

Turners delivers robust HY21 earnings, despite COVID disruption

- Group revenue 14% lower at \$148m
- Reported NPBT increased 26% to \$18.7m
- Underlying NPBT down 11% to \$13.1m
- Reported NPAT increased 25% to \$13.4m
- Used car market proved resilient, rebounding strongly for 'high trust' Turners brand
- Robust annuity earnings from Finance and Insurance validates diversified business model
- Diversified business with 'high trust' brands supported robust earnings
- Progress accelerating for transition to digital offering, reducing costs, increasing resilience and enhancing the customer experience
- NPBT guidance for FY21 to be toward the upper end of guidance of \$28m to \$31m, conditional on no significant further lockdowns
- Projected FY dividend 17.0 cps at mid-point of guidance

Turners Automotive Group (NZX: TRA) delivered robust earnings in HY21 despite a disrupted operating period, with the used car market rebounding after COVID-19 lockdowns, and the Group's diversified annuity businesses in Finance and Insurance supporting resilience and contributing to strong and sustainable yield.

Todd Hunter, CEO, said: *"Given the tumultuous start to the year with a Level 4 COVID-19 lockdown, and high levels of uncertainty, we are delighted with how our team responded to improve our ability to operate in pandemic conditions, as well as improving the resilience of the business to sustain strong yields. Our diversified business, and the quality of our trusted brands, proved robust in the face of market uncertainty, and enabled us to accelerate our strategic plan to lead in the digital space and strengthen our national position in Auto Retail."*

Financial results

Reported NPBT, which is the basis for Turners' full year guidance, increased 26% to \$18.7m with net profit after tax (NPAT) of \$13.4m, up 25% on the same period last year. Underlying NPBT was down 11% to \$13.1m, with a reconciliation of reported and underlying numbers available on slide 9 of the investor presentation, also published today.

Earnings per share for HY21 were 15.7 cps, up 27% on the previous year. Following the suspension of dividends during lockdown, the Board resumed dividend payments with a Q1 dividend of 4.0 cps. A further 4.0 cps has been declared for Q2, taking HY21 dividends to 8.0 cps. This reflects the dividend policy adopted by the Board last year to pay-out 60-70% of net profit after tax (NPAT).

Grant Baker, Chairman, commented: *"Our commitment to delivering strong and sustainable yield to shareholders remains a clear focus for the company. It is pleasing to see the benefits from our strategy of a diversified business showing results and our focus on building a quality business for our team, our customers and our shareholders. Despite some real challenges this year so far, we have not only built further resilience, but made progress with plans to strengthen our position in our key markets in the long term as well as reducing cost and improving our systems and operations. Obviously, market conditions remain somewhat uncertain as the COVID-19 pandemic continues around the world, but this necessity to stress test our business has not been without reward."*

Results by division

All parts of the business contributed to the first half profit, and this diversity means the company is well-placed, assuming no further major COVID-19 disruption, to achieve NPBT toward the upper end of guidance provided at the annual shareholders meeting.

Auto Retail: Revenue \$96.1m – 17%, NPBT \$7.8m +6%

The Automotive Retail division revenue was 17% lower at \$96.1m, reflecting suppressed activity during lockdown, but also a strong rebound since. A focus for the half was on COVID-19 recovery and cost management. Volumes have recovered since, but the main driver of improving profitability in the months since lockdown has been margins. Margin expansion is due to a number of buying initiatives and by tight supply of cars nationally, due to the supply constraints in “New” cars.

Whilst there was a substantial disruption early in the half, the used car market has demonstrated resilience, not just rebounding after lockdowns, but through the economic cycle as customers consider lower cost options. The company continues to benefit from a diverse geographic footprint (which was well demonstrated during the recent partial lockdown in Auckland.) Turners diversified sources of supply and trusted brand position is proving highly valuable in times of uncertainty.

Finance: Revenue \$23.2m +2%, NPBT \$7.6m +18%

The Finance division contributed strongly to the first half, with annuity earnings helping during lockdown. Finance sales also showed a solid rebound following lockdown. Revenue for HY21 was \$23.2m, up 2% on last year. NPBT was \$7.6m up 18% of the year prior, as Oxford benefitted from higher margins, lower accruals and greater cost efficiencies.

Remarkably, less than 70 customers (0.29% of customers) are currently in hardship status. The division’s focus on high quality borrowers has seen record low levels of arrears reflecting the risk-pricing strategy over recent years, and the business is well-placed for the second half of the year to continue its expansion. Oxford has built a material buffer in arrears provisioning to allow for any unemployment increase in future months.

During the period, premium risk tier lending increased to over 50% as shown in the presentation also released to the market today. Finance continues to be a strong performer within the group, and it is notable that Finance’s profit contribution over recent years has grown significantly, from 24% in 1H19 to 33% in 1H21.

Insurance: Revenue \$21.1m -5%, NPBT \$4.5m +74%

Insurance revenue decreased 5% to \$21.1m due to the impact of lockdowns. However, NPBT was up 74% to \$4.5m on higher margins, reducing overhead costs and the finish of amortising the acquired premium portfolio as part of the Autosure acquisition from Vero in 2017.

The division contributed to the overall result and cashflow via annuity earnings during lockdown, with premiums taken up front. Progress was made on building out distribution, as well as continued investment in digital and system integration. As with Finance, the division continues to focus on quality,

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as was evidenced with combined claims ratios improving, from 69% in 1H19 to 59% in 1H21 and AM Best upgrading its credit rating and financial strength rating for Insurance.

Credit Management: Revenue \$7.0m -29%, NPBT \$3.0m -17%

Credit management revenue decreased 29% to \$7.0m, and the impact of COVID-19 was visible in market-wide conservatism with respect to debt collection actions during the first phase of the pandemic. NPBT was also down 17% to \$3.0m

The division remains an important part of the diversification strategy, offering a hedge for any potential cyclical downturn ahead. The division has been successful in managing cost in a reduced debt load environment and maintains strong relationships with debt lenders. The business expects to load more debt over coming months, following a hiatus period during and post lockdown, during which lenders prioritized managing reputation over collections. A similar pattern was experienced post the GFC, before a busy collection period began.

A transition to a digital-based business is continuing. The division is working closely with referrers to manage and improve customer outcomes as we go forward into an environment where bad debts are likely to increase and debt collection services will see increasing demand.

Digital strategy bearing fruit

Right across the Group, the expansion of the digital strategy over several years is bearing fruit and contributed greatly during the period under review. This was accelerated as part of the COVID-19 response where no or low contact transactions and customer service was required. COVID-19 added useful impetus to momentum within the business to move to digital platforms and lower-cost, easy-to-use self-provisioning models for customers. We see an opportunity to achieve market leadership in digital across all business sectors, further increasing resilience, lowering cost, and improving customer experience.

Outlook and Guidance

Although the strong market rebound post-lockdowns has been pleasing, the business remains focused on agility and the ability to manage uncertainty while the COVID-19 pandemic remains rife throughout the world. The stress test that COVID-19 provided has proved the benefits of the Group's strategy of diversification, digital leadership, national distribution and the development of trusted brands.

For every month since June, group operating profit has been well above levels in FY20. Meanwhile, a number of reductions to the fixed cost base will deliver ongoing benefits over the years to come.

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In terms of Q321, key themes have continued, including:

- Auto: continued supply constraints, better-than-expected demand contributing to margin improvement on owned inventory,
- Finance: strong new lending, with arrears at historic lows,
- Insurance: strong sales of new policies, and claims ratios improving; and
- Credit Management: debt loads to increase as corporate customers reinitiate collections actions

Building on continued robust performance thus far in Q321, the Board expects to achieve toward the upper end of its FY21 NPBT guidance of \$28m to \$31m, as supplied to the market at September's ASM. This assumes that there are no significant further lockdowns in New Zealand in FY21. At the mid-point of the guidance range, this could yield a full year dividend of 17.0 cps, according to the Board's dividend policy.

ENDS

About Turners

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

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Results announcement

Results for announcement to the market		
Name of issuer	Turners Automotive Group Limited	
Report period	6 months to 30 September 2020	
Previous reporting period	6 months to 30 September 2019	
Currency	NZD	
	Amount (000s)	Percentage change
Revenue from continuing operations	\$141,024	-17%
Total revenue	\$147,548	-14%
Net profit from continuing operations	\$13,434	25%
Total net profit	\$13,419	31%
Interim dividend		
Amount per quoted equity security	\$0.04000000	
Imputed amount per quoted security	\$0.05555556	
Record date	14/01/2021	
Dividend payment date	28/01/2021	
Interim dividend	Current period	Prior comparable period
Net tangible assets per quoted security	\$0.87	\$0.75
A brief explanation of any of the figures above necessary to enable the figures to be understood	Please refer to accompanying Company Announcement	
Authority for this announcement		
Name of person authorised to make this announcement	Barbara Badish	
Contact person for this announcement	Todd Hunter	
Contact phone number	021 722 818	
Contact email address	Todd.Hunter@turners.co.nz	
Date of release through MAP	25/11/2020	

Unaudited financial statements accompany this announcement

TURNERS AUTOMOTIVE GROUP LIMITED
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2020

		Six months ended 30/09/2020 Unaudited \$'000	Six months ended 30/09/2019 Unaudited \$'000	Year ended 31/03/2020 Audited \$'000
	Note			
Revenue from continuing operations	3	141,024	170,555	332,174
Other income	3	6,524	144	500
Cost of goods sold		(54,864)	(72,589)	(135,003)
Interest expense		(5,731)	(7,729)	(14,853)
Impairment provision expense		(2,149)	(2,617)	(6,044)
Subcontracted services expense		(6,583)	(7,166)	(17,149)
Employee benefits (short term)		(26,382)	(27,790)	(55,458)
Commission		(5,887)	(7,070)	(13,368)
Advertising expense		(806)	(1,484)	(2,743)
Depreciation and amortisation expense		(5,771)	(5,865)	(11,919)
Systems maintenance		(874)	(612)	(1,747)
Claims		(11,583)	(13,094)	(25,952)
Movement in life insurance liabilities		(583)	(633)	(836)
Insurance deferred acquisition costs		(563)	(178)	(701)
Other expenses		(7,057)	(9,071)	(17,836)
Profit before taxation		18,715	14,801	29,065
Taxation expense		(5,281)	(4,077)	(8,112)
Profit from continuing operations		13,434	10,724	20,953
Other comprehensive income for the period (which may subsequently be reclassified to profit/loss), net of tax				
Cash flow hedges		(42)	(466)	(447)
Revaluation of financial assets at fair value through OCI		-	-	(310)
Foreign currency translation differences		27	12	(12)
Total comprehensive income for the period		13,419	10,270	20,184
Earnings per share (cents per share)				
Basic earnings per share	4	15.70	12.39	24.35
Diluted earnings per share	4	15.79	12.39	24.35

TURNERS AUTOMOTIVE GROUP LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 September 2020

		Share Capital \$'000	Share Options Reserve \$'000	Translation Reserve \$'000	Revaluation of financial assets at fair value through OCI \$'000	Cash flow reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 31 March 2019 (audited)	Note	206,395	1,027	(47)	-	(528)	19,527	226,374
Change in accounting policy								
Impact implementation of NZ IFRS 16		-	-	-	-	-	(5,666)	(5,666)
		-	-	-		-	(5,666)	(5,666)
Balance at 1 April 2019 (restated)		206,395	1,027	(47)	-	(528)	13,861	220,708
<i>Transactions with shareholders in their capacity as owners</i>								
Capital contributions (net of issue costs)		97	-	-	-	-	-	97
Capital buy back		(3,192)	-	-	-	-	-	(3,192)
Cancellation of options		1,027	(1,027)	-	-	-	-	-
Dividend paid	8	-	-	-	-	-	(7,855)	(7,855)
		(2,068)	(1,027)	-	-	-	(7,855)	(10,950)
<i>Comprehensive income</i>								
Profit		-	-	-		-	10,724	10,724
Other comprehensive income		-	-	12		(466)	-	(454)
Total comprehensive income for the period, net of tax		-	-	12	-	(466)	10,724	10,270
Balance at 30 September 2019 (unaudited)		204,327	-	(35)		(994)	16,730	220,028
<i>Transactions with shareholders in their capacity as owners</i>								
Dividend paid	8	-	-	-	-	-	(6,887)	(6,887)
		-	-	-	-	-	(6,887)	(6,887)
<i>Comprehensive income</i>								
Profit		-	-	-		-	10,229	10,229
Other comprehensive income		-	-	(24)	(310)	19	-	(315)
Total comprehensive income for the period, net of tax		-	-	(24)	(310)	19	10,229	9,914
Balance at 31 March 2020 (audited)		204,327	-	(59)	(310)	(975)	20,072	223,055
<i>Transactions with shareholders in their capacity as owners</i>								
Employee share based payments		-	93	-	-	-	-	93
Dividend paid	8	-	-	-	-	-	(5,162)	(5,162)
		-	93	-	-	-	(5,162)	(5,069)
<i>Comprehensive income</i>								
Profit		-	-	-		-	13,434	13,434
Other comprehensive income		-	-	27	-	(42)	-	(15)
Total comprehensive income for the period, net of tax		-	-	27	-	(42)	13,434	13,419
Balance at 30 September 2020 (unaudited)		204,327	93	(32)	(310)	(1,017)	28,344	231,405

TURNERS AUTOMOTIVE GROUP LIMITED
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2020

		30/09/2020	30/09/2019	31/03/2020
	Note	Unaudited \$'000	Unaudited \$'000	Audited \$'000
Assets				
Cash and cash equivalents	5	18,864	14,592	32,771
Financial assets at fair value through profit or loss				
- Insurance		62,095	59,934	61,834
- Other		3,002	3,500	3,154
Trade receivables		8,116	11,856	8,609
Inventories		29,814	36,492	44,371
Finance receivables	6	300,749	285,686	293,037
Other receivables, deferred expenses and contract assets		8,993	13,052	8,572
Reverse annuity mortgages		4,556	5,859	4,913
Investment property		5,650	5,650	5,650
Financial assets at fair value through OCI		1,000	1,310	1,000
Property, plant and equipment		53,623	52,648	52,788
Right-of-use assets		22,711	26,768	24,850
Intangible assets		166,630	166,629	166,843
Total assets		685,803	683,976	708,392
Liabilities				
Other payables		35,826	34,967	28,048
Contract liabilities		2,355	1,771	2,085
Deferred tax		9,794	11,122	10,080
Tax payable		3,475	1,073	2,772
Derivative financial instruments		999	992	985
Borrowings	7	314,392	319,588	350,364
Lease liabilities		27,979	34,641	32,511
Life investment contract liabilities		8,112	7,853	7,072
Insurance contract liabilities		51,466	51,941	51,420
Total liabilities		454,398	463,948	485,337
Shareholders' equity				
Share capital		204,327	203,300	204,327
Other reserves		(1,266)	(1,029)	(1,344)
Retained earnings		28,344	17,757	20,072
Total shareholders' equity		231,405	220,028	223,055
Total shareholders' equity and liabilities		685,803	683,976	708,392
Total assets per share (\$)		8.02	7.99	8.28
Net tangible assets (\$)		0.87	0.75	0.77

TURNERS AUTOMOTIVE GROUP LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 September 2020

	Six months ended 30/09/2020 Unaudited \$'000	Six months ended 30/09/2019 Unaudited \$'000	Year ended 31/03/2019 Audited \$'000
	Note		
Cash flows from operating activities			
Interest received	21,268	22,314	43,874
Receipts from customers	121,512	146,706	289,275
Interest paid	(5,657)	(6,682)	(12,856)
Payment to suppliers and employees	(90,022)	(141,489)	(285,795)
Income tax paid	(4,705)	(8,190)	(11,460)
Net cash inflow/(outflow) from operating activities before changes in operating assets and liabilities	42,396	12,659	23,038
Net increase in finance receivables	(16,105)	(8,863)	(27,826)
Net decrease in reverse annuity mortgages	501	2,787	3,964
Net decrease of financial assets at fair value through profit or loss	733	3,346	704
Net contribution from life investment contracts	221	(814)	88
Changes in operating assets and liabilities arising from cash flow movements	(14,650)	(3,544)	(23,070)
Net cash inflow/(outflow) from operating activities	27,746	9,115	(32)
Cash flows from investing activities			
Proceeds from sale of property, plant, equipment and intangibles	137	467	913
Purchase of fixed assets and intangible assets	(3,818)	(15,808)	(19,245)
Investment in associate	-	(1,310)	(1,310)
Sale of investments	158	-	473
Net cash (outflow)/inflow from investing activities	(3,523)	(16,651)	(19,169)
Cash flows from financing activities			
Net bank loan advances/(repayments)	(29,469)	20,663	61,038
Principal elements of lease payments	(3,499)	(3,352)	(6,998)
Buy back of shares	-	(3,194)	(3,192)
Dividend paid	(5,162)	(7,855)	(14,742)
Net cash inflow/(outflow) from financing activities	(38,130)	6,262	36,106
Net movement in cash and cash equivalents	(13,907)	(1,274)	16,905
Add opening cash and cash equivalents	32,771	15,866	15,866
Translation difference	-	-	-
Closing cash and cash equivalents	5	14,592	32,771

TURNERS AUTOMOTIVE GROUP LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 September 2020

	Six months ended 30/09/2020 Unaudited \$'000	Six months ended 30/09/2019 Unaudited \$'000	Year ended 31/03/2020 Audited \$'000
RECONCILIATION OF NET SURPLUS WITH CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss)	13,434	10,724	20,953
Adjustment for non-cash items			
Impairment charge on finance receivables, reverse annuity mortgages and other receivables	2,149	2,844	6,044
Net loss/(profit) on sale fixed assets	52	(26)	(33)
Depreciation and amortisation	5,771	5,865	11,919
Capitalised reverse annuity mortgage interest	(219)	(367)	(613)
Deferred revenues	(639)	(848)	(2,892)
Fair value adjustments on assets/liabilities at fair value through profit and loss	(1,043)	(604)	77
Net annuity and premium change to policyholders accounts	819	1,183	(500)
Non-cash long term employee benefits	93	-	-
Non-cash adjustments to finance receivables effective interest rates	(56)	(344)	(226)
Deferred expenses	(680)	(1,930)	(2,652)
Fair value adjustment on contingent consideration	-	-	(116)
Gain on modification of a lease	(1,133)	-	-
Adjustment for movements in working capital			
Net decrease/(increase) receivables and pre-payments	464	(1,549)	5,251
Net decrease/(increase) in inventories	14,557	2,581	(5,512)
Net increase/(decrease) in payables	6,948	166	(3,544)
Net increase/(decrease) in contract liabilities	1,462	(871)	(1,694)
Net increase in finance receivables	(16,105)	(8,863)	(27,826)
Net decrease in reverse annuity mortgages	501	2,787	3,964
Net decrease of insurance assets at fair value through profit or loss	733	3,346	704
Net contributions/(withdrawals) from life investment contracts	221	(814)	88
Net decrease in deferred tax liability	(286)	(643)	(1,618)
Net increase/(decrease) in tax payable	703	(3,522)	(1,806)
Net cash inflow/(outflow) from operating activities	27,746	9,115	(32)

TURNERS AUTOMOTIVE GROUP LIMITED

1. ACCOUNTING POLICIES AND SIGNIFICANT JUDGEMENT, ESTIMATES AND ASSUMPTIONS

The same accounting policies included in the Group's Annual Report for the year ended 31 March 2020, together with a new government grants policy (disclosed below), have been applied when preparing these financial statements.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

The same significant judgments, estimates and assumptions (including basis of segmentation) included in the notes to the financial statements in the Group's Annual Report for the year to 31 March 2020 have been applied to these financial statements. The business does not experience notable seasonal variations. There has been no change to the basis of segmentation from that applied at 31 March 2020.

2. SEGMENTAL INFORMATION

OPERATING SEGMENTS

Revenue	Total segment revenue	Inter- segment revenue	Revenue from external customers	Total segment revenue	Inter- segment revenue	Revenue from external customers	Total segment revenue	Inter- segment revenue	Revenue from external customers
	30/09/2020	30/09/2020	30/09/2020	30/09/2019	30/09/2019	30/09/2019	31/03/2020	31/03/2020	31/03/2020
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited	Audited	Audited
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Automotive retail	98,044	(1,896)	96,148	117,832	(1,982)	115,850	229,512	(4,634)	224,878
Finance	23,164	-	23,164	22,750	-	22,750	45,744	-	45,744
Credit management	7,022	-	7,022	9,885	-	9,885	17,939	-	17,939
Insurance	21,696	(548)	21,148	22,641	(430)	22,211	45,236	(1,129)	44,107
Corporate & other	66	-	66	3	-	3	6	-	6
	149,992	(2,444)	147,548	173,111	(2,412)	170,699	338,437	(5,763)	332,674
Operating profit							30/09/2020	30/09/2019	31/03/2020
							Unaudited	Unaudited	Audited
							\$'000	\$'000	\$'000
Automotive retail							7,773	7,341	13,829
Finance							7,629	6,492	12,167
Credit management							2,986	3,608	6,494
Insurance							4,539	2,613	6,215
Corporate & other							(4,212)	(5,253)	(9,640)
Profit/(loss) before taxation							18,715	14,801	29,065
Income tax							(5,281)	(4,077)	(8,112)
Profit attributable to shareholders							13,434	10,724	20,953

TURNERS AUTOMOTIVE GROUP LIMITED

	Interest revenue			Interest expense			Depreciation and amortisation expenses		
	30/09/2020	30/09/2019	31/03/2020	30/09/2020	30/09/2019	31/03/2020	30/09/2020	30/09/2019	31/03/2020
	Unaudited \$'000	Unaudited \$'000	Audited \$'000	Unaudited \$'000	Unaudited \$'000	Audited \$'000	Unaudited \$'000	Unaudited \$'000	Audited \$'000
Automotive retail	832	2,416	3,904	(1,209)	(2,198)	(3,967)	(4,524)	(3,848)	(7,960)
Finance	19,939	20,135	40,579	(2,723)	(3,551)	(6,912)	(412)	(382)	(717)
Credit management	-	4	5	(17)	(20)	(39)	(153)	(114)	(249)
Insurance	936	1,273	2,276	(42)	(47)	(91)	(596)	(1,407)	(2,783)
Corporate & other	3	4	6	(1,743)	(1,958)	(3,930)	(86)	(114)	(210)
	21,710	23,832	46,770	(5,734)	(7,774)	(14,939)	(5,771)	(5,865)	(11,919)
Eliminations	(3)	(45)	(86)	3	45	86	-	-	-
	21,707	23,787	46,684	(5,731)	(7,729)	(14,853)	(5,771)	(5,865)	(11,919)

Other material non-cash items

	Revenue			Expenses		
	30/09/2020	30/09/2019	31/03/2020	30/09/2020	30/09/2019	31/03/2020
	Unaudited \$'000	Unaudited \$'000	Audited \$'000	Unaudited \$'000	Unaudited \$'000	Audited \$'000
Gain on modification of a lease	1,133	-	-	-	-	-
Automotive retail - impairment provisions	-	-	-	152	(129)	(126)
Finance - impairment provisions	-	-	-	(2,226)	(2,488)	(5,888)
Insurance - reverse annuity mortgage interest	219	367	613	-	-	-
	1,352	367	613	(2,074)	(2,617)	(6,014)

2.2 SEGMENT ASSETS AND LIABILITIES

	Segment assets			Segment liabilities		
	30/09/2020	30/09/2019	31/03/2020	30/09/2020	30/09/2019	31/03/2020
	Unaudited \$'000	Unaudited \$'000	Audited \$'000	Unaudited \$'000	Unaudited \$'000	Audited \$'000
Automotive retail	110,056	154,086	129,496	69,942	109,438	92,078
Finance	321,778	285,416	308,696	248,717	221,927	241,086
Credit management	41,320	36,074	38,268	8,429	7,544	7,585
Insurance	137,034	132,943	134,236	72,664	73,502	73,133
Corporate & other	188,914	196,128	216,174	72,066	73,257	91,423
	799,102	804,647	826,870	471,818	485,669	505,305
Eliminations	(113,299)	(120,671)	(118,478)	(17,420)	(21,721)	(19,968)
	685,803	683,976	708,392	454,398	463,948	485,337

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 and saving products.

Corporate & other - corporate centre.

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3. REVENUE

Revenue from continuing operations includes:

	Six months ended 30/09/2020 Unaudited \$'000	Six months ended 30/09/2019 Unaudited \$'000	Year ended 31/03/2020 Audited \$'000
Interest income	21,707	23,787	46,684
Sales of goods	65,747	86,073	167,264
Commission and other sales revenue	23,933	25,731	52,714
Finance related insurance commissions	1,535	1,539	3,397
Loan fee income	1,403	1,784	2,958
Insurance and life investment contract income	18,674	20,715	39,676
Collection income	6,293	9,833	17,709
Bad debts recovered	430	347	591
Other revenue	1,302	746	1,181
	141,024	170,555	332,174

Other income includes:

Gain on sale of investments	6	-	35
Dividend income	4	104	367
Gain of sale of property, plant and equipment	39	40	61
Fair value gain on contingent consideration	-	-	37
Government subsidies	5,342	-	-
Gain on modification of a lease	1,133	-	-
	6,524	144	500

4. SHARE CAPITAL AND EARNINGS PER SHARE

	30/09/2020 Unaudited	30/09/2019 Unaudited	31/03/2020 Audited
Number of ordinary shares			
Opening balance	85,554,710	86,888,064	86,888,064
Shares issued for the dealer share scheme	-	40,752	40,752
Shares purchased and cancelled under the share buy back	-	(1,374,106)	(1,374,106)
	85,554,710	85,554,710	85,554,710

Basic earnings per share

The calculation of basic earnings per share at 30 September and 31 March was based on the profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding, as follows:

	Six months ended 30/09/2020 Unaudited	Six months ended 30/09/2019 Unaudited	Year ended 31/03/2020 Audited
Profit for the Period (\$'000)	13,434	10,724	20,953
Weighted average number of ordinary shares at the end of the period	85,554,710	86,560,829	86,055,495
Basic earnings per share (cents per share)	15.70	12.39	24.35

Weighted number of shares

Opening balance	85,554,710	86,888,064	86,888,064
Shares issued for the dealer share scheme	-	5,345	23,111
Shares purchased and cancelled under the share buy back	-	(332,580)	(855,680)
	85,554,710	86,560,829	86,055,495

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Diluted earnings per share

The calculation of diluted earnings per share at 30 September and 31 March was based on the diluted profit attributable to shareholders and a diluted weighted average number of ordinary shares outstanding as follows:

	Six months ended 30/09/2020 Unaudited	Six months ended 30/09/2019 Unaudited	Year ended 31/03/2020 Audited
Continuing operations (\$'000)	13,434	10,724	20,953
Add: Long term incentive expense relation to options	93	-	-
Profit for the year (\$'000)	13,527	10,724	20,953
<i>Weighted number of ordinary shares (diluted)</i>			
Weighted average number of shares (basic)	85,554,710	86,560,829	86,055,495
Effect of the exercise of options	122,943	-	-
Weighted average number of shares (diluted)	85,677,653	86,560,829	86,055,495
Diluted earnings per share (cents per share)	15.79	12.39	24.35

5. CASH AND CASH EQUIVALENTS

	30/09/2020 Unaudited \$'000	30/09/2019 Unaudited \$'000	31/03/2020 Audited \$'000
Cash and cash equivalents	18,864	14,592	32,771

The Group's insurance business is required to comply with the solvency standards for licensed insurers issued by the Reserve Bank of New Zealand. The solvency standards specify the level of assets the insurance business is required to hold in order to meet solvency requirements, consequently all cash and cash equivalents held in the insurance business may not be available for use by the wider Group. The Group's insurance business' cash and cash equivalents at 30 September 2020 were \$4.7m (30 September 2019: \$3.0m; 31 March 2020: \$1.5m).

Cash and cash equivalents at 30 September 2019 of \$4.3m (30 September 2019 :\$2.9m; 31 March 2020 : \$5.1m) belongs to the Turners Marque Warehouse Trust 1 and is not available to the Group.

6. FINANCE RECEIVABLES

	30/09/2020 Unaudited \$'000	30/09/2019 Unaudited \$'000	31/03/2020 Audited \$'000
Gross finance receivables	311,851	299,962	307,498
Deferred fee revenue and commission expenses	8,154	5,808	7,244
Provision for impairment	(19,256)	(20,084)	(21,705)
	300,749	285,686	293,037

Securitisation

The Group has a wholesale funding facility with the Bank of New Zealand (BNZ) under which it securitises finance receivables through The Turners Marque Warehouse Trust 1 (the Trust). Under the facility, BNZ provides funding to the Trust secured by finance receivables sold to the Trust from the finance segment. The facility is for a 24 month term that will be renewed annually. The facility is for \$250m.

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

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

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

During the reporting period \$58.4m finance receivables were sold to the Trust (30 September 2019: \$67.0m; 31 March 2020: \$149.4m). As at 30 September 2020 the carrying value of financial receivables in the Trust was \$211.0m (30 September 2019: \$177.8m; 31 March 2019: \$210.2m).

7. BORROWINGS

	30/09/2020 Unaudited \$'000	30/09/2019 Unaudited \$'000	31/03/2020 Audited \$'000
Secured bank borrowings	282,851	271,945	312,320
Deferred borrowing costs	(62)	(217)	(116)
	282,789	271,728	312,204
Non-bank borrowings			
Motor Trade Finance	6,751	23,155	13,382
Bonds	25,000	25,000	25,000
Deferred issue costs	(148)	(295)	(222)
	24,852	24,705	24,778
Total borrowings	314,392	319,588	350,364

Secured bank borrowings

The Group has a syndicated funding facility with the Bank of New Zealand and ASB Bank, a self liquidating trade finance facility with ASB Bank and securitisation facility with the Bank of New Zealand.

The bank borrowings are secured by a first-ranking general security agreement over the assets of the Company and its subsidiaries, excluding DPL Insurance Limited, Turners Finance Limited and EC Credit (Aust.) Limited. The Group's securitisation financing arrangement is described under finance receivables.

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.

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.

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8. DIVIDENDS

	Six months ended 30/09/2020 Unaudited \$'000	Six months ended 30/09/2019 Unaudited \$'000	Year ended 31/03/2020 Audited \$'000
Quarterly dividend for the year ended 31 March 2019 of \$0.04 per fully paid ordinary share, imputed, payable on 30 April 2019.	-	3,489	3,489
Final dividend for the year ended 31 March 2020 of \$0.06 (31 March 2019: \$0.05) per fully paid ordinary share, imputed paid on 24 July 2020 (2019: 18 July 2019).	5,162	4,366	4,366
Quarterly dividend for the year ended 31 March 2020 of \$0.04 per fully paid ordinary share, imputed, paid on 22 October 2019.	-	-	3,441
Quarterly dividend for the year ended 31 March 2020 of \$0.04 per fully paid ordinary share, imputed, paid on 30 January 2020.	-	-	3,446
Total dividends provided for or paid	5,162	7,855	14,742

Dividends not recognised at the end of the half year:

In addition to the above dividends, since the end of the period the directors have recommended the payment of the following dividends expected to be paid out of retained earnings at 30 September 2020, but not recognised as a liability at the end of the period:

Quarterly dividend for the year ended 31 March 2021 of \$0.04 (31 March 2020: \$0.04) per fully paid ordinary share, imputed, payable on 22 October 2020 (2020: 22 October 2019).	3,440	3,441	-
Quarterly dividend for the year ended 31 March 2021 of \$0.04 (31 Mar 2020: \$0.04) per fully paid ordinary share, imputed, payable on 28 January 2021 (2020: 30 January 2020).	3,422	3,466	-

9. CONTINGENT LIABILITY

Buy Right Cars

The hearing of the legal action brought against the Company by the vendor of the business disputing the quantum of the final earn out concluded in the High Court on 25 September 2020, judgement is pending. The directors consider that on balance of probabilities no payment will be made to the vendor.