Mr Vriens received an additional $35,000 (2018: $60,000) in fees for his services as chairman of DPL Insurance Limited.

Entries recorded in the interests' register
There are no entries in the interests' register.

Dealings in Turners Automotive Group Limited shares by Directors

	Date of transaction	Shares acquired/(disposed)	Consideration (received)/paid $	Nature of relevant interest
Paul Byrnes	29/05/2018	100,000	299,435	Registered holder and beneficial interest
Grant Baker	08/06/2018	2,464,124	**	Beneficial interest
Matthew Harrison	08/06/2018	138,846	**	Beneficial interest
Grant Baker	13/06/2018	207,644	624,925	Beneficial interest
Grant Baker	15/06/2018	200,000	610,000	Beneficial interest
Grant Baker	18/06/2018	92,356	281,686	Beneficial interest
Grant Baker	11/07/2018	50,075	159,739	Beneficial interest
John Roberts	01/10/2018	17,544	50,000	Registered holder and beneficial interest
Grant Baker	28/11/2018	100,000	247,000	Beneficial interest
Alistair Petrie	29/11/2018	10,000	25,150	Beneficial interest
John Roberts	03/12/2018	16,000	39,936	Registered holder and beneficial interest
Paul Byrnes	20/02/2019	(30,000)	69,900	Registered holder and beneficial interest

** In specie distribution by The Business Bakery LP to its limited partners.

Directors' relevant interest in quoted shares as at 31 March 2019

	Shares
Grant Baker (own shareholding)	6,100,000
Paul Byrnes	3,384,860
Martin Berry	-
Matthew Harrison	5,179,294
Alistair Petrie	25,011
John Roberts	66,000
Antony Vriens	-

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

The following represents interests of directors in other companies as disclosed to Turners Automotive Group Limited and entered in the Interests Register:

Grant Baker
Baker Consultants Limited
Montezemolo Holdings Limited

Paul Byrnes
Vic Road Restaurant Group Limited

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

Alistair Petrie
RH Investment Trust
Dossor Trust
Bartel Holdings Ltd
Henergy Cage Free Ltd
Jellicoe St Enterprises Ltd
Zeafruit Limited

John Roberts
Apollo Foods Limited
Centrix Group Limited

Employee remuneration
During the year ended 31 March 2019, the number of employees or former employees of the Group, not being directors of Turners Automotive Group Limited, who received remuneration and other benefits in their capacity as employees, the value of which exceeded $100,000 for the year was as follows:

	Number of employees	
Remuneration range	2019	2018
100,000 - 109,999	21	13
110,000 - 119,999	14	11
120,000 - 129,999	13	10
130,000 - 139,999	7	8
140,000 - 149,999	5	9
150,000 - 159,999	4	7
160,000 - 169,999	7	4
170,000 - 179,999	4	-
180,000 - 189,999	4	2
190,000 - 199,999	5	3
200,000 – 209,999	3	2
210,000 - 219,999	1	2
220,000 - 229,999	1	2
230,000 - 239,999	1	2
240,000 - 249,999	2	2
250,000 – 259,999	2	1
260,000 – 269,999	-	2
270,000 – 279,999	1	3
280,000 – 289,000	1	-
320,000 – 329,999	1	-
330,000 – 339,999	1	-
340,000 – 349,999	1	1
400,000 – 409,999	1	-
430,000 – 439,999	1	1
700,000 – 709,000	1	1

NZX LISTING

The Company's shares are listed on the NZX Main Board (equity securities market) operated by NZX Limited (NZX) and as a foreign exempt entity on the ASX operated by ASX Limited (ASX).

PRINCIPAL ORDINARY SHAREHOLDERS AS AT 31 MAY 2019

The following table shows the names and holdings of the 20 largest holdings of quoted ordinary shares (TRA) of the Company.

Rank	Name	Shares	% of Issued Capital
1	Bartel Holdings Limited	9,552,642	10.99
2	National Nominees New Zealand Limited - NZCSD	7,961,599	9.16
3	Montezemolo Holdings Limited	6,100,000	7.02
4	Harrigens Trustees Limited	5,179,294	5.96
5	FNZ Custodians Limited	4,918,536	5.66
6	HSBC Nominees (New Zealand) Limited - NZCSD	3,352,890	3.86
7	JBWere (NZ) Nominees Limited	2,627,992	3.02
8	BNP Paribas Nominees (NZ) Limited - NZCSD	2,610,610	3.00
9	Paul Anthony Byrnes	2,384,860	2.74
10	Accident Compensation Corporation - NZCSD	2,308,409	2.66
11	Stephen John Sinclair & Jacqueline Margaret Sinclair & Roger Frederick Wallis	2,171,461	2.50
12	Paul Bernard Mora	1,586,339	1.83
13	John Jeffers Harrison	1,538,782	1.77
14	HSBC Nominees A/C NZ Superannuation Fund Nominees Limited - NZCSD	770,721	0.89
15	Glenn Arthur Duncraft	750,000	0.86
16	New Zealand Permanent Trustees Limited - NZCSD	709,298	0.82
17	Custodial Services Limited	684,328	0.79
18	Cushla Mary Smithies	542,841	0.62
19	John Tomson	519,754	0.60
20	Philip George Lennon	500,000	0.58

SPREAD OF ORDINARY SHAREHOLDERS AS AT 31 MAY 2019

Range	Total Holders	Shares	% of Issued Capital
1 – 999	1,843	838,249	0.96
1,000 - 1,999	838	1,154,668	1.33
2,000 - 4,999	784	2,432,525	2.80
5,000 - 9,999	399	2,646,952	3.05
10,000 - 49,999	506	9,980,928	11.49
50,000 - 99,999	43	2,811,084	3.24
100,000 - 499,999	51	10,253,302	11.80
500,000 - 999,000	7	4,476,942	5.15
1,000,000 plus	13	52,293,414	60.18
Total	4,484	86,888,064	100.00

	Shareholders		Shares	
Domicile of Ordinary Shareholders	Number	%	Number	%
New Zealand	4,337	96.72	86,133,517	99.13
Australia	59	1.32	314,040	0.36
Other	88	1.96	440,507	0.51
Total	4,484	100.00	86,888,064	100.00

STATUTORY INFORMATION

Substantial Product Holders

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

As at 31 March 2019 the following shareholders are registered by the company as Substantial Product Holders in the Company, having disclosed a relevant interest in quoted voting products under the Financial Markets Conduct Act 2013.

	Number of Shares	%
Bartel Holdings Limited	9,552,642	10.99
Salt Funds Managers Limited	7,874,254	9.06
Millford Asset Management Limited	6,020,821	6.93
Montezemolo Holdings Limited	6,100,000	7.02
Harrigens Trustees Limited	5,179,294	5.96

The total number of quoted voting products of the company on issue at 31 March 2019 was 86,888,064 paid ordinary shares.

Turners' Board of Directors has adopted a corporate governance framework which encourages the highest standards of ethical conduct and provide accountability and control systems commensurate with the risks involved.

The Board considers that this framework and governance practices for the year ended 31 March 2019 are generally in line with the NZX Corporate Governance Code released in 2017 (NZX Code), except as stated within this report. In this regard, there are several items which Turners is progressing to ensure compliance with the NZX Code. The information in this report is current as at 28 June 2019 and has been approved by the Board of Turners.

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

Turners is listed on the NZX's Main Board and is subject to regulatory control and monitoring by both the NZX and the Financial Markets Authority (FMA).

PRINCIPLE 1 – CODE OF ETHICAL BEHAVIOUR

Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation.

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

The Code of Ethics is the framework of standards by which the directors, employees, contractors for personal services and advisers to Turners Automotive Group Limited and its related companies are expected to conduct their professional lives and has been approved by the Board. It is intended to facilitate decisions that are consistent with Group values, business goals and legal and policy obligations, thereby enhancing performance outcomes.

Employees are expected to report any breaches of the Code in line with the processes outlined in the Code of Ethics.

The Code of Ethics was last reviewed by the Board in March 2018. The Board believes that all Directors conformed to the Code of Ethics during the 2019 financial year.

A copy of the Code of Ethics is given to all new employees when they join the Group. Any changes to the Code of Ethics is communicated to staff through regular new letters. The Code of Ethics can also be found at https://www.turnersautogroup.co.nz/About+Us/Corporate+Governance.html.

Turners has a Securities Trading Code of Conduct to mitigate the risk of insider trading in Turners securities by employees and Directors. A copy of this document can also be found at https://www.turnersautogroup.co.nz/About+Us/Corporate+Governance.html. This was last reviewed and updated in March 2018. Additional trading restrictions apply to Restricted Persons including Directors and certain employees. Details of Directors' share dealings are on page 94 of the 2019 Full Year Financial Statements.

To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives.

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

In addition to the Turners Corporate Governance Code, the Turners Board also operates under a written charter which sets out the structure of the Board, role and responsibilities of Directors; procedures for the nomination, resignation and removal of Directors; and identifies procedures to ensure that the Board meets regularly, conducts its meetings in an efficient and effective manner and that each Director is fully empowered to perform his or her duties as a Director of the Company and to fully participate in meetings of the Board.

Day to day management of Turners is undertaken by the executive teams under the leadership of the Chief Executive Officer, through a set of delegated authorities which are reviewed annually.

In discharging their duties, Directors have direct access to and may rely on information, financial data and professional or expert advice provided by Turners' senior management and external advisers. Directors have the right, with the approval of the Chairman or by resolution of the Board, to seek independent legal or financial advice at the expense of Turners for the proper performance of their duties.

Board Composition and Appointment

The number of elected Directors and the procedure for their retirement and re-election at Annual Shareholder Meetings is set out in the Constitution of the Company.

Turners considers that the nomination process for new Director appointments is the responsibility of the whole Board and it does not have a separate Nomination Committee.

The Board takes into consideration tenure, capability, diversity and skills when reviewing Board composition and new appointments.

At each Annual Shareholder Meeting, one-third of the current Directors retire by rotation and are eligible for re-election. Any Directors appointed since the previous annual meeting must also retire and are eligible for election.

When a director is newly appointed, Turners will enter into a written agreement with them setting out the terms of their employment.

The Board supports the separation of the roles of Chairman and CEO. The Chair of Turners as at 28 June 2019 is non-executive director, Grant Baker, who has a 7.02% shareholding in Turners and is therefore not considered independent under the Main Board Listing Rules.

The Board currently comprises of seven Directors: a non-executive chairman, three independent Directors, three non-executive directors. They are all elected based on the value they bring to the Board and against set criteria detailed in Turners Corporate Governance Code. In order for a Director to be independent, the Board has determined that he or she must not be an executive of Turners and must have no disqualifying relationships. The Board follows the guidelines of the NZX Listing Rules.

Information on each director can be found at https://www.turnersautogroup.co.nz/About+Us/Board+of+Directors.html and on page 18 of the 2019 Annual Report. Director's interests are disclosed on pages 94 to 97 of the 2019 Financial Statements.

The Company encourages all Directors to undertake appropriate training and education so that they may best perform their duties. This includes attending presentations on changes in governance, legal and regulatory frameworks; attending technical and professional development courses; and attending presentations from industry experts and key advisers. In addition, Directors receive updates on relevant industry and Company issues, and briefings from key executives.

The Board regularly considers individual and collective performance, together with the skill sets, training and development and succession planning required to govern the business.

Diversity

Turners Automotive Group Limited is committed to a culture that actively supports diversity and inclusiveness and prevents or eliminates discrimination in any form. We believe that diversity and inclusion of thought enables Turners to better respond to the ever changing environment we operate in and better serve the diverse customer and stakeholder base we are accountable to.

Diversity in Turners includes (but is not limited to) the following: gender, race, ethnicity and cultural background, thinking, physical capability, age, sexual orientation, and religious or political belief.

We in Turners believe diversity and inclusion of background, experiences, thoughts and ways of working lead to greater creative and innovative solutions which ultimately lead to a superior outcome for our stakeholders socially.

The Turners Board adopted a revised Diversity and Inclusion Policy in September 2018, which can be found at https://www.turnersautogroup.co.nz/About+Us/Corporate+Governance.html. The Board requires management to provide regular reporting and monitoring on diversity within the Turners workforce.

As at 31 March 2019, the gender balance of Turners Automotive Group Limited's directors and Turners' people was as follows:

	31 March 2019	31 March 2018
Directors		
Females	-	-
Males	7	6

Turners' people – 31 March 2019	Females	Males
Senior leadership	4	24
Management	38	81
Turners' people	273	426
Total	315	531

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Turners' people – 31 March 2018	Females	Males
Senior leadership	8	25
Management	39	87
Turners' people	267	424
Total	314	536

Senior leadership is defined as being the Chief Executive Officer and senior leaders within two reporting lines of the Chief Executive Officer. Management is defined as having management responsibility but not a senior leader.

Board Meetings and Attendance
The Board has 11 scheduled meetings a year, and had 2 special meetings in the 2019 financial year.

The table below sets out Directors' attendance at Board and Committee meetings during FY19. In total, there were 13 Board meetings; 2 Audit and Risk Management Committee meetings; and 4 Lending and Credit Committee meetings.

	Board	Audit and Risk Management Committee	Lending and Credit Committee
Total number of meetings held			
Grant Baker	12		
Paul Byrnes	13		
Martin Berry	7		
Matthew Harrison	12	2	4
Alistair Petrie	13		4
John Roberts	12	2	4
Antony Vriens	13	2	

PRINCIPLE 3 – COMMITTEES

The Board should use committees where this will enhance its effectiveness in key areas, while still retaining Board responsibility.

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

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

The committees meet as required and have terms of reference (Charters), which are approved and reviewed by the Board. Copies of committee Charters (Audit and Risk Management Committee's is included as an appendix in the Group's Corporate Governance Code) can be found at https://www.turnersautogroup.co.nz/About+Us/Corporate+Governance.html.

Minutes of each committee meeting are forwarded to all members of the Board, who are all entitled to attend any committee meeting. Each committee is empowered to seek any information it requires from employees in pursuing its duties and to obtain independent legal or other professional advice.

The membership and performance of each Committee is reviewed annually.

From time to time, special purpose committees may be formed to review and monitor specific projects with senior management.

As the Board believes that matters of remuneration and nominations are the responsibility of the Full Board, Turners does not consider it necessary to comply with recommendations 3.3 and 3.4 of the NZX Code and accordingly does not have a separate remuneration committee or nomination committee. The Company will continue to monitor best practice in the governance area and update its policies to ensure it maintains the most appropriate standards.

Audit and Risk Management Committee

The role of the Audit and Risk Management Committee is to assist the Board in carrying out its responsibilities under the Companies Act 1993 and the Financial Reporting Act 2013 regarding accountancy practices, policies and controls relative to the Company's financial position and make appropriate enquiry into the audits of the Company's financial statements. This responsibility includes providing the Board with additional assurance about the quality and reliability of the financial information issued publicly by the Company. All matters required to be addressed and for which the committee has responsibility were addressed during the reporting period.

A written charter outlines the Audit and Risk Management Committee's delegated authority, duties, responsibilities and relationship with the Board. The Charter is included as an appendix in the Group's Corporate Governance Code which is available on the Company's website at https://www.turnersautogroup.co.nz/About+Us/Corporate+Governance.html.

The committee must be comprised solely of Directors of Turners, have a minimum of three members, have a majority of independent Directors and have at least one director with an accounting or financial background. The makeup of the current members of this committee complies with this recommendation. The Chair of the committee cannot be Chair of the Board.

Members as at 31 March 2019 were John Roberts (Chair), Antony Vriens and Matthew Harrison. It met twice during the financial year.

Management and employees may only attend meetings at the invitation of the committee and the committee routinely has committee-only time with the external and internal auditors without management present.

Lending and Credit Committee

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

The Lending and Credit Committee members as at 31 March 2019 were Matthew Harrison (Chair), Alistair Petrie and John Roberts. It met 4 times during the financial year.

Takeovers

Turners Automotive Group Limited is prepared in the event of a takeover. The Board has adopted a written Takeover Response Policy (contained within the Turners Automotive Group Corporate Governance Code) to follow in the event that a takeover notice or scheme of arrangement proposal is imminent. This policy would involve Turners forming an Independent Takeover committee to oversee disclosure and response, and engage expert legal and financial advisors to provide advice on procedure.

PRINCIPLE 4 – REPORTING AND DISCLOSURE

The Board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures

Turners Automotive Group Limited directors are committed to keeping investors and the market informed of all material information about the Company and its performance and ensures compliance with legislative and NZX listing rules.

The release of material information is guided by the Reporting and Disclosure section on the Group's Corporate Governance Code, and the Company's Continuous Disclosure Policy, which are available to view at https://www.turnersautogroup.co.nz/About+Us/Corporate+Governance.html.

In addition to all information required by law, Turners also seeks to provide sufficient meaningful information to ensure stakeholders and investors are well informed, including financial and non-financial information.

Financial Information

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

For the financial year ended 31 March 2019, the directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and the Group and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The Chief Executive and Chief Financial Officer have confirmed in writing to the Board that Turners' external financial reports present a true and fair view in all material aspects.

Turners' full and half year financial statements are available on the Company's website at https://www.turnersautogroup.co.nz/Investor+Centre/Presentations+and+Results.html.

Non-financial information

The Board recognises the importance of non-financial disclosure. Given the Company's size the Board has elected not to comply with recommendation 4.3 of the NZX Code and has not adopted a formal environmental, social and governance framework. The Group has an Environmental, Social and Governance Policy in section 14 of the Group's Corporate Governance Code.

Turners' discusses its strategic objectives and its progress against these in the Chair and CEO's commentary in shareholder reports, and at other investor events during the year including investor presentations and the Annual Shareholders Meeting.

Turners is committed to using its resources responsibly and will look for opportunities to reduce any negative environmental risk or impact from business operations, products and services.

The Company is committed to providing fair and responsible products and services that includes adherence to the Responsible Lending Code, the Responsible Credit-Related Insurance Code, Insurance (Prudential Supervision) Act 2010 and various other Acts. The Board will encourage diversity and will not knowingly participate in business situations where Turners' could be complicit in human rights and labour standard abuses.

PRINCIPLE 5 – REMUNERATION

The remuneration of Directors and executives should be transparent, fair and reasonable.

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

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

Details of directors and executives' remuneration and entitlements for the 2019 financial year are detailed on pages 75 and 94 of the Annual Report. The Remuneration Policy is included in section 10 of Group's Corporate Governance Code, which can be found at https://www.turnersautogroup.co.nz/About+Us/Corporate+Governance.htm.

Turners does not have a Remuneration Committee and matters pertaining to remuneration are dealt with by the full Board.

Director Remuneration

The total remuneration pool available for Directors is fixed by shareholders. The Board determines the level of remuneration paid to Directors from the approved collective pool. Directors also receive reimbursement for reasonable travelling, accommodation and other expenses incurred in the course of performing their duties.

The annual fee pool limit is $665,000 and was approved by shareholders at the annual meeting in September 2018.

Any proposed increases in non-executive Director fees and remuneration will be put to shareholders for approval. If independent advice is sought by the Board, it will be disclosed to shareholders as part of the approval process.

Board Role	**Approved Remuneration**
Chairman	$150,000
Non-executive Director	$75,000

Details of individual Directors' remuneration are detailed on page 94 of the 2019 Annual Report.

Executive Remuneration

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

Details of executives' remuneration and entitlements are detailed under Key Management Compensation on page 75 and Remuneration of Employees information on page 95 of the 2019 Financial Statements.

Details of Group's Share Option Plan are detailed in Note 27 of the 2019 Financial Statements. The options were cancelled for no consideration in June 2019.

CEO Remuneration

The review and approval of the CEO's remuneration is the responsibility of the Board.

The CEO's remuneration comprises a fixed base salary, a variable short term bonus payable annually and a long term incentive, participation in the Group's Share Option Plan.

The CEO's remuneration can be summarised as follows:

	Salary	Benefits	Subtotal	Pay for Performance		Total remuneration
				STI	% STI against maximum	
FY19	531,205	47,520	578,725	101,275	46%	680,000
FY18	505,000	20,683	525,683	161,000	100%	686,683

Short term incentive
A short term bonus is paid against profit targets agreed at the commencement of the year.

Long term incentive
In November 2016, the Chief Executive Officer of the Company was granted 1,002,692 options at an exercise price of $2.99195 under the Group's Share Option Plan. For details on the grant refer to Note 27 of the 2019 Financial Statements. The grant was cancelled for no consideration in June 2019.

PRINCIPLE 6 – RISK MANAGEMENT

Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.

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

Audit and Risk Committee Charter, which can be found at https://www.turnersautogroup.co.nz/About+Us/Corporate+Governance.html

The Board delegates day to date management of the risk to the Chief Executive. The executive team and senior management are required to regularly identify the major risks affecting the business and develop structures, practices and processes to manage and monitor these risks.

The Board is satisfied that Turners has in place a risk management process to effectively identify, manage and monitor Turners' principal risks.

Turners maintains insurance policies that it considers adequate to meet its insurable risks.

Key financial and non-financial risks are included in note 5 of the financial statements.

Health and Safety

The Turners' Board recognises that effective management of health and safety is essential for the operation of a successful business, and its intent is to prevent harm and promote wellbeing for employees, contractors and customers. The Board is responsible for ensuring that the systems used to identify and manage health and safety risks are fit for purpose, being effectively implemented, regularly reviewed and continuously improved.

Turners has a Health and Safety Policy which is monitored by a Group Health and Safety committee assisted by Health and Safety co-ordinators in each business unit. Health and Safety reports, including incident reports, for all business units are included in the compliance section of the board papers.

PRINCIPLE 7 – AUDITORS

The Board should ensure the quality and independence of the external audit process.

The Board's approach to the appointment and oversight of the external auditor are outlined in Turners' External Audit Policy (section 9 of the Turners Automotive Group Limited Corporate Governance Code, which can be accessed at https://www.turnersautogroup.co.nz/About+Us/Corporate+Governance.html) and ensures that audit independence is maintained, both in fact and appearance, such that Turners Automotive Group Limited's external financial reporting is viewed as being highly reliable and credible.

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

For the financial year ended 31 March 2019, Staples Rodway was the external auditor for Turners Automotive Group Limited. Staples Rodway were first appointed as external auditor in 1999 and were automatically re-appointed under the Companies Act 1993 at the 2017 Turners Automotive Group Limited annual meeting. The last audit partner rotation was in 2016.

All audit work at Turners is fully separated from non-audit services, to ensure that appropriate independence is maintained. The amount of fees paid to Staples Rodway for audit and other services is identified on page 56 of the 2019 Annual Report.

TURNERS LIMITED FY19 GOVERNANCE REPORT cont.

Staples Rodway has provided the Turners' Board with written confirmation that, in their view, they were able to operate independently during the year.

Staples Rodway attends the annual meeting, and the lead audit partner is available to answer questions from shareholders at that meeting. Staples Rodway attended the 2018 annual meeting.

Turners has a number of internal controls overseen by Audit and Risk Management Committee, including controls for computerised information system, security, business continuity management, insurance, health and safety, conflicts of interest, and prevention and identification of fraud. The Group does not have a dedicated Group Internal Auditor role.

PRINCIPLE 8 – SHAREHOLDER RIGHTS AND RELATIONS

The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.

The Board is committed to open dialogue and to facilitating engagement with shareholders.

Turners has a calendar of communications and events for shareholders, including but not limited to:

- Annual and Interim Reports
- Market announcements
- Annual Shareholder Meeting
- Financial results calls
- Other ad hoc investor presentations
- Easy access to information through the Turners website www.turnersautogroup.co.nz
- Access to management and the Board via email info@turnersautogroup.co.nz

The Company maintains a comprehensive website which provides access to key corporate governance documents, copies of all major announcements, Company reports and presentations.

Shareholders are encouraged to attend the annual meeting and may raise matters for discussion at this event. In accordance with NZX Code, the Board ensured that the notice of the annual meeting was posted to Turners' website as soon as possible and at least 28 days prior to the meeting.

Shareholders have the ultimate control in corporate governance by voting Directors on or off the Board. Voting is by poll, upholding the 'one share, one vote' philosophy.

In accordance with the Companies Act 1993, Turners' Constitution and the NZX Main Board Listing Rules, Turners refers major decisions which may change the nature of Turners' to shareholders for approval.

All shareholders are given the option to elect to receive electronic communications from the Company.

In addition to shareholders, Turners has a wide range of stakeholders and maintains open channels of communication for all audiences, including shareholders, brokers and the investing community, as well as our staff, suppliers and customers.

ENDS

DIRECTORY

CORPORATE DIRECTORY

DIRECTORS
Grant Baker
Chairman
Appointed 10 September 2009

Paul Byrnes
Deputy chairman
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

REGISTERED OFFICE
Level 8, 34 Shortland Street, Auckland, New Zealand
PO Box 1232, Shortland Street, Auckland, 1140, New Zealand
Freephone: 0800 100 601
Email enquiries: info@turnersautogroup.co.nz
Web: www.turnersautogroup.co.nz

AUDITOR
Baker Tilly Staples Rodway

BANKERS
Bank of New Zealand and ASB Bank

LAWYERS
Chapman Tripp

SHAREHOLDER INFORMATION

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

Financial calendar

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

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

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

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

This annual report is dated 28 June 2019 and is signed on behalf of the board by:

G.K. Baker
Chairman

P.A. Byrnes
Deputy chairman

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