

DELIVERING ON OUR PLAN FOR GROWTH.



Turners.
Automotive Group

ANNUAL REPORT
FOR THE YEAR ENDED 31 MARCH 2021

On behalf of the Board and management of Turners Automotive Group Limited, we are pleased to present the Annual Report for the financial year ended 31 March 2021.



Grant Baker
Chairman



Todd Hunter
Group Chief Executive Officer



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Our vision is to be NZ's leading ecosystem for vehicle users.

AUTOMOTIVE RETAIL

- New Zealand's largest buyer and seller of vehicles with more than 30,000 transactions every year
- One car sold every 6 minutes
- Branches and sites from Whangarei to Invercargill
- Awarded New Zealand's number 1 most trusted vehicle dealership brand two years in a row
- "Bricks and Clicks" retail model, combining our nationwide network with the online experience

FINANCE

- Targeting high quality consumer and commercial lending – primarily for automotive customers
- \$322 million in gross receivables (less impairments)
- More than 24,000 current consumer loans
- Average loan size \$12,000

INSURANCE

- Helping Kiwis with motor vehicle, loan protection and life insurance solutions, distributed through 943 licensed car dealers, finance companies & brokers, and life insurance advisers as well as online
- 5,500+ policies sold every month; 200,000+ active policies
- \$37.6 million in new policies sold in FY21
- Average 1,400 claims paid out monthly; \$20m in claims paid out in FY21

CREDIT MANAGEMENT

- A recognised leader in the debt collection and credit management sectors, for both corporate and SME customers
- \$89 million in corporate debt load in FY21; 36% average recovery rate
- \$41 million-plus collected from debtors in FY21
- 2,291 SME customers loading debt in FY21

OUR THREE-YEAR PLAN FOR GROWTH

The results of our Simplify, De-Risk and Growth strategies are now becoming clear and the changes we have made are delivering both market share growth and margin expansion, as well as de-risking the business.

We have identified four key areas underpinning earnings growth and these will be our focus going forward.

RETAIL OPTIMISATION

Optimising the property network and customer experience for retail consumers

VEHICLE PURCHASING DECISION-MAKING

Diagnostic tools and use of data tools to improve on the percentage of profit making vehicles

PREMIUM LENDING

Use of comprehensive credit data to strengthen our risk pricing strategy attracting higher quality borrowers, with lower margins more than offset by much lower impairments and losses

CONTINUED INVESTMENT IN DIGITAL AND OMNI-CHANNEL CUSTOMER EXPERIENCE

Digital initiatives across all businesses to create efficiencies and provide an enhanced customer experience

We have already found the right formula and will continue to optimise these areas to drive further earnings growth in all our businesses.

FY21 AT A GLANCE

- The used car market proved resilient, rebounding strongly following COVID-lockdown, for the 'high trust' Turners brand
- Acceleration of digital strategy and rigorous cost management saw strong profit lift in three of four divisions
- Market share growth and margin expansion helping to deliver record profit
- Robust annuity earnings from Finance and Insurance sectors validates the diversified business model
- **Auto Retail**
Used vehicle market demonstrated resilience throughout the year. Margin expansion driven by buying initiatives, strong consumer demand and restrained supply
- **Finance**
Continuing to grow share of premium tier, high quality borrowers, with arrears at record lows
- **Insurance**
A number of key competitive wins, risk pricing adjustment and cost initiatives supporting operating profit growth of 50%
- **Credit Management**
Decrease in revenue and profit due to market-wide conservatism with respect to debt collection during first phase of the pandemic, with debt load and collections work recently reinitiated
- **Turners is in a position of strength to deliver further on its growth plans**

FY21 FINANCIAL SNAPSHOT

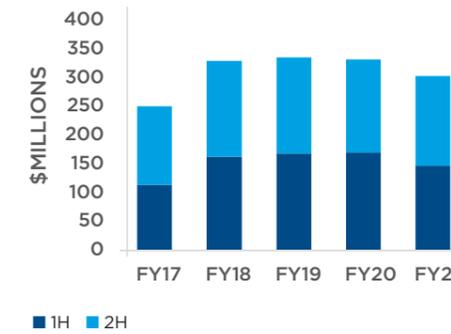
- Record earnings despite a COVID-disrupted year effectively reducing trading to a 10-month period
- Revenue down 11% to \$296.5m
- Net Profit Before Tax up 29% to \$37.4m
- Underlying Net Profit Before Tax up 19% to \$34.3m¹
- Net Profit After Tax up 28% to \$26.9m
- Record FY21 dividend of 20.0 cps (equating to a gross yield of 8.1% per annum based on a share price of \$3.42 as at 31 March 2021)
- Earnings per share up 29% to 31.4cps

Turners delivered record earnings in FY21, despite a COVID-disrupted year.

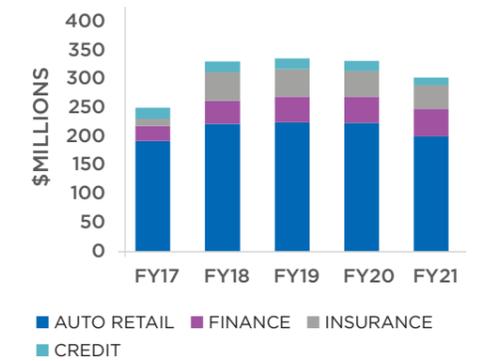


¹Underlying Net Profit Before Tax is a non-GAAP measure and excludes one-off or non-cash costs including property sales and acquisitions, COVID-related support and remuneration sacrifice, review and restructure costs and profit normalisation (Turners' estimated profit had the business not been shut during lockdown). In FY21, these totalled \$3.1 million. A reconciliation can be viewed on page 18.

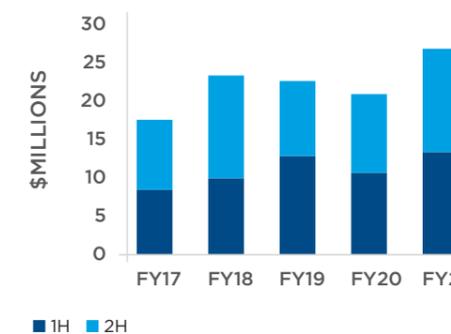
REVENUE



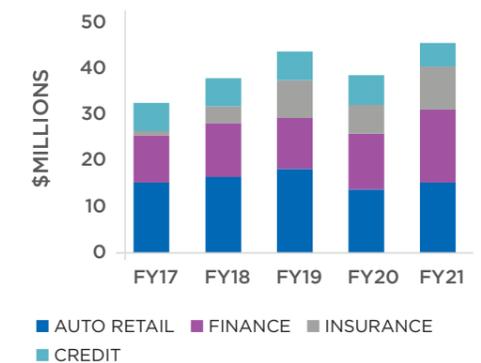
SEGMENT REVENUE



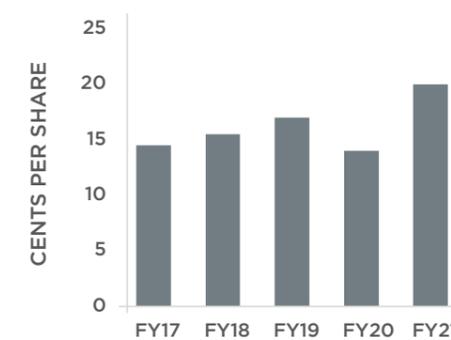
NET PROFIT AFTER TAX



SEGMENT OPERATING PROFIT



DIVIDEND PER SHARE



CHAIR AND CEO'S REPORT

Many of the changes we have made over the last two to three years are now starting to provide strong traction and we were pleased to report a record profit and record dividend in FY21.

The used car market proved resilient during the year and rebounded strongly following the initial COVID-lockdowns. We saw the benefits of the 'high trust' Turners brand during this time as consumers turned to us for their vehicle needs.

Our team responded incredibly well to the pandemic. Their high levels of engagement combined with the diversified nature of the business, ensured we were well positioned as we moved out of lockdown. "We went early" on our cost reduction plans and a number of the changes we have made in the business over the last few years put us in a position to be able to take advantage of the opportunities available to us.

As a group, we have continued to build quality customer experiences, and improve the quality of the work environment for our people, which in turn will deliver quality returns for our shareholders.

Margin expansion and market share gains are helping deliver the bottom line growth that we knew was possible, and the mix of diversified earnings is delivering the consistent growth plus yield that shareholders are looking for.

Our company is in a real position of strength and we are very confident in our growth plans.

STRONG FINANCIAL PERFORMANCE

Although a disrupted operating period saw FY21 revenue down 11% to \$296.5m, a strong response from the business, including acceleration of our digital strategy and rigorous cost management saw three of our four divisions lift profit strongly. Only Credit Management was down on last year's result with a number of our corporate and bank customers reluctant to pursue debt aggressively over the COVID-19 period.

Demonstrating the benefits of the Group's diversified annuity businesses, profit rose 50% in Insurance, 30% in Finance and 11% in Automotive Retail, contributing to strong and sustainable yield. Profit in the Credit Management business was down 22%.

We remain committed to delivering a strong and sustainable yield to shareholders and were pleased to deliver record dividends of 20 cents per share in FY21. This is a payout ratio of 64% of net profit after tax.

Our funding remains at conservative levels, with plenty of headroom to support our growth plans. During the year, we increased the size of the securitisation warehouse with BNZ from \$250m to \$300m which is a strong vote of confidence from their credit analysis and scrutiny.

OPERATING PERFORMANCE BY DIVISION

Turners' Auto Retail, Finance and Insurance divisions all delivered significantly improved earnings. Only Credit Management had an earnings decrease year on year, which was due to the reduced debt load during the last 12 months as many of the large banks stopped collection actions due to the reputational risk during COVID-19.

AUTO RETAIL

Revenue \$201.0m - 11%
Operating Profit \$15.4m +11%

The Auto Retail division revenue was 11% lower at \$201.0m, reflecting fewer units, an impact of the national and regional lockdowns. Volumes have recovered in the second half of the year and improving margins have been a significant driver of profitability. Margin expansion is due to a number of buying initiatives and a result of tight supply of cars nationally, due to supply constraints for new cars.

Reducing the cost base was a key priority out of lockdown. The used car market has demonstrated resilience, not just rebounding after lockdowns, but through the economic cycle.

FINANCE

Revenue \$47.9m +5%
Operating Profit \$15.8m +30%

The Finance division is now a significant contributor to group earnings and has gone from strength to strength over the last 12 months, with the highest segmental NPBT. Revenue for FY21 was \$47.9m, up 5% on last year. NPBT was \$15.8m up 30% of the year prior, continuing to gain market share in the high quality borrower segment of customers, providing more than 45% of the new loans written each month in the premium risk tier. Targeting high-quality borrowers means arrears are at record low levels with Consumer arrears at 4.2% and Commercial arrears at 1.8%. Finance has retained a COVID-19 arrears provision buffer to allow for any unemployment increase in future months.

INSURANCE

Revenue \$41.9m -5%
Operating Profit \$9.4m +50%

Insurance revenue decreased 5% to \$41.9m due to the impact of national and regional lockdowns.



**Record dividends
in FY21 equated to
a gross yield of
8.1% p.a.***

*based on a share price of \$3.42
as at 31 March 2021

Gross Written Premium (GWP) increased for the year due to a number of key competitive wins and risk pricing adjustments and despite the lockdowns was 2% ahead of FY20. NPBT was up 50% to \$9.4m on higher margins, reduced claims, lower overhead costs, and the finish of amortising the acquired premium portfolio as part of the Autosure acquisition from Vero in 2017. Progress on building our distribution over the year included two sizeable system integration projects completed with Marac Finance and MTF Finance. Combined claims ratios improved from 69% in FY20 to 60% in FY21.

CREDIT MANAGEMENT

Revenue \$12.8m -29%
Operating Profit \$5.1m -22%

Credit Management revenue decreased 29% to \$12.8m, due to the impact of COVID-19 and the market-wide conservatism with respect to debt collection during the first phase of the pandemic. Debt load was down 47% to \$119m over the FY21 year as a result of this reputation management. Many large corporate customers only recently once again began initiating collection actions. Despite revenue being down 29%, NPBT was only down 22% to \$5.1m. The division is working closely with referrers to manage and improve customer outcomes as we operate in an environment where bad debts are likely to increase and debt collection services will see increasing demand. We have now seen lenders who were prioritising reputation over collections, reinstate debt load and collections work. A similar pattern was experienced post the GFC, before a busy collection period began.

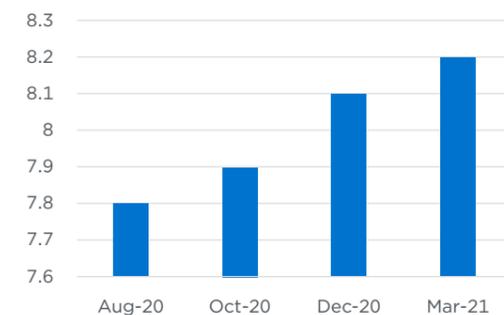
SUSTAINABILITY

Our drive to create a better business encompasses not only delivering returns to our shareholders, but also supporting our people, our communities and our environment.

As would be expected, the focus of our sustainability strategy in FY21 was primarily around looking after the welfare of our staff and the needs of our customers. At no other time has the importance of supporting our people been more evident and staff welfare and safety was a priority. We were able to keep many staff working from home and financially supported those who were unable to work.

We have implemented Peakon, an employee engagement survey which gives our people a regular opportunity to provide feedback on a whole range of topics, including employee engagement. We have seen positive improvement in our scores since launch and are very pleased with the high levels of engagement right across the group.

Peakon Employee Engagement Scores



Across nearly 700 employees we are averaging 8+ out of 10 to the question “how likely is it that you would recommend Turners Auto Group as a place to work?”.

Health and safety remains a priority and at the start of the pandemic, we moved quickly to create new ways of working, to keep our people and our customers safe during this time.

We believe in doing the right thing for our customers and our people, and are committed to ethical and fair conduct. During FY21, we dealt with 1,700+ customer hardship situations in Oxford Finance and successfully rehabilitated 96% of those over the last 12 months.

We are conscious that we operate in a sector which has a high carbon footprint and are in the process of measuring our own carbon impact. We are helping by removing old and end of life cars off the road and are making a serious investment into increasing our Turners Subscription electric vehicle fleet, which makes it more accessible for people to try and drive an EV car.

We also take sustainability into account when building new sites and premises. We are piloting solar power installations in two of our sites and have committed to rainwater retention systems.

LOOKING FORWARD

A STRONG FOCUS ON ORGANIC GROWTH

Our growth plan has developed over the last 24 months and we are confident our actions will deliver continuing growth over the next three years.

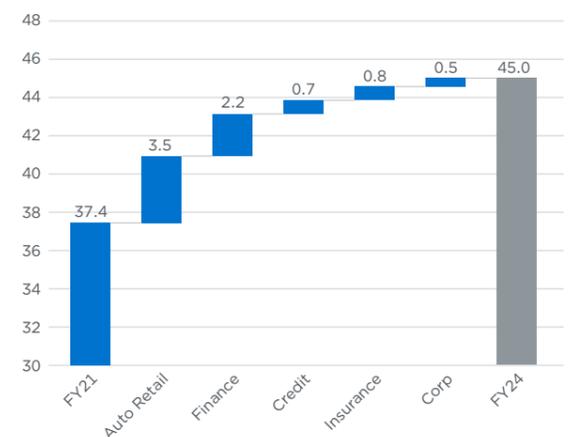
Four key areas will underpin our earnings growth. These will be a combination of both physical and digital investments and initiatives are already underway.

1. Retail Optimisation across people, property and processes.
2. Vehicle purchasing decision-making using data and tools to help identify new sourcing opportunities and ensure our vehicle buyers are maximising opportunities
3. Growing premium lending within Finance
4. Continued investment in digital and improving our omni-channel customer experience which allows customers to engage with us however, whenever and wherever they want.

Our focus is on organic growth which will be funded out of retained earnings and we are continually assessing ways to make our business more capital efficient.

Within three years we are targeting profit before tax of \$45 million. This would equate to a dividend payout of 24cps.

Net Profit Before Tax Bridge (\$M)



FY22 OUTLOOK

Shareholders should expect to see a further improved result in FY22 and, accordingly, a corresponding increase in FY22 dividends.

FY22 to date has seen a continuation of the positive momentum Turners has enjoyed over the past 10 months.

In Automotive Retail, we are expecting the supply-constrained market to continue for 12-18 months due primarily to impacts on the new car supply chain. New lending in the finance business will be strong and our expectation is that arrears will continue to improve, as the weighting towards newly introduced premium loans grows as a percentage of the book. In Insurance, we expect new policy sales to be buoyant and claims ratios to stabilise. Lastly, in Credit Management, debt recovery is returning as corporate customers start to get back to business as usual.

The Turners business and, in particular, the Auto Retail and Credit Management businesses are highly cash generative which gives us the opportunity to deliver growth + yield for shareholders.

We have full confidence that our growth plans will support our continued positive momentum in FY22. We look forward to delivering another year of value to our people, our customers and our shareholders.



Grant Baker
Chairman



Todd Hunter
Group Chief Executive Officer

OUR FY22 GROWTH MODEL**AUTO RETAIL**

- Stock acquisition – secure the right cars at the right price
- Reduce risk of mis-pricing through the implementation and capture of vehicle diagnostic data
- Continue to invest in promoting the Turners brand - build market share
- Retail optimisation – developing and launching Rotorua and Nelson

FINANCE

- Expand distribution
- Keep improving credit quality through data driven risk pricing
- Simplify and automate lending process
- Reduce early settlements

INSURANCE

- Expand distribution through partnership strategy and sales integration into other businesses
- Cost and claims management discipline
- Use of data analytics to further enhance risk pricing and support market share growth

CREDIT MANAGEMENT

- Grow SME debt load
- Build on data initiatives to drive up contact rates with debtors
- Continue to develop Debtor self service portal, Xero/MYOB
- Continue working closely with corporates to manage reputational risk

We have identified key work streams in each of our divisions. In Auto Retail, stock acquisition is the single most important area of investment. Strategically this is where our competitive moat becomes even wider. In Finance, simplifying and automating as much of our lending process is the number one priority. In Insurance, continuing to expand our distribution is the top of the work stream list; and in Credit Management, investing in data initiatives to improve contact rates will be the most important area we will be working on.



A GREEN SUBSCRIPTION OPPORTUNITY

Consumer interest in Turners Subscription platform is steadily building and the addition of electric vehicles is proving an added bonus for those looking for a 'greener' drive.

Turners now has more than twenty electric vehicles available for subscription from as low as \$112 per week. The initial ten vehicles were co-funded through the Energy Efficiency and Conservation Authority (EECA) low emission vehicles contestable fund, a programme designed to accelerate EV uptake in New Zealand.

Turners Subscription provides customers with the opportunity to try cars that they ordinarily may not consider purchasing, such as electric vehicles. We know with EVs the large capital outlay is a major impediment to uptake.

Subscription is a great way to make EVs far more accessible to more Kiwis and allow people to really experience an EV and assess whether it will work for them before committing to the full cost of purchase.

The Saunders-Smeath family from Northland were amongst the first in New Zealand to make use of an innovative new Electric Vehicle subscription service available from Turners.

"We've learnt a lot about EV's and their potential with regards to sustainability opportunities now and into the future," said Chris Saunders. "We had some preconceived ideas about what it might be like, so the chance to drive the vehicle for an extended time has been quite an eye-opener."

Asked whether they would consider buying an EV, Chris said "Yes, after the experience we've had, we certainly would consider doing so."

Turners Subscription launched in October 2020 and uptake has been growing from customers looking for the flexibility and convenience that a subscription service offers.

Instagram <https://www.instagram.com/turnerssubscription/>

Website www.turnerssubscription.co.nz





Turners Cars Westgate

We have been building up a portfolio of property assets within Turners Automotive Group over the last seven years. We have been able to leverage some of the insurance company reserves to invest in these properties to support the Auto Retail division. The developed properties are on the balance sheet at a cost of \$47.3m.

Based on valuations received at FY21 year end, the conservative market valuation of the developed properties is now at \$61.3m which represents an unrealised gain of \$14m. We have recently purchased two new properties to develop in Rotorua and Nelson which will come onstream in FY22. These will take our property portfolio to 9 sites.

EXPANDING OUR RETAIL NETWORK

We continue to optimise our Auto Retail network as we aim to be closer and more accessible to our customers and progress the transition from wholesale to retail. We regularly assess new regions and sites and see a significant opportunity in provincial New Zealand.

In FY21, we expanded our portfolio as follows:

- **Dunedin (May 20)** - replaced an existing site with a new site almost double the size (9,000m²) and created a much better retail experience for customers.
- **Westgate Auckland (Oct 20)** - Opened a new retail-optimised site in the up and coming development area of Westgate in West Auckland.
- **Otahuhu Auckland (Jan 21)** - established a new retail site in Otahuhu as part of the reconfiguration of the Auckland footprint which included exiting the large wholesale facility at Penrose.

Site \$Millions	Original Cost	31-Mar-21 Valuation	Unrealised Gain
Developed sites			
John Seddon Drive, Porirua*	7.8	9.7	1.9
160 Roscommon Road, Auckland*	6.6	10.7	4.1
Walton Street, Whangarei*	5.4	6.5	1.1
Francella St, Christchurch*	1.8	2.7	0.9
Archers Road, Auckland	13.6	17.0	3.4
Mt Richmond, Auckland	11.3	13.6	2.3
Matipo Lane, Palmerston North	0.8	1.1	0.3
Total Developed sites	47.3	61.3	14.0
Development sites (settled in FY22)			
Nelson (purchased in March 2021)	4.0		
Rotorua (purchased in April 2021)	5.5		

*Properties owned by DPL Insurance Limited

FY21 FINANCIAL REVIEW

This financial commentary should be read in conjunction with the full financial statements and Notes to the Financial Statements in the FY21 Annual Report.

REVENUE

The disrupted operating period saw FY21 revenue down 11% to \$296.5m. Auto Retail, Finance and Insurance sales were directly impacted by the hard lockdown in April/May, and the later regional lockdowns to a lesser extent. The used car market recovered strongly following lockdown, with a positive impact on revenue in the second half for all three businesses. The Finance book also reflects better quality business written at lower interest rates. Credit management revenue impacted by lack of debt load from major banks as they managed reputational risk.

PROFIT

Turners Net Profit Before Tax of \$37.4m was a 29% increase on the prior year.

Demonstrating the benefits of the Group's diversified annuity businesses, profit rose 50% in Insurance, 30% in Finance and 11% in Automotive Retail. Profit in the Credit Management business was down 22%.

Auto Retail's result was underpinned by stronger commercial business and improved margins on owned inventory. Finance was driven by writing higher quality new business and the resulting improved arrears performance; and Insurance result reflects improvement in claims ratios and cost base.

Net Profit After Tax was up 28% to \$26.9m.

Underlying Net Profit Before Tax was up 19% to \$34.3m². While there were a number of COVID-related impacts to profit in 1H21, there were no one-off adjustments in 2H21. Turners' run rate is expected to continue at this rate of \$3 million-plus in operating profit per month.

\$MILLIONS	PERIOD	FY21	FY20	VAR
Profit before tax actual		37.4	29.1	29%
Oxford strategic review costs		-	0.2	
Property exit and lease adjustments*	H1	(1.3)	(0.5)	
NZ Government COVID Support	H1	(5.1)		
Staff/Directors Rem Sacrifice	H1	(1.0)	-	
Employee restructure costs	H1	0.8		
Profit normalisation (Apr/May 20)	H1	3.5		
Underlying operating result		34.3	28.8	19%
H2 Operating Profit Run Rate		18.7		

*A number of properties have been exited as part of Turners' retail optimisation and cost management plan. Property adjustment includes IFRS 16 adjustment of \$1.9m benefit offset by property exit costs of \$1.3m, and rent relief of \$700k

²Underlying Net Profit Before Tax is a non-GAAP measure and excludes one-off or non-cash costs including property sales and acquisitions, COVID-related support and remuneration sacrifice, review and restructure costs and profit normalisation (Turners' estimated profit had the business not been shut during lockdown). In FY21, these totalled \$3.1 million.

BALANCE SHEET

The balance sheet has the capacity to support growth.

The cash balance has now reduced to 'normal' levels following the precautionary increase in cash held in April and May 2020 due to the COVID pandemic.

Inventory reduction is due to improved stock turn and management of aged stock.

Growing property portfolio with completed sites valued at \$61.3 million at FY21 year end (on the balance sheet at cost of \$47.3m).

The change in Finance receivables reflects quality ledger growth in Oxford.

The property, plant and equipment increase is due to the development of the new site in Otahuhu and the purchase of a site in Nelson.

Borrowings reflect some de-leveraging that occurred post lockdown, offset by funding to support the growth in Oxford finance lending.

\$MILLIONS	FY21	FY20
Cash and cash equivalents	12	33
Financial assets at fair value	70	65
Inventory	30	44
Finance receivables	330	293
Property, plant and equipment	60	53
Right of use Assets	24	25
Intangible asset	166	167
Other assets	26	29
Total Assets	718	708
Borrowings	340	350
Other payables	38	28
Deferred tax	11	10
Insurance contract liabilities	53	51
Lease liabilities	29	33
Other Liabilities	14	13
Total Liabilities	485	485
Shareholders Equity	233	223

FUNDING MIX

Turners' funding remains at conservative levels and is optimised to support growth plans.

Three quarters of debt (77%) relates to finance receivables, of which nearly a quarter of those receivables are supported by Turners' equity. This means we have plenty of capacity from a capital and funding point of view to keep Oxford Finance growing. Oxford Finance has an equity to total assets ratio of 23% and currently has capacity to underpin a further 18 months growth in the finance book.

The Securitisation funding facility limit was increased to \$300m (including capital contribution from TRA), to support growth in Oxford.

\$MILLIONS	LIMIT	DRAWN	UNDRAWN
Receivables - Securitisation (BNZ)	276	239	37
Receivables - Banking Syndicate (ASB/BNZ)	50	20	30
Receivables - MTF	3	3	-
Corporate & Property (incl Bond)	95	69	26
Inventory (ASB)	30	9	21
Totals	454	340	114

THE BOARD



GRANT BAKER

Non-executive Chairman | Appointed September 2009

Grant Baker has wide experience at a senior level in both public and private New Zealand companies. He has been involved in a number of successful ventures, including 42 Below Vodka and Trilogy International. He is chairman on NZX listed Me Today Limited and was chairman of 42 Below Vodka and Trilogy International.

With a 7.54% shareholding, Grant is a long term committed investor in Turners Automotive Group and has been Chairman of Turners Automotive Group since September 2009. As an avid collector of specialist vehicles and a motor racing enthusiast, both as a competitor and as a backer of young up and coming drivers. He is currently chairman of the Liam Lawson Supporters Partnership and is passionate about the strong Turners brand and its focus on cars.



PAUL BYRNES

Deputy Chairman and Independent 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 2.90% 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 7.65% combined holding in the company. Matthew is a self-confessed "car nut" and has collected and owned a variety of special cars over the years. 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 11.17% 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 entrepreneurial ventures where he has successfully built, acquired and exited several companies with values in excess of USD \$600m. Martin later founded and now runs venture capital firm Launcho Ventures out of Singapore investing in early stage tech companies.

THE EXECUTIVE TEAM



TODD HUNTER
Group Chief Executive Officer



AARON SAUNDERS
Group Chief Financial Officer



SIMON GOULD-THORPE
Group Chief Information Officer



GREG HEDGEPEETH
CEO Turners Automotive Retail



JAMES SEARLE
Group General Manager Insurance



JEREMY ROOKE
Group Chief Digital Officer



MATTHEW GANNAWAY
CEO EC Credit Control



MARYANNE BURNS
Group General Manager People & Culture



GUY BRYDEN
COO Oxford Finance

TODD HUNTER

Group 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 utilises leading technologies and follows best practice IT management including DevOps and Agile methodologies.

GREG HEDGEPEETH

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. With a Bachelor of Commerce majoring in marketing from Auckland University he has successfully completed numerous marketing roles, followed by a number of years working for Saatchi & Saatchi in NZ and other advertising agencies overseas. Greg brings a strong strategic sales and marketing focus to his current role.

JAMES SEARLE

Group General Manager Insurance

James is responsible for the sustainable and profitable growth of DPL Insurance and leads the company's focus on delivering outstanding outcomes for our customers. James has over 30 years' experience in the New Zealand insurance industry with his previous roles encompassing all aspects of insurance; sales and marketing, intermediated distribution management and underwriting including portfolio acquisitions. James joined Turners Automotive Group in 2011 and holds a Diploma of Business (Marketing) from Auckland University.

JEREMY ROOKE

Group Chief Digital Officer

Jeremy joined Turners Automotive Group in 2009. His role involves leading the application of new technologies, business models and channels to transform Turners' digital capabilities. Jeremy brings over 20 years of IT experience having worked on several large transformative IT programmes in NZ and Australia, most notably in the insurance sector. Jeremy holds degrees in Law and Arts from Auckland University.

MATTHEW GANNAWAY

CEO EC Credit Control

Matt joined EC Credit Control in 2003 and has worked in many different areas of the business prior to becoming CEO in 2021. He holds a business degree from Massey University and has a strong technology focus to drive better outcomes. With a long career in the credit management industry, Matt brings a wealth of experience and expertise.

MARYANNE BURNS

Group General Manager People & Culture

Maryanne joined Turners in 2019. She has 20 years of experience as a Human Resources Professional in a broad range of industries in New Zealand. These include automotive, financial services, insurance, environmental solutions, importation and distribution. Maryanne has led multiple transformational people projects across a number of businesses.

GUY BRYDEN

COO Oxford Finance

Guy Joined Turners in 2018, and is responsible for Finance and Operations at Oxford Finance. Before joining Turners Guy held a number of roles in the banking industry, including 3 years working in London for Mizuho Bank in corporate finance. Guy is a chartered accountant and holds a Bachelor of Commerce from Otago University.

Turners

Automotive Group

FINANCIAL REPORTS

FOR THE YEAR ENDED
31 MARCH 2021

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INDEPENDENT AUDITOR'S REPORT
for the year ended 31 March 2021

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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 33 to 86, which comprise the consolidated statement of financial position as at 31 March 2021, 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 2021, 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 the Group. Our audit work has been undertaken so that we might state to the Shareholders of the Group those matters 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 the Shareholders of the Group as a body, 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) *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (including International Independence Standards)* ('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.

INDEPENDENT AUDITOR'S REPORT cont.
for the year ended 31 March 2021



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 matter	How our audit addressed the key audit matter
<p>Impairment testing of Goodwill and Other Indefinite Life Intangible Assets</p> <p>As disclosed in Note 22 of the Group's consolidated financial statements the Group has goodwill of \$92.5m allocated across four of the Group's cash-generating units ('CGUs') and brand assets of \$67.1m allocated across two of those CGUs.</p> <p>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'.</p> <p>Management has completed the annual impairment test for each of these four CGUs as at 31 March 2021.</p> <p>This annual impairment test involves complex and subjective estimation and judgement by Management on the future performance of the CGUs, discount rates applied to the future cash flow forecasts, the terminal growth rates, and future market and economic conditions.</p> <p>Management has also engaged an external valuation expert to assist in the annual impairment testing of the four CGUs.</p>	<p>Our audit procedures among others included:</p> <ul style="list-style-type: none"> Understanding the Group's internal controls relevant to the accounting estimates used to determine the recoverable value of the Group's CGUs. Evaluating Management's determination of the Group's four 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. Evaluating the competence, capabilities, objectivity and expertise of Management's external valuation expert and the appropriateness of the expert's work as audit evidence for the relevant assertions. 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 (including the consideration of the impact of the COVID-19 pandemic). <p>Procedures included:</p> <ul style="list-style-type: none"> Evaluating the logic of the value-in-use calculations supporting Management's annual impairment test and testing the mathematical accuracy of these calculations; Evaluating Management's process regarding the preparation and review of forecasts; Comparing forecasts to Board approved forecasts; Evaluating the historical accuracy of the Group's forecasting to actual historical performance; Challenging and evaluating the forecast growth assumptions; Evaluating the inputs to the calculation of the discount rates applied; 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; Evaluating the forecasts, inputs and any underlying assumptions with a view to identifying Management bias; Evaluating Management's sensitivity analysis for reasonably possible changes in key assumptions; and Performing our own sensitivity analyses for reasonably possible changes in key assumptions, the two main assumptions being: the discount rate and forecast growth assumptions. <ul style="list-style-type: none"> Evaluating the related disclosures about indefinite life intangible assets which are included in Note 22 in the Group's consolidated financial statements.

INDEPENDENT AUDITOR’S REPORT cont.
for the year ended 31 March 2021



Key audit matter	How our audit addressed the key audit matter
<p>Valuation of Finance Receivables</p> <p>As disclosed in Note 14 of the Group’s consolidated financial statements, the Group has finance receivable assets of \$330.2m. 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 expected credit losses and the amount of those expected credit losses.</p> <p>Management has prepared expected credit losses models to complete its assessment of expected credit losses for the Group’s finance receivables as at 31 March 2021 (including a COVID-19 related overlay of \$1.4m).</p> <p>This assessment involves complex and subjective estimation and judgement by Management on credit risk and the future cash flows of the finance receivables.</p>	<p>Our audit procedures among others included:</p> <ul style="list-style-type: none"> Understanding the Group’s internal controls relevant to the accounting estimates used to determine the recoverable value of the Group’s finance receivables. Evaluating the design and operating effectiveness of the key controls over finance receivable origination, ongoing administration and expected credit losses model data and calculations. Evaluating and challenging the logic, key assumptions, and calculation of Management’s expected credit losses provision for impairment for each finance receivable, examining those finance receivables and forming our own judgements as to whether the expected credit losses provision for impairment recognised by Management is appropriate (including the consideration of the impact of the COVID-19 pandemic). <p>Procedures included:</p> <ul style="list-style-type: none"> Agreeing a representative sample of finance receivables to the signed loan agreement, client acceptance documents, mortgage documents, and registered valuations performed on acceptance; Inspecting security documentation to ensure that the and its subsidiaries holds a valid charge on security; Evaluating the logic of the discounted cash flow calculations supporting Management’s expected credit losses provision for impairment and testing the mathematical accuracy of these calculations; Evaluating the key assumptions and inputs into these discounted cash flow calculations (including the consideration of the impact of the COVID-19 pandemic on key assumptions); and Inspecting the borrowers’ payment history for indicators of difficulties in the borrowers’ ability to meet the loan obligations (including the consideration of the impact of the COVID-19 pandemic on key assumptions). Evaluating the selection of estimation methods, inputs and any underlying assumptions with a view to identifying Management bias. For individually assessed finance receivables, examining those finance receivables and forming our own judgements as to whether the expected credit losses provision recognised by Management was appropriate (including the consideration of the impact of the COVID-19 pandemic on the expected credit losses provision). For the collectively assessed finance receivables, evaluating and challenging the logic of Management’s expected credit losses models and the key assumptions used with our own experience (including the consideration of the impact of the COVID-19 pandemic on key assumptions). Also, testing key inputs used in the expected credit losses models and the mathematical accuracy of the calculations within the models. Evaluating the changes made to the provisioning model to capture the effect of the changing economic environment at 31 March 2021 compared to the economic environment at the date when the historical data used to determine the expected credit losses was collected (described in Note 4 to the Group’s consolidated financial statements). Evaluating the related disclosures (including the accounting policies and accounting estimates) 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.

INDEPENDENT AUDITOR’S REPORT cont.
for the year ended 31 March 2021



Key audit matter	How our audit addressed the key audit matter
<p>Valuation and completeness of Insurance Contract Liabilities</p> <p>As disclosed in Note 35 of the Group’s consolidated financial statements the Group has insurance contract liabilities of \$53.1m. 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.</p> <p>Management has engaged an external actuarial expert to estimate the Group’s insurance contract liabilities as at 31 March 2021.</p>	<p>Our audit procedures among others included:</p> <ul style="list-style-type: none"> Understanding and evaluating the Group’s internal controls relevant to the accounting estimates used to determine the valuation of the Group’s insurance policyholder liabilities. Evaluating the design and operating effectiveness of the key controls over insurance contract origination, ongoing administration, claims management and reporting and the integrity of the related data. 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: <ul style="list-style-type: none"> the work and findings of the Group’s external actuarial expert engaged by Management; and the Group’s actuarial methods and assumptions to assist us in challenging the appropriateness of actuarial methods and assumptions used by Management. Evaluating the selection of methods and assumptions with a view to identify Management bias. Evaluating the related disclosures (including the accounting policies and accounting estimates) about insurance contract liabilities, and the risks attached to them, which are included in Note 35 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 2021 (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.

INDEPENDENT AUDITOR'S REPORT cont. for the year ended 31 March 2021



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.

INDEPENDENT AUDITOR'S REPORT cont. for the year ended 31 March 2021



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent fairly 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 2021 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 24 June 2021 to confirm the information included in the audited consolidated financial statements presented on this website.

INDEPENDENT AUDITOR'S REPORT cont.
for the year ended 31 March 2021



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 N S de Frere.

Baker Tilly Staples Rodway

BAKER TILLY STAPLES RODWAY AUCKLAND

Auckland, New Zealand

24 June 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2021

	Notes	2021 \$'000	2020 \$'000
Revenue	7	296,512	332,174
Other income	7	7,015	500
Cost of goods sold		(116,036)	(135,003)
Interest expense	7	(11,266)	(14,853)
Impairment provision expense	7	(3,986)	(6,044)
Subcontracted services expense		(14,888)	(17,149)
Employee benefits		(52,023)	(55,458)
Commission		(12,721)	(13,368)
Advertising expense		(2,349)	(2,743)
Depreciation and amortisation expense	7	(11,418)	(11,919)
Systems maintenance		(2,365)	(1,747)
Claims		(21,843)	(25,952)
Other expenses		(17,257)	(19,373)
Profit before taxation		37,375	29,065
Taxation (expense)/benefit	8	(10,511)	(8,112)
Profit for the year		26,864	20,953
Other comprehensive income for the year (which may subsequently be reclassified to profit/loss), net of tax			
Cash flow hedges		1,023	(447)
Revaluation of financial assets at fair value through OCI		(430)	(310)
Foreign currency translation differences		33	(12)
Total other comprehensive income		626	(769)
Total comprehensive income for the year		27,490	20,184
Earnings per share (cents per share)			
Basic earnings per share	9	31.40	24.35
Diluted earnings per share	9	31.54	24.35

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2021

	Notes	Share capital \$'000	Share options \$'000	Translation reserve \$'000	Revaluation of financial assets at fair value through OCI \$'000	Cash flow hedge reserve \$'000	Retained earnings \$'000	Total \$'000
Balance at 31 March 2019		206,395	1,027	(47)	-	(528)	19,527	226,374
Change in accounting policies								
Impact of the 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)	28	97	-	-	-	-	-	97
Capital buy back	28	(3,192)	-	-	-	-	-	(3,192)
Cancellation of options	29	1,027	(1,027)	-	-	-	-	-
Dividend paid	30	-	-	-	-	-	(14,742)	(14,742)
Total transactions with shareholders in their capacity as owners		(2,068)	(1,027)	-	-	-	(14,742)	(17,837)
<i>Comprehensive income</i>								
Profit		-	-	-	-	-	20,953	20,953
Other comprehensive income		-	-	(12)	(310)	(447)	-	(769)
Total comprehensive income for the year, net of tax		-	-	(12)	(310)	(447)	20,953	20,184
Balance at 31 March 2020		204,327	-	(59)	(310)	(975)	20,072	223,055
<i>Transactions with shareholders in their capacity as owners</i>								
Capital buy-back	28	(30)	-	-	-	-	-	(30)
Employee share based payments	29	-	255	-	-	-	-	255
Dividend paid	30	-	-	-	-	-	(17,200)	(17,200)
Total transactions with shareholders in their capacity as owners		(30)	255	-	-	-	(17,200)	(16,975)
<i>Comprehensive income</i>								
Profit		-	-	-	-	-	26,864	26,864
Other comprehensive income		-	-	33	(430)	1,023	-	626
Total comprehensive income for the year, net of tax		-	-	33	(430)	1,023	26,864	27,490
Balance at 31 March 2021		204,297	255	(26)	(740)	48	29,736	233,570

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

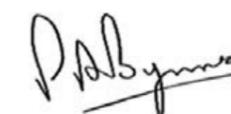
for the year ended 31 March 2021

	Notes	2021 \$'000	2020 \$'000
Assets			
Cash and cash equivalents	10	11,867	32,771
Financial assets at fair value through profit or loss	11	70,396	64,988
Trade receivables	12	7,155	8,609
Inventories	13	30,189	44,371
Finance receivables	14	330,165	293,037
Other receivables, deferred expenses and contract assets	15	8,116	8,572
Derivative financial instruments		40	-
Financial assets at fair value through OCI	16	570	1,000
Reverse annuity mortgages	17	4,152	4,913
Property, plant and equipment	19	60,258	52,788
Right-of-use assets	20	23,559	24,850
Investment property	21	5,950	5,650
Intangible assets	22	166,034	166,843
Total assets		718,451	708,392
Liabilities			
Other payables	23	38,243	28,048
Contract liabilities	24	2,313	2,085
Deferred tax	25	11,297	10,080
Tax payables		3,453	2,772
Derivative financial instruments		-	985
Borrowings	26	339,611	350,364
Lease liabilities	27	28,747	32,511
Life investment contract liabilities	35	8,116	7,072
Insurance contract liabilities	35	53,101	51,420
Total liabilities		484,881	485,337
Shareholders' equity			
Share capital	28	204,297	204,327
Other reserves		(463)	(1,344)
Retained earnings		29,736	20,072
Total shareholders' equity		233,570	223,055
Total shareholders' equity and liabilities		718,451	708,392

For and on behalf of the Board



G.K. Baker
Chairman Director



P.A. Byrnes
Deputy chairman

Authorised for issue on 24 June 2021

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2021

	Notes	2021 \$'000	2020 \$'000
Cash flows from operating activities			
Interest received		41,598	43,874
Receipts from customers		256,676	289,275
Receipt of government subsidies		5,247	-
Interest paid - borrowings		(9,193)	(10,822)
Interest paid - lease liabilities		(1,461)	(2,034)
Payment to suppliers and employees		(222,063)	(285,795)
Income tax paid		(8,166)	(11,460)
Net cash outflow from operating activities before changes in operating assets and liabilities		62,638	23,038
Net increase in finance receivables		(48,654)	(27,826)
Net decrease in reverse annuity mortgages		1,134	3,964
Net (increase)/decrease of financial assets at fair value through profit or loss		(4,090)	704
Net (withdrawals)/contributions from life investment contracts		(150)	88
Changes in operating assets and liabilities arising from cash flow movements		(51,760)	(23,070)
Net cash (outflow)/inflow from operating activities	32	10,878	(32)
Cash flows from investing activities			
Proceeds from sale of property, plant, equipment and intangibles		563	913
Purchase of property, plant, equipment and intangibles		(8,641)	(19,245)
Purchase of investments		-	(1,310)
Sale of investments		234	473
Net cash inflow/(outflow) from investing activities		(7,844)	(19,169)
Cash flows from financing activities			
Net bank loan advances/(repayments)		(392)	61,038
Principal elements of lease payments		(6,346)	(6,998)
Buy back of shares		-	(3,192)
Dividend paid		(17,200)	(14,742)
Net cash inflow/(outflow) from financing activities		(23,938)	36,106
Net movement in cash and cash equivalents		(20,904)	16,905
Add opening cash and cash equivalents		32,771	15,866
Closing cash and cash equivalents		11,867	32,771
Represented By:			
Cash at bank	10	11,867	32,771
Closing cash and cash equivalents		11,867	32,771

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

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 24 June 2021.

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

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

Except for the early adoption of COVID-19 Rent Concessions (Amendment to NZ IFRS 16), no new standards and amendments and interpretations to existing standards came into effect during the current accounting period beginning on 1 April 2020 that materially impacted the Group's financial statements and require retrospective adjustment.

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 2020

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

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 amortised 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 2023.

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 2023.

3.3 Basis of consolidation

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.

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.

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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 translated to the functional currency at the exchange rate at that date. The foreign currency gains or losses 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 translated 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 translation 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 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 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 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 rebates 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 when the service is rendered. Payment is either deducted from the monies collected or raised as trade receivable. Proceeds received are recognised as a contract liability 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 proceeds received from voucher sales are 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.

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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 and recognised as Financial assets at fair value through profit or loss. 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 Government grants

Government grants are not recognised as income 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.

3.5.5 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.

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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 expected credit losses. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any expected credit losses.

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

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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 equity securities, unitised funds, fixed interest securities and term deposits.

(iii) Finance assets at FVTOCI

Equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

On disposal of these equity securities, any related balance within the FVTOCI reserve is reclassified to retained earnings.

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. Homogeneous loans are assessed on a collective basis (collective impairment provision) and non-homogeneous loans are assessed individually (specific impairment provision).

(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 such as:

- actual or expected changes in economic indicators (i.e. change in employment rates); and
- for non-homogeneous loans significant changes in the value of the collateral supporting the loan or changes in the operating results of the borrower.

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.

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 another default criteria 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.

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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, after collection/realisation costs, 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 gains or losses 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.

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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 foreign currency and 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

Hedge effectiveness is determined using the critical terms method ('CTM'). Under the CTM, the critical terms of the derivative instruments must match or be closely aligned with the critical terms of the hedged item. Hedge ineffectiveness is measured by using the hypothetical derivative method. This method compares the hedging instrument to a hypothetical derivative (in which the fair value is determined by the credit-risk free benchmark rate) and the ineffective portion is measured by the extent to which the cumulative change in fair value of the hedging instrument exceeds the change in fair value of the hypothetical derivative (in absolute terms).

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

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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.

3.7 Right-of-use assets and lease liabilities

A lease is a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group leases various offices, warehouses, retail stores and equipment. Rental contracts are typically made for fixed periods of 3 to 8 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis consistent with the estimated consumption of the economic benefits embodied in the underlying asset.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Subsequent to initial recognition, lease liabilities are measured at the present value of the remaining lease payments (the lease payments that are unpaid at the reporting date). Lease liabilities are remeasured to reflect changes to lease terms, changes to lease payments and any lease modifications not accounted for as separate leases.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Subsequent to initial recognition, lease assets are measured at cost (adjusted for any remeasurement of the associated lease liability), less accumulated depreciation and any accumulated impairment loss. Right-of-use assets are assessed for impairment whenever events or circumstances arise that indicate the asset may be impaired. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

The Group has applied the practical expedient for all COVID-19 rent concessions received during the reporting period.

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

A deferred tax asset is raised for the tax impact of the changes in recognised lease related assets and liabilities.

In the Statement of cash flows, the Group has presented:

- Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities;
- Cash paid for the interest portion of a lease liability as either operating activities or financing activities, as permitted by NZ IAS 7 Statement of Cash Flows (the Group has opted to include interest paid as part of operating activities, consistent with its presentation of interest paid on financial liabilities); and
- Cash payments for the principal portion for a lease liability, as part of financing activities.

3.8 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.

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for the year ended 31 March 2021

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 outstanding 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 derecognised 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 recognised 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.

3.9 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 contracts 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.

3.10 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.

3.11 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 21).

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.

3.12 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
Buildings	-	2%
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

3.13 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.

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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).

3.14 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.

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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).

When options are exercised or cancelled, the option reserve relating to the options exercised or cancelled is reclassified to share capital.

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.

4. USE OF ESTIMATES AND JUDGEMENTS

In preparing the financial statements in accordance with NZ IFRS, the Board and management are required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. 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.

COVID-19

It is not possible to estimate the full impact of the COVID-19 pandemic's short and long-term effects. As at the date of the signing of these consolidated financial statements, all reasonably known and available information with respect to the COVID-19 pandemic, has been taken into consideration and all reasonably determinable adjustments have been made in preparing these consolidated financial statements.

While actual results achieved in the 31 March 2021 financial statements have been better than expected in the COVID-19 environment, residual market uncertainty regarding the economic impact of the pandemic remains. Consequently, Management have concluded that retaining COVID-19 overlay provisions relating to the impairment provisions for inventory and loans receivables is appropriate.

The principal areas of judgement in preparing these financial statements are set out below.

Inventories - impairment provision

Inventories comprise primarily motor vehicles held for sale and are stated at the lower of cost or net realisable value. Cost comprises the purchase price, shipping cost, compliance cost and other sundry related costs. 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. Estimated selling prices are based upon recent observed vehicle sales prices for comparable vehicles.

The COVID-19 overlay provision of \$0.5m included in the inventories impairment provision as at 31 March 2020 has been retained in the provision as at 31 March 2021.

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. The Group presumes a significant increase in credit risk subsequent to initial recognition when contractual payments are more than 30 days overdue. 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 has used reasonable and supportable forward looking information, which is based on estimates for the future movement of different economic drivers (i.e. unemployment rates and government stimulus) 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.

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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.

The COVID-19 overlay provision of \$1.0m included in the finance receivables expected credit loss provision as at 31 March 2020 has been increased to \$1.4m as at 31 March 2021.

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 22). A sensitivity analysis of the recoverable amounts of the CGU's is disclosed in note 22.

When estimating future cash flows, Management considered the impact of the COVID-19 pandemic on the Group's performance and judgements, including the forecasting of the year-on-year movements in the operating assets of individual CGUs such as:

- for the Finance and Auto Retail CGUs, the movement in their portfolios of finance receivables and related movement in debt financing;
- for the Auto Retail CGU, the movement in inventory levels, trade payables and related movement in 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 35).

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 22).

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 \$0.1m (2020: \$0.1m) decrease in the unredeemed voucher liability (note 24).

Determining lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be exercised. This assessment is reviewed if a significant event of significant change in circumstances occurs which affects this assessment and that is within the Group's control. All extension options have been assumed for the calculation of the Groups' lease liabilities.

Valuation of investment properties

The fair value of the investment property has been determined by an independent qualified valuer. Note 21 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.

The derecognition of finance receivables

The Group follows the guidance in 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).

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting 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.

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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 21.

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 35, and fair value risk relating to the Group's Investment property (refer note 21).

5.1 Financial instrument by category

<i>Carrying value</i>	2021 \$'000	2020 \$'000
Financial assets		
<i>Financial assets at fair value through profit or loss</i>		
Cash and cash equivalents	11,867	32,771
Financial assets at fair value through profit or loss	70,396	64,988
<i>Amortised cost</i>		
Trade receivables	7,155	8,609
Finance receivables	330,165	293,037
Other receivables and deferred expenses	4,146	3,390
Reverse annuity mortgages	4,152	4,913
<i>Financial assets at fair value through OCI</i>		
Derivative financial instruments	40	-
Financial assets at fair value through OCI	570	1,000
	428,491	408,708
Financial liabilities		
<i>Financial assets at fair value through profit or loss</i>		
Life investment contract liabilities	8,116	7,072
<i>Amortised cost</i>		
Other payables	26,945	19,700
Borrowings	339,611	350,364
Lease liabilities	28,747	32,511
<i>Financial assets at fair value through OCI</i>		
Derivative financial instruments	-	985

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, 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 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.

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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 greater than 30 days;
- 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. Contractual and expected amounts agree, except for borrowing where expected maturity is the facility maturity date.

	0-6 months	7-12 months	13-24 months	25-60 months	60+ months	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2021						
<i>Contractual undiscounted cash flows:</i>						
Other payables	19,700	-	-	-	-	19,700
Derivative financial instruments	82	33	28	(183)	-	(40)
Borrowings	38,980	3,346	240,672	64,116	-	347,114
Lease liabilities	3,490	3,368	6,142	12,766	8,043	33,809
	62,252	6,747	246,842	76,699	8,043	400,583
<i>Expected undiscounted cash flows:</i>						
Other payables	19,700	-	-	-	-	19,700
Derivative financial instruments	82	33	28	(183)	-	(40)
Borrowings	38,980	3,346	4,982	14,810	327,391	389,509
Lease liabilities	3,490	3,368	6,142	12,766	8,043	33,809
	62,252	6,747	11,152	27,393	335,434	442,978

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	0-6 months	7-12 months	13-24 months	25-60 months	60+ months	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2020						
<i>Contractual undiscounted cash flows:</i>						
Other payables	19,700	-	-	-	-	19,700
Derivative financial instruments	440	367	144	34	-	985
Borrowings	34,143	8,568	317,427	370	-	360,508
Lease liabilities	4,042	4,181	7,796	16,324	6,262	38,605
	58,325	13,116	325,367	16,728	6,262	419,798
<i>Expected undiscounted cash flows:</i>						
Other payables	19,700	-	-	-	-	19,700
Derivative financial instruments	440	367	144	34	-	985
Borrowings	34,143	8,568	45,039	71,802	256,880	416,432
Lease liabilities	4,042	4,181	7,796	16,324	6,262	38,605
	58,325	13,116	52,979	88,160	263,142	475,722

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 life investment policies 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 35K 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 2021 was \$89m (2020: \$75m) and weighted average interest was 0.97% (2020: 1.73%). There was no hedge ineffectiveness recognised in profit or loss during the period (2020: \$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	-1% Profit	-1% Equity	+1% Profit	+1% Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
2021					
Financial Assets					
Cash and cash equivalents	11,867	(119)	(86)	119	86
Financial assets at fair value through profit or loss	70,396	(704)	(507)	704	507
Finance receivables	330,165	(3,302)	(2,377)	3,302	2,377
Derivative financial instruments	40	-	(1,643)	-	1,736
Reverse annuity mortgages	4,152	(42)	(30)	42	30
Financial Liabilities					
Borrowings	339,611	3,396	2,445	(3,396)	(2,445)
Total increase/(decrease)		(771)	(2,198)	771	2,291

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

	Carrying amount \$'000	-1% Profit \$'000	-1% Equity \$'000	+1% Profit \$'000	+1% Equity \$'000
2020					
Cash and cash equivalents	32,771	(328)	(236)	328	236
Financial assets at fair value through profit or loss	64,988	(650)	(468)	650	468
Finance receivables	293,037	(2,930)	(2,110)	2,930	2,110
Reverse annuity mortgages	4,913	(49)	(35)	49	35
Financial Liabilities					
Derivative financial instruments	985	-	(1,983)	-	(6)
Borrowings	350,364	3,504	2,523	(3,504)	(2,523)
Total increase/(decrease)		(453)	(2,309)	453	320

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 24) 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	2021 NZ\$'000	2020 NZ\$'000
Net exposure to AUD	1,011	560
Net exposure to JPY	-	2,171

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

In NZD'000	-10% Profit	-10% Equity	+10% Profit	+10% Equity
2021				
AUD	-	112	-	(92)
2020				
AUD	-	29	-	(24)
JPY	(82)	170	67	(140)

5.4.4 Equity 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 (refer note 11). A +1%/-1% movement in the MTF share price will increase/(decrease) profit and equity by \$29k/(\$29k) (2020: \$32k/(\$32k)).

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 liabilities, either directly (as prices) or indirectly (derived from prices).
Level 3	the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2021				
Fair value assets:				
Financial assets at fair value through profit or loss - insurance	-	8,254	-	8,254
Financial assets at fair value through profit or loss - investment in equities	-	2,931	-	2,931
Financial assets at fair value through profit or loss - term deposits	59,211	-	-	59,211
Investment property	-	-	5,950	5,950
Derivative financial instruments	-	40	-	40
	59,211	11,225	5,950	76,386

2020

Fair value assets:				
Financial assets at fair value through profit or loss - insurance	-	7,197	-	7,197
Financial assets at fair value through profit or loss - investment in equities	-	3,154	-	3,154
Financial assets at fair value through profit or loss - term deposits	54,637	-	-	54,637
Investment property	-	-	5,650	5,650
	54,637	10,351	5,650	70,638

Fair value liabilities:

Derivative financial instruments	-	985	-	985
	-	985	-	985

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 note 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 note 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 note 5.4.2).

Fair value - investment property

The fair value of the investment property was determined by an independent registered valuer using the comparable sales methodology (refer note 21).

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).

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

Derivative financial instruments

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:

Assets	2021 \$'000	2020 \$'000
Opening balance	5,650	5,650
Revaluation at reporting date - investment property	300	-
Closing balance	5,950	5,650

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

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

Revenue	Total		Revenue from		Revenue from	
	segment	Inter-segment	external customers	segment	Inter-segment	external customers
	2021	2021	2021	2020	2020	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Automotive retail	204,991	(4,080)	200,911	229,512	(4,634)	224,878
Finance	47,862	-	47,862	45,744	-	45,744
Credit management	12,762	-	12,762	17,939	-	17,939
Insurance	43,175	(1262)	41,913	45,236	(1129)	44,107
Corporate & other	82	(3)	79	6	-	6
	308,872	(5,345)	303,527	338,437	(5,763)	332,674

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	2021	2020
	\$'000	\$'000
Automotive retail	15,415	13,829
Finance	15,816	12,167
Credit management	5,087	6,494
Insurance	9,350	6,215
Corporate & other	(8,293)	(9,640)
Profit/(loss) before taxation	37,375	29,065
Income tax	(10,511)	(8,112)
Net profit attributable to shareholders	26,864	20,953

	Interest revenue		Interest expense		Depreciation and amortisation expense	
	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Automotive retail	1,208	3,904	(2,144)	(3,967)	(8,891)	(7,960)
Finance	40,466	40,579	(5,503)	(6,912)	(782)	(717)
Credit management	1	5	(30)	(39)	(289)	(249)
Insurance	1,654	2,276	(82)	(91)	(1,286)	(2,783)
Corporate & other	3	6	(3,510)	(3,930)	(170)	(210)
	43,332	46,770	(11,269)	(14,939)	(11,418)	(11,919)
Eliminations	(3)	(86)	3	86	-	-
	43,329	46,684	(11,266)	(14,853)	(11,418)	(11,919)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

Other material non-cash items

	Revenue/(expenses)	
	2021	2020
	\$'000	\$'000
Automotive retail - gain on modification of a lease	1,132	-
Automotive retail - impairment provisions	229	(126)
Finance - impairment provisions	(4,185)	(5,888)
Insurance - reverse annuity mortgage interest	403	613

Segment assets and liabilities

	Assets		Liabilities	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Automotive retail	110,818	129,496	67,552	92,078
Finance	351,185	308,696	271,383	241,086
Credit management	31,151	38,268	5,298	7,585
Insurance	139,583	134,236	75,022	73,133
Corporate & other	190,439	216,173	71,134	91,423
	823,176	826,870	490,389	505,305
Eliminations	(104,725)	(118,478)	(5,508)	(19,968)
	718,451	708,392	484,881	485,337

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

	Other	
	2021	2020
	\$'000	\$'000
Automotive retail	12,348	17,085
Finance	316	1,218
Credit management	161	197
Insurance	2,803	5,949
Corporate & other	3	236
	15,631	24,685
Eliminations	(6,990)	(5,440)
	8,641	19,245

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

7. PROFIT BEFORE TAX

	Notes	2021 \$'000	2020 \$'000
Revenue from continuing operations includes:			
Interest income			
Bank accounts, short term deposits and investments		1,272	1,743
Finance receivables		41,654	44,328
Reverse annuity mortgages		403	613
Total interest income		43,329	46,684
Operating revenue			
Sales of goods		143,065	167,264
Commission and other sales revenue		54,237	56,111
Loan fee income		3,320	2,958
Insurance and life investment contract income		37,248	39,676
Collection income		12,198	17,709
Bad debts recovered		937	591
Other revenue		2,178	1,181
Total operating revenue		253,183	285,490
Revenue from continuing operations		296,512	332,174
Other income comprises:			
Gain on sale of investments		10	35
Revaluation gain on investment property		300	-
Dividend income		172	367
Gain on sale of property, plant and equipment		154	61
Fair value gain on contingent consideration		-	37
Government wage subsidies		5,247	-
Gain on modification of a lease		1,132	-
		7,015	500
Revenue from contracts with customers			
Over time			
<i>Automotive retail</i>			
Commission and other sales revenue		20,592	29,401
<i>Insurance</i>			
Motor vehicle insurance commissions		-	1,683
		20,592	31,084
At a point in time			
<i>Automotive retail</i>			
Sales of goods		143,065	167,264
Auction commissions		30,624	23,313
<i>Credit management</i>			
Collection income		12,197	10,021
Voucher income		84	495
<i>Insurance</i>			
Motor vehicle insurance commissions		1,102	-
Interest expense			
Bank borrowings and other		9,743	13,330
Bonds		1,523	1,523
Total interest expense		11,266	14,853
Movement in impairment provisions			
Provisions for:			
Specific impaired finance receivables	14	557	2,304
Collective impairment provision for finance receivables	14	2,996	2,630
COVID-19 impairment provision	14	400	1,011
Collective impairment on reverse annuity mortgages	16	30	30
Finance receivables bad debts written off		3	69
Movement		3,986	6,044

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

	2021 \$'000	2020 \$'000
Net operating profit includes the following specific expenses		
<i>Depreciation</i>		
- Buildings	293	-
- Plant, equipment & motor vehicles	610	681
- Leasehold improvements, furniture, fittings & office equipment	1,709	828
- Computer equipment	743	594
- Signs & flags	231	184
<i>Intangible amortisation</i>		
Amortisation of software	1,527	1,203
Amortisation of customer relationships	520	557
Amortisation of right-of-use asset	5,785	6,300
<i>Insurance contract liabilities amortisation</i>		
Amortisation of policies in force	-	1,572
	11,418	11,919
Tax advisory fees	201	329
Donations	31	3
Directors' fees	632	665
Post-employment benefits	1,363	1,322
Loss on sale of property, plant and equipment	266	71
Fees paid to auditor		
<i>Baker Tilly Staples Rodway Auckland (auditor of the Group)</i>		
Audit of financial statements		
Audit of annual financial statements	434	452
Under accrual in prior year	-	50
Other services		
<i>Other assurance services</i>		
- Audit of DPL Insurance Limited solvency return	10	7
- Agreed Upon Procedures in relation to the EC Credit Control Limited trust account	3	3
Total other services	13	10
Total fees paid to Baker Tilly Staples Rodway Auckland	447	512
8. TAXATION		
	2021 \$'000	2020 \$'000
Net operating profit before taxation	37,375	29,065
Income tax expense at prevailing rates (NZ: 28%; Aust: 30%)	(10,473)	(8,146)
Tax impact of income not subject to tax	132	274
Tax impact of expenses not deductible for tax purposes	(171)	(46)
Under provision in prior years	1	(194)
Taxation (expense)/benefit	(10,511)	(8,112)
Comprising:		
Current	(9,605)	(9,817)
Deferred	(1,222)	1,635
Under provision in prior years	316	70
	(10,511)	(8,112)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

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:

	2021	2020
Profit for the year (\$'000)	26,864	20,953
Weighted average number of ordinary shares at 31 March	85,551,356	86,055,495
Basic earnings per share (cents per share)	31.40	24.35

	2021	2020
Weighted number of shares		
Opening balance	85,554,710	86,888,064
Shares issued for the dealer share scheme	-	23,111
Share cancel from the share buy back	(3,354)	(855,680)
	85,551,356	86,055,495

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:

	2021	2020
	\$'000	\$'000
Continuing operations	26,864	20,953
Add: Long term incentive expense relation to options	255	-
Profit for the year	27,119	20,953

Weighted number of ordinary shares (diluted)

Weighted average number of shares (basic)	85,551,356	86,055,495
Effect of the exercise of options	420,482	-
Weighted average number of shares (basic)	85,971,838	86,055,495

Diluted earnings per share (cents per share)	31.54	24.35
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10. CASH AND CASH EQUIVALENTS

	2021	2020
	\$'000	\$'000
The carrying value of cash and cash equivalents are denominated in the following currencies:		
Australian dollars	265	365
New Zealand dollars	11,602	32,406
	11,867	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 and term deposits, disclosed in financial assets through the profit or loss, 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 2021 were \$0.7m (2020: \$1.5m).

Cash and cash equivalents at 31 March 2021 of \$3.6m (2020: \$5.1m) belong to the Turners Marque Trust 1 and are not available to the Group (refer note 14).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021	2020
	\$'000	\$'000
Insurance:		
Investments in unitised funds	8,254	7,197
Term deposits	59,211	54,637
Other:		
Investment in equities	2,931	3,154
Total	70,396	64,988

Investments in unitised funds comprise:

New Zealand and overseas equities	3,688	2,935
Fixed Interest securities	1,365	1,369
Cash - deposits	1,241	1,333
New Zealand and overseas property securities	1,960	1,560
Total	8,254	7,197

Investments with external investment managers

ANZ New Zealand Investments Limited - Unitised Funds	8,254	7,197
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The carrying amounts of the financial assets at fair value through profit or loss, excluding investments in unitised funds, are denominated in NZD.

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 2021 were \$59.2m (2020: \$54.6m). Investments in unitised funds, disclosed in Financial assets through the profit or loss, underwrite the Life investment policies and are not available for use by the wider Group.

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

	2021	2020
	\$'000	\$'000
Performing	6,894	7,643
Doubtful	591	1,130
In default	8	231
	7,493	9,004
Impairment provision	(338)	(395)
Net trade receivables	7,155	8,609

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

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.

	2021	2020
	\$'000	\$'000
The age of doubtful trade receivables is as follows:		
Past due up to 30 days	436	1,009
Past due 30 – 60 days	120	73
Past due 60 – 90 days	-	48
Past due 90+ days	35	-
	591	1,130
Movement in the impairment provision:		
Opening balance	395	292
Impairment charge/(release) included in other operating expenses	(8)	221
Amounts written off	(49)	(118)
	338	395

The Group recognises lifetime expected credit loss for trade receivables. The expected credit loss rate is 4.5% (2020: 4.4%). 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	661	666
New Zealand dollars	6,494	7,943
	7,155	8,609

Currency risk

A summarised analysis of the sensitivity of financial assets included in trade 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

	2021	2020
	\$'000	\$'000
Motor vehicles	31,876	45,975
Commercial goods	-	32
	31,876	46,007
Less provision for stock obsolescence	(1,687)	(1,636)
	30,189	44,371

Inventories are a current asset.

Movement in provisions for stock obsolescence

Opening balance	1,636	1,562
Movement (included in Cost of goods sold)	51	74
Closing balance	1,687	1,636

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

14. FINANCE RECEIVABLES

	2021	2020
	\$'000	\$'000
Commercial loans	48,404	25,674
Finance leases	1,654	4,194
Consumer loans	284,301	274,773
Property development & investment loans	3,254	2,857
Gross finance receivables	337,613	307,498
Specific impairment provision	(2,376)	(3,706)
Collective impairment provision	(13,403)	(16,988)
COVID-19 impairment provision	(1,411)	(1,011)
Deferred fee revenue and commission expenses	9,742	7,244
	330,165	293,037
Current	136,931	137,742
Non-current	193,234	155,295
	330,165	293,037

Gross financial receivables are summarised as follows:

Performing	320,368	279,627
Doubtful	1,778	5,685
In default	15,467	22,186
	337,613	307,498

Movement in specific impaired receivables

Opening balance	4,723	2,377
Additions	1,684	3,168
Amounts recovered	(1,356)	(317)
Amounts written off	(1,887)	(505)
	3,164	4,723

The aging of loans specifically assessed are as follows:

Past due up to 30 days	1,236	1,171
Past due 30 – 60 days	143	935
Past due 60 – 90 days	13	273
In default	1,988	5,191
	3,380	7,570

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

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 2021	Expected loss rate %	Gross finance receivables \$'000	Collective impairment provision \$'000
Past due up to 30 days	9.97	4,653	464
Past due 30 – 60 days	22.87	984	225
Past due 60 – 90 days	35.09	684	240
In default	82.77	12,360	10,230
		334,233	13,403
31 March 2020			
Current	0.84	269,668	2,273
Past due up to 30 days	10.03	8,788	881
Past due 30 – 60 days	21.27	3,042	647
Past due 60 – 90 days	31.01	1,435	445
In default	74.97	16,995	12,742
		299,928	16,988

If the ECL rates on performing financial receivables increased/(decreased) by 1% as at 31 March 2021, the loss allowance on receivables would be \$3.1m higher/(\$2.2m lower) (2020: \$2.7m higher/(\$2.3m lower)).

If the ECL rates on doubtful or in default financial receivables increased/(decreased) by 1% as at 31 March 2021, the loss allowance on receivables would be \$0.2m higher/(lower) (2020: \$0.3m higher/(lower)).

	2021 \$'000	2020 \$'000
Movement in the impairment provisions:		
<i>Specific impairment provision</i>		
Opening balance	3,706	1,915
Impairment charge/(release) through profit or loss	557	2,304
Amounts written off	(1,887)	(513)
	2,376	3,706
<i>Collective impairment provision</i>		
Opening balance	16,988	17,680
Impairment charge/(release) through profit or loss	2,996	2,630
Amounts written off	(6,581)	(3,322)
	13,403	16,988
<i>COVID-19 impairment provision</i>		
Opening balance	1,011	-
Impairment charge/(release) through profit or loss	400	1,011
	1,411	1,011
Total impairment provision	17,190	21,705

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

<i>Fair value and credit risk</i>	Carrying amount 2021 \$'000	Fair value 2021 \$'000	Carrying amount 2020 \$'000	Fair value 2020 \$'000
	Finance receivables	330,165	328,675	293,037

The fair values are based on cash flows discounted using a weighted average interest rate of 12.14% (2020: 13.81%).

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 segment. The facility is for a 416 day term that will be renewed annually. The facility is for \$276m.

The Trust is a special purpose entity set up solely for the purpose of purchasing finance receivables from the finance segment 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, and 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 \$187.4m finance receivables were sold to the Trust (2020: \$149.4m). As at 31 March 2021 the carrying value of finance receivables in the Trust was \$266.8m (2020: \$210.2m).

15. OTHER RECEIVABLES, DEFERRED EXPENSES AND CONTRACT ASSETS

	2021 \$'000	2020 \$'000
Other receivables and prepayments	3,126	3,203
Insurance deferred acquisition costs	2,404	3,268
Contract assets		
- Amount relating to services rendered not yet invoiced	2,326	1,996
- Contract fulfilment costs	260	105
	8,116	8,572
Current	5,789	6,153
Non-current	2,327	2,419
	8,116	8,572
Carrying amount of financial assets included in other receivables	4,146	3,390
The carrying amounts of the financial assets included in other receivables are denominated in the following currencies:		
Australian dollars	-	72
New Zealand dollars	4,146	3,318
	4,146	3,390

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

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. FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI

	2021	2020
	\$'000	\$'000
Investment in Collaborate Corporation Limited	570	1,000
Movements in carrying amounts		
Opening balance	1,000	-
Purchase of investment	-	1,327
Net change in fair value recognised in OCI	(430)	(327)
Closing balance	570	1,000

17. REVERSE ANNUITY MORTGAGES

	2021	2020
	\$'000	\$'000
Reverse annuity mortgages	4,262	4,993
Provision for impairment	(110)	(80)
	4,152	4,913
Current	488	444
Non-current	3,664	4,469
	4,152	4,913
Movement in provisions for impairment		
Opening balance	80	50
Impairment charge/(release) through profit or loss	30	30
Closing balance	110	80

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

Fair value and credit risk

	Carrying amount	Fair value	Carrying amount	Fair value
	2021	2021	2020	2020
	\$'000	\$'000	\$'000	\$'000
Reverse annuity mortgages	4,152	4,948	4,913	6,021

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.

18. INVESTMENT IN SUBSIDIARIES

Subsidiary	Ownership Interest Held	2021	2020
Buy Right Cars (2016) Limited	Vehicle trade	100.0%	100.0%
Carly NZ Limited	Vehicle subscription services	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%
Turners Staff Share Plan Trustees Limited	Trustee	100.0%	100.0%

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

19. PROPERTY, PLANT AND EQUIPMENT

	Land & buildings \$'000	Plant, equipment & motor vehicles \$'000	Leasehold improvements, furniture, fittings & office equipment \$'000	Computer equipment \$'000	Signs & flags \$'000	Total \$'000
2021						
At cost	28,391	5,494	26,413	3,766	1,205	65,269
Accumulated depreciation	-	(2,902)	(5,795)	(3,067)	(717)	(12,481)
Opening carrying amount	28,391	2,592	20,618	699	488	52,788
Reclassifications *	15,961	-	(15,961)	-	-	-
Additions	6,968	738	1,359	2,321	254	11,640
Disposals & translation difference	7	(589)	-	-	(2)	(584)
Depreciation	(293)	(610)	(1,709)	(743)	(231)	(3,586)
Closing carrying amount	51,034	2,131	4,307	2,277	509	60,258
At cost	51,347	4,601	7,544	4,888	1,085	69,465
Accumulated depreciation	(313)	(2,470)	(3,237)	(2,611)	(576)	(9,207)
Closing carrying amount	51,034	2,131	4,307	2,277	509	60,258
WIP included above	-	62	13	31	-	106

* In March 2020 building and improvements relating to properties owned by the Group were included in leasehold improvements.

	Land \$'000	Plant, equipment & motor vehicles \$'000	Buildings, leasehold improvements, furniture, fittings & office equipment \$'000	Computer equipment \$'000	Signs & flags \$'000	Total \$'000
2020						
At cost	19,091	4,613	20,495	2,467	729	47,395
Accumulated depreciation	-	(2,269)	(3,850)	(1,777)	(415)	(8,311)
Opening carrying amount	19,091	2,344	16,645	690	314	39,084
Reclassifications	-	112	(406)	79	215	-
Additions	9,300	1,493	5,514	534	285	17,126
Disposals & translation difference	-	(676)	(307)	(10)	(142)	(1,135)
Depreciation	-	(681)	(828)	(594)	(184)	(2,287)
Closing carrying amount	28,391	2,592	20,618	699	488	52,788
At cost	28,391	5,494	26,413	3,766	1,205	65,269
Accumulated depreciation	-	(2,902)	(5,795)	(3,067)	(717)	(12,481)
Closing carrying amount	28,391	2,592	20,618	699	488	52,788
WIP included above	-	372	1,028	38	15	1,453

20. RIGHT-OF-USE ASSETS

	2021 \$'000	2020 \$'000
Properties	23,492	24,691
Equipment	67	159
	23,559	24,850
Opening balance	24,850	28,529
Additions	8,082	3,037
Derecognition	(3,588)	(416)
Depreciation	(5,785)	(6,300)
Closing carrying amount	23,559	24,850

During the year Group had a gain on modification of a lease of \$1.1m (2020: \$nil).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

21. INVESTMENT PROPERTY

	2021 \$'000	2020 \$'000
Investment property	5,950	5,650
Movements in carrying amounts		
Opening balance	5,650	5,650
Net change in fair value	300	-
Closing balance	5,950	5,650

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.

22. INTANGIBLE ASSETS

	2021 \$'000	2020 \$'000
Brand		
Opening carrying amount at cost	67,100	67,100
Impairment	-	-
Closing carrying amount	67,100	67,100
Goodwill		
Opening carrying amount at cost	92,541	92,534
Foreign exchange adjustment	(32)	7
Closing carrying amount	92,509	92,541
Software		
At cost	10,204	8,342
Accumulated amortisation	(7,028)	(5,825)
Opening carrying amount	3,176	2,517
Additions	1,460	2,138
Disposals	(190)	(276)
Amortisation	(1,527)	(1,203)
Closing carrying amount	2,919	3,176
At cost	6,857	10,204
Accumulated amortisation	(3,938)	(7,028)
Closing carrying amount	2,919	3,176
Corporate relationships		
At cost	6,510	6,510
Accumulated amortisation	(2,484)	(1,927)
Opening carrying amount	4,026	4,583
Amortisation	(520)	(557)
Closing carrying amount	3,506	4,026
At cost	6,510	6,510
Accumulated amortisation and impairment provision	(3,004)	(2,484)
Closing carrying amount	3,506	4,026
Total intangible assets carrying amount	166,034	166,843
WIP included in software	886	574

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

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.

	2021 \$'000	2020 \$'000
Goodwill		
Allocated to the insurance CGU/segment	12,777	12,777
Allocated to collection services CGU/segment	23,973	24,005
Allocated to the finance CGU/segment	9,272	9,272
Allocated to the automotive retail CGU/segment	46,487	46,487
	92,509	92,541
Brand		
Allocated to the insurance CGU/segment	21,500	21,500
Allocated to the automotive retail CGU/segment	45,600	45,600
	67,100	67,100

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 the Board covering at least a five-year period. Cash flows beyond the projected period are extrapolated using the estimated long term growth rates stated below. The cash flows for the Auto retail (2020: free cash flows to equity), Insurance and Collection services CGUs are free cash flows to the firm, while the Finance CGU is free cash flows to equity. 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:

Key assumptions:

Sales, price and operating cost assumptions were based on the Board's best estimate of the range of economic conditions the CGUs are likely to experience during the forecast period. The forecasts for each CGU covering a period of a minimum of 5 years. Annual capital expenditure, the expected cash costs in CGUs, was based on historical experience and planned expenditure.

2021 Forecast growth rates (%)	Year 2	Year 3	Year 4	Year 5
Auto retail CGU (weighted average cost of capital)	30.5	24.6	11.9	8.6
Insurance CGU (weighted average cost of capital)	(15.4)	3.5	1.2	1.9
Finance CGU (cost of equity)	16.3	5.0	5.0	5.0
Collection services CGU (weighted average cost of capital)	12.7	8.2	8.7	7.3
2020 Forecast growth rates (%)				
Auto retail CGU (cost of equity)	(16.7)	113.5	21.9	17.9
Insurance CGU (weighted average cost of capital)	24.9	(8.6)	(8.1)	3.5
Finance CGU (cost of equity)	(28.3)	19.5	18.0	5.0
Collection services CGU (weighted average cost of capital)	74.5	(6.3)	5.0	5.0
			2021	2020
Long-term growth rate			1.80%	1.25%
Pre-tax discount rate				
Auto retail CGU (2021: weighted average cost of capital; 2020: cost of equity)			12.80%	16.40%
Insurance CGU (weighted average cost of capital)			14.10%	12.80%
Finance CGU (cost of equity)			18.70%	17.70%
Collection services CGU (weighted average cost of capital)			14.90%	15.20%

The long term growth rate is the weighted average growth rate used to extrapolate cash flows beyond the forecast period and is based on the current implied inflation rates and does not exceed the long-term average growth rate for the products, industries, or country or countries in which the CGUs operate. The discount rates were established by taking into account the specific attributes and size of the CGUs.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

In assessing the impairment of the goodwill and brand value in the CGUs, a sensitivity analysis for reasonably possible changes in key assumptions was performed. This included increasing and reducing the terminal growth rate by 0.20% and 0.30% respectively (2020: +/- 0.25%) and increasing and decreasing the discount rate as follows:

	1.00%	1.50%
Auto retail CGU	1.00%	1.50%
Insurance CGU	1.00%	1.10%
Finance CGU	1.00%	1.20%
Collection services CGU	1.00%	0.90%

These reasonably possible changes in rates did not cause any impairment in the CGUs.

23. OTHER PAYABLES

	2021 \$'000	2020 \$'000
Accounts payable	21,676	13,833
Employee entitlements (short term)	3,513	4,500
Employee entitlements (long term)	227	227
Other payables and accruals	12,827	9,488
	38,243	28,048
Carrying value of financial liabilities in other payables	26,945	19,700
The carrying amounts of the Group's financial liabilities in other payables are denominated in the following currencies:		
Japanese Yen	1,181	734
Australian dollars	99	355
New Zealand dollars	25,665	18,611
	26,945	19,700

Currency risk

A summarised analysis of the sensitivity of financial liabilities included in other payables to currency risk can be found in note 5.4.3.

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.

24. CONTRACT LIABILITIES

	2021 \$'000	2020 \$'000
Unredeemed debt and PPSR voucher liability	2,110	1,886
Motor vehicle insurance rebate liability	203	199
	2,313	2,085
Movement in contract liabilities		
Unredeemed debt and PPSR voucher liability		
Opening balance	1,886	2,502
Additions	-	31
Charge/(release) to profit or loss	224	(647)
	2,110	1,886
<i>(Charge)/release to profit or loss</i>		
(Expense)/income relating to prior years	(224)	647
Motor vehicle insurance rebate liability		
Opening balance	199	140
Additions	4	59
	203	199

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

25. DEFERRED TAXATION

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

	2021 \$'000	2020 \$'000
Opening balance	10,080	13,918
Change in accounting policy	-	(2,203)
Translation difference	(5)	-
Charge to profit or loss	1,222	(1,635)
Closing balance	11,297	10,080

	2021 \$'000	2020 \$'000
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The charge to profit or loss is attributable to the following items:

Corporate relationships	(146)	(146)
Policy in force asset	-	(439)
Loan impairment provision	1,052	(647)
Insurance deductible reserves	(111)	(242)
Property, plant and equipment	287	(53)
Lease liability	1,054	1,194
Right of use asset	(361)	(1,030)
Provisions and accruals	(553)	(272)
	1,222	(1,635)

Deferred tax (assets)/liabilities to be recovered after more than 12 months	13,053	11,715
Deferred tax (assets)/liabilities to be recovered within 12 months	(1,756)	(1,635)
Closing balance	11,297	10,080

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

Deferred tax relates to the following:

<i>Deferred tax assets:</i>		
Loan impairment provision	5,157	6,209
Lease liability	8,049	9,103
Provisions and accruals	2,495	2,323
Total deferred tax asset	15,701	17,635

<i>Deferred tax liabilities:</i>		
Brand	18,788	18,788
Customer relationships	874	1,019
Right of use asset	6,597	6,958
Deferred expenses and accruals	739	950
	26,998	27,715

Net deferred tax liabilities	11,297	10,080
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Imputation credit memorandum account

Opening balance	19,248	11,879
Income tax payments/(refunds received)	8,712	11,726
Imputation credits utilised	(7,927)	(4,357)
Closing balance	20,033	19,248

Policy holder tax losses

The policy holder tax losses carried forward at 31 March 2021 are \$5,276,000 (2020: \$5,180,000). The policy holder tax losses are only available to be offset against future policy holder income.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

26. BORROWINGS

	2021 \$'000	2020 \$'000
Secured bank borrowings	311,928	312,320
Deferred borrowing costs	(4)	(116)
	311,924	312,204
Non-bank borrowings		
Motor Trade Finance	2,761	13,382
Bonds	25,000	25,000
Deferred issue costs	(74)	(222)
	24,926	24,778
Total borrowings	339,611	350,364
Current	36,702	213,825
Non-current	302,909	136,539
	339,611	350,364

Secured bank borrowings

In March 2021 the Group has a syndicated funding facility, including a 1 year working capital facility, with the Bank of New Zealand and ASB Bank, a self liquidating trade finance facility with ASB Bank and a securitisation facility with the Bank of New Zealand.

The bank borrowings, together with trade and lease premise guarantees of \$0.6 million (2020: \$0.9 million), 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. Current interest rates on the bank borrowings are variable and average 2.07% (2020: 2.99%). 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.

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, Turners Group NZ Limited, Turners Fleet Limited and Turners Property Holdings Limited.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	2021	2021	2020	2020
	\$'000	\$'000	\$'000	\$'000
Borrowings	339,611	339,700	350,364	350,781

The fair values are based on cash flows discounted using a weighted average borrowing rate of 2.38% (2020: 3.26%).

	2021	2020
	\$'000	\$'000
Contractual repricing dates		
1 year or less	36,702	321,498
Over 1 to 2 years	302,987	29,204
Over 2 to 5 years	-	-
	339,689	350,702

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	Bonds
	\$'000	\$'000	\$'000
Balance at 31 March 2019	251,177	37,055	24,631
Financing cash flows (i)	61,038	-	-
Other - netted off finance receivables	-	(23,673)	-
<i>Non-cash changes</i>			
Deferred borrowing costs	(11)	-	147
Balance at 31 March 2020	312,204	13,382	24,778
Financing cash flows (i)	(400)	-	-
Other - netted off finance receivables	-	(10,621)	-
<i>Non-cash changes</i>			
Deferred borrowing costs	120	-	148
Balance at 31 March 2021	311,924	2,761	24,926

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

27. LEASE LIABILITIES

	2021	2020
	\$'000	\$'000
Lease liabilities	28,747	32,511
Current	5,560	6,810
Non-current	23,187	25,701
	28,747	32,511

Lease liabilities have incremental borrowing rates of 2.87% to 6.94% (2020: 4.56% to 6.94%), with maturities up to 12 years (2020: up to 13 years). 3 new leases were entered into during the year (2020:3) and 7 leases were modified or cancelled during the year (2020: 4).

During the year the Group received COVID-19 rent concession of \$780,000 (2020: nil).

The carrying amounts of the lease liabilities are denominated in the following currencies:

	2021	2020
Australian dollars	163	251
New Zealand dollars	28,584	32,260
	28,747	32,511

Interest expense in profit or loss	1,640	2,034
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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

28. SHARE CAPITAL

	2021	2020
Number of ordinary shares		
Opening balance	85,554,710	86,888,064
Shares issued for the dealer share scheme	-	40,752
Shares cancel for share buy back	(10,462)	(1,374,106)
Total issued and authorised capital	85,544,248	85,554,710

	2021	2020
	\$'000	\$'000

Dollar value of ordinary shares

Opening balance	204,327	206,395
Transfer of share option reserve	-	1,027
Shares issued for the dealer share scheme	-	97
Shares purchased and cancelled under share buy back	(30)	(3,188)
Share issue costs	-	(4)
Total issued capital	204,297	204,327

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 35G.

29. SHARE OPTIONS

In July 2020, the Board approved the grant of 2,300,000 options to Senior Executives of the Group at an exercise price of \$2.00 under the Group's Share Option Plan. The grant is split into four tranches of 575,000 options with the following vesting dates; 1 June 2021, 1 June 2022, 1 June 2023 and 1 June 2024. 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, using the Binomial Tree option pricing model, is \$0.31 per option. The significant inputs in the model were, the share price at grant date of \$2.19, the exercise price of \$2.00, volatility of 27.5%, an expected exercise date for all tranches of, 80% at vesting date and 20% at expiration date and an annual risk free rate between 0.24% - 0.63%. 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 \$255,000 (2020: \$nil).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

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

	Exercise price 2021 \$	Options 2021 000's	Exercise price 2020 \$	Options 2020 000's
Opening balance	-	-	3,32316	2,203
Granted	2,00000	2,300	-	-
Cancelled	2,00000	(200)	3,32316	(2,203)
Closing balance	2,00000	2,100	-	-

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

Expiry date	Exercise price 2021 \$	Options 2021 000's	Options 2020 000's
31 May 2023	2,00000	525	-
31 May 2024	2,00000	525	-
31 May 2025	2,00000	525	-
31 May 2026	2,00000	525	-

30. DIVIDENDS

	2021 \$'000	2020 \$'000
Quarterly dividend for the year ended 31 March 2019: \$0.04 per fully paid ordinary share, imputed, paid on 30 April 2019.	-	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
Quarterly dividend for the year ended 31 March 2021 of \$0.04 (31 March 2020: \$0.04) per fully paid ordinary share, imputed, paid 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 March 2020: \$0.04) per fully paid ordinary share, imputed, paid on 28 January 2021 (2020: 30 January 2020).	3,438	3,446
Quarterly dividend for the year ended 31 March 2021 of \$0.06 per fully paid ordinary share, imputed, paid on 30 March 2021	5,160	-
	17,200	14,742

Dividends not recognised at year end

In addition to the above dividends, after year end the directors recommended the payment of the following dividend:

Final dividend of \$0.06 (31 March 2020: \$0.06) per fully paid ordinary share, imputed, payable on 28 July 2021 (2020: 24 July 2020).	5,133	5,162
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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

31. TRANSACTIONS WITH RELATED PARTIES

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

Key management personnel compensation

The key management personnel are all the Directors of the Company and the Leadership team. Compensation of Leadership team for the years ended 31 March 2021 and 31 March 2020 was as follows:

(\$'000)	Short-term benefits \$'000	Other long-term benefits \$'000	Share-based payments \$'000	Total \$'000
Year ended 31 March 2021	3,453	102	255	3,810
Year ended 31 March 2020	2,595	73	-	2,668

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 87 to 90. 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.

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

	2021 \$'000	2020 \$'000
Profit for the year	26,864	20,953
Adjustment for non-cash and other items		
Impairment charge on finance receivables, reverse annuity mortgages and other receivables	3,986	6,044
Net profit on sale of property, plant and equipment	(689)	(33)
Depreciation and amortisation	11,418	11,919
Capitalised reverse annuity mortgage interest	(403)	(613)
Deferred revenue	52	(2,892)
Financial assets at fair value through profit and loss	(1,582)	77
Net annuity and premium change to policyholder accounts	1,194	(500)
Non-cash adjustment to finance receivables effective interest rates	(86)	(226)
Deferred expenses	(1,850)	(2,652)
Fair value adjustment on investment property	(300)	-
Fair value adjustment to contingent consideration	-	(116)
Gain on modification of a lease	(1,132)	-
COVID-19 rent concessions	(780)	-
Adjustment for movements in working capital		
Net decrease/(increase) receivables and pre-payments	1,515	5,251
Net decrease/(increase) in inventories	14,182	(5,512)
Net increase/(decrease) in payables	6,955	(3,544)
Net increase/(decrease) in contract liabilities	1,365	(1,694)
Net increase in finance receivables	(48,654)	(27,826)
Net decrease in reverse annuity mortgages	1,134	3,964
Net (increase)/decrease of financial assets at fair value through profit or loss	(4,090)	704
Net contributions/(withdrawals) from life investment contracts	(150)	88
Net increase/(decrease) in deferred tax liability	1,248	(1,618)
Net increase/(decrease) in tax payable	681	(1,806)
Cash flows from operating activities	10,878	(32)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

33. COMMITMENTS AND CONTINGENT LIABILITIES

Capital Expenditure:

At reporting date the Group has capital commitments of \$nil (2020: \$1.5m to purchase computer equipment).

Future Lease Commitments:

The Group has no future lease commitments.

31 March 2020

The Group has committed to two property leases, the commencement date of both leases is dependant on the date the Landlord obtain a Code Compliance Certificate or Certificate of Public Use for agreed works included in the lease agreements. It is anticipated the leases will commence during the financial year ending 31 March 2021.

Loan Commitments:

The Group has no material undrawn credit commitments at reporting date (2020: nil).

Contingent Liabilities:

Buy Right Cars

The trial for the dispute concluded in September 2020 and judgement is still outstanding. The directors consider that on balance of probabilities no payment will be made to the vendor.

31 March 2020

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 10 August 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.

34. SUBSEQUENT EVENTS AFTER BALANCE DATE

The first tranche of options in the Group's Share Option Plan vested on 1 June 2021, 525,000 options were exercised.

The Group has committed to purchase an Auto Retail site in Rotorua for \$5.5m.

31 March 2020

In July 2020, the Board approved the grant of 2,300,000 options to Senior Executives of the Group at an exercise price of \$2.00 under the Group's Share Option Plan. The grant is split into four tranches of 575,000 options with the following vesting dates; 1 June 2021, 1 June 2022, 1 June 2023 and 1 June 2024. Each tranche expires two year after the vesting date.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

35. 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 2021 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 (2020: 28%). The net discount rates assumed were as follows:

	2021	2020
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 2020:	1.11% per annum net of tax
	March 2021:	1.98% 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 (2020: 2.0%).

c) Mortality Rates

Rates of mortality were assumed as follows:

For underwritten whole of life, endowment and term insurance policies: NZ97 (2020: NZ97).

For guaranteed issue regular premium funeral plans: NZ97 (DPL plans), NZ04 (ex-Greenwich plans) multiplied by a factor to reflect higher mortality at younger ages, and the impact of guaranteed issue anti-selection (DPL - no change from 2020).

QuickCover plans - NZ04 with additional loadings reflecting the impact of guaranteed issue anti-selection.

For annuities the assumed mortality table is 90% of the NZ12-14 population tables. For the Cook Islands Annuity Pension Plan the assumed mortality table is the PA(90) table without adjustment (2020: 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)	Gross claims
Quick Cover term life plan	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	\$155 per policy per annum (2020: \$152)
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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

Funeral plans	\$9.38 per policy per annum (2020: \$9.20)
Term life plans (for loss recognition)	\$9.38 per policy per annum (2020: \$9.20)
Consumer credit plans (for loss recognition):	\$9.38 per policy per annum (2020: \$9.20)
Annuity plans	\$155 per policy per annum (2020: \$152)

Investment management expenses were assumed to be 1.0% (2020: 1.0%) of policy liabilities.

f) *Inflation and Automatic Indexation of Benefits*

Maintenance expenses are assumed to increase 2.0% per annum (2020: 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 (2020: 5.0%), and nil for annuity pension plan business (2020: 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 3% per annum (2020: 15% reducing to 8%).

For the Funeral plan (ex Greenwich) product the rates of discontinuance are based on the pricing assumption for this product, beginning at 20% in year 1, and reducing ultimately to 3% per annum (2020: 40% to 3%).

For Quick Cover the rates of discontinuance are based on the pricing assumption for this product, beginning at 15% in year 1, and reducing ultimately to 10% per annum (2020: 20% reducing to 10%).

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 \$0.00 (2020: \$0.00) 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 a reduction in policy liabilities of \$223,000 (2020: increase of \$331,000).

The policy liabilities are not affected by the revised expense assumptions (2020: no change).

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 value of non-life outstanding claims and the Liability Adequacy Test of the non-life business, have been carried out in accordance with Professional Standard no. 30. 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.

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 14 August 2020.

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)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

C. Surplus after taxation from insurance activities arose from:

	2021	2020
	\$'000	\$'000
Insurance Contracts		
Planned margin of revenues over expenses	435	339
Change in discount rate: 1.11% to 1.98% (2020: 1.83 to 1.11%)	185	(331)
Difference between actual and assumed experience	10,720	3,711
Life investments contracts		
Difference between actual and assumed experience	211	240
Investment returns on assets in excess of insurance contract and investment contract liabilities	733	982
Surplus after taxation attributable to insurance activities	12,284	4,941

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

	2021	2020
	\$'000	\$'000
Insurance contract premiums	36,898	39,277
Investment revenue	1,582	(77)
Less: investment revenue paid to life insurance investment contracts	(1,473)	189
Other Revenues	241	287
Total insurance and investment contract income	37,248	39,676

Investment Income

Equity securities	1,126	(30)
Fixed interest securities	5	127
Property investments	451	(174)
	1,582	(77)

Included within equity securities is dividend income of \$Nil (2020: \$Nil) and included within fixed interest securities is interest income of \$Nil (2020: \$Nil). Included within total Investment Income is net realised and unrealised gains/(losses) on securities at fair value through profit or loss of \$1,582,000 (2020: (\$77,000)).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

E. Insurance related expenses

	2021	2020
	\$'000	\$'000
Insurance contract claims	21,566	23,890
Reinsurance expenses	570	587
Insurance contracts		
Policy acquisition expenses - commission costs	2,256	2,067
Deferred acquisition cost amortisation	989	701
Total insurance contract related expenses	3,245	2,768
Life investment contracts		
Investment management expenses	43	42
Movement in life insurance liabilities	143	836
<i>Net operating profit includes the following specific expenses</i>		
Audit fees for the audit of financial statements	122	126
Amortisation of policies in force	-	1,566
Amortisation of customer relationships	520	558
Amortisation of other intangible assets	252	218
Depreciation	346	442
Employee benefits	5,322	5,934
F. Taxation		
Net operating profit before taxation	14,943	6,712
Income tax expense at prevailing rates	4,184	1,879
Tax impact of expenses not deductible for tax purposes	(1,524)	(106)
Prior year adjustment	(1)	1
Taxation expense	2,659	1,774
Comprising:		
Current	3,264	2,949
Deferred	(514)	(1,176)
Prior year adjustment	(91)	1
	2,659	1,774
<i>Deferred tax</i>		
Opening balance	7,181	8,369
Charge to profit or loss	(514)	(1,184)
Transition adjustment	-	(4)
Deferred tax on intangibles	-	-
Closing balance	6,667	7,181
The charge to profit or loss is attributable to the following items:		
Insurance deductible reserves	(111)	(681)
Provisions and accruals	(503)	(487)
Prior year adjustment	100	(16)
	(514)	(1,184)
<i>Income tax losses on policyholder base</i>		
The policy holder tax losses carried forward at 31 March 2021 are \$5,276,000 (2020: \$5,180,000).		
<i>Imputation credit memorandum account</i>		
The policyholder imputation credit account has a closing balance at 31 March 2021 of \$Nil (2020: \$Nil).		

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

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.

	2021	2020
	\$'000	\$'000
Actual solvency capital	41,382	32,321
Calculated minimum solvency capital	19,151	16,598
Coverage ratio on calculated margin (times)	2.16	1.95
Overall minimum capital requirement	19,151	16,598
Solvency margin on overall minimum requirement	22,231	15,723
Coverage ratio on overall minimum requirement (times)	2.16	1.95
<i>Non-life insurance</i>		
Actual solvency capital	34,805	24,324
Calculated minimum solvency capital	16,315	14,244
Solvency margin on calculated minimum requirement	18,490	10,080
<i>Life insurance</i>		
Actual solvency capital	6,577	7,997
Calculated minimum solvency capital	2,836	2,354
Solvency margin on calculated minimum requirement	3,741	5,643

H. Policyholder liabilities

	2021	2020
	\$'000	\$'000
Insurance contract liabilities		
Opening insurance contract liabilities	51,420	51,785
Increase in insurance contract liabilities	1,434	1,032
Amortisation Intangible asset - policies in force	-	(1,566)
Increase in deferred acquisition costs	247	169
Closing insurance contract liabilities	53,101	51,420
Policyholder liabilities contain the following components:		
Future policy benefits	57,927	55,586
Future expenses	5,748	6,475
Future profit margins	5,066	5,880
Balance of future premiums	(21,537)	(22,541)
Re-insurance	5,916	6,286
Life deferred acquisition costs	(19)	(266)
	53,101	51,420

Life insurance contracts with a discretionary participation feature - the amount of the liabilities that relates to guarantees

Other contracts with a fixed or guaranteed termination value - current termination value

Life investment contracts at fair value through profit or loss

Opening life investment contracts at fair value through profit or loss	7,072	7,484
Increase / (decrease) in life investment contract liabilities recognised through profit or loss	1,405	(260)
Deposit premium	1,410	1,529
Withdrawals	(1,560)	(1,441)
Activity, plan, and establishment fees	(211)	(240)
Closing life investment contract liabilities	8,116	7,072

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

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

	2021	2020
	\$'000	\$'000
Annuities	1,150	1,280
Endowment	201	232
Whole of life, provision for bonus and future margins	4,800	4,504
Consumer Credit Protection & key person loan protection	5,866	5,669
Accidental death/redundancy	6	7
Term Life	77	53
General	37,193	36,718
General claims provisions	3,827	3,223
Saving plans	8,116	7,072
Deferred acquisition costs - life	(19)	(266)
	61,217	58,492
Life investment contract liabilities	8,116	7,072
Insurance contract liabilities	53,101	51,420
	61,217	58,492
<i>General outstandings claim provision</i>		
Gross claims	118	118
IBNR provision	2,756	2,473
	2,874	2,591
<i>Reconciliation of movement in general gross claims liability</i>		
Opening Balance	2,591	3,133
Movement	16,613	20,277
Payments	(16,330)	(20,819)
Closing Balance	2,874	2,591

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

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 2021	Statutory	Shareholder	Total
	\$'000	\$'000	\$'000
Insurance contract premiums	6,555	30,343	36,898
Outward reinsurance premium	(570)	-	(570)
Recoveries	1,515	12	1,527
Other insurance revenue	352	1,664	2,016
Insurance revenue	7,852	32,019	39,871
Claims expense	(3,924)	(17,642)	(21,566)
Movement in life insurance liabilities	(143)	-	(143)
Commission expense	(592)	(1,664)	(2,256)
Other expenses	(1,195)	(7,931)	(9,126)
Underwriting (loss)/profit	1,998	4,782	6,780
Fair value gain on revaluation of investment properties	-	5,425	5,425
Investment income	753	1,985	2,738
Profit before taxation	2,751	12,192	14,943
Taxation	(770)	(1,889)	(2,659)
Profit after taxation	1,981	10,303	12,284

Statement of financial position as 31 March 2021	Statutory	Shareholder	Total
Assets	\$'000	\$'000	\$'000
Investments backing insurance policy liabilities	28,571	80,987	109,558
Other assets	-	36,670	36,670
Total assets	28,571	117,657	146,228

Liabilities	Statutory	Shareholder	Total
	\$'000	\$'000	\$'000
Life investment contract liabilities	8,116	-	8,116
Insurance contract liabilities	13,034	40,067	53,101
Deferred taxation	-	6,667	6,667
Other liabilities	844	6,115	6,959
Total liabilities	21,994	52,849	74,843

Solvency	Statutory	Shareholder	Total
	\$'000	\$'000	\$'000
Actual Solvency capital	6,577	34,805	41,382
Minimum solvency capital	2,836	16,315	19,151
Solvency Margin	3,741	18,490	22,231

Statement of income for the year ended 31 March 2020	Statutory	Shareholder	Total
	\$'000	\$'000	\$'000
Insurance contract premiums	6,447	32,830	39,277
Outward reinsurance premium	(587)	-	(587)
Recoveries	419	11	430
Other insurance revenue	404	1,865	2,269
Insurance revenue	6,683	34,706	41,389
Claims expense	(2,529)	(21,361)	(23,890)
Movement in life insurance liabilities	(836)	-	(836)
Commission expense	(598)	(1,469)	(2,067)
Other expenses	(1,747)	(9,896)	(11,643)
Underwriting (loss)/profit	973	1,980	2,953
Investment income	751	2,511	3,262
Fair value gain on revaluation of investment properties	-	500	500
Profit before taxation	1,724	4,991	6,715
Taxation	(455)	(1,319)	(1,774)
Profit after taxation	1,269	3,672	4,941

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

Statement of financial position as 31 March 2020	Statutory \$'000	Shareholder \$'000	Total \$'000
Assets			
Investments backing insurance policy liabilities	27,557	70,679	98,236
Other assets	-	37,361	37,361
Total assets	27,557	108,040	135,597
Liabilities			
Life investment contract liabilities	7,072	-	7,072
Insurance contract liabilities	12,111	39,309	51,420
Deferred taxation	-	7,181	7,181
Other liabilities	378	7,046	7,424
Total liabilities	19,561	53,536	73,097
Solvency			
Actual Solvency capital	7,997	24,324	32,321
Minimum solvency capital	2,354	14,244	16,598
Solvency Margin	5,643	10,080	15,723

Reconciliation of Profit before tax to Operating profit (note 6)	2021 \$'000	2020 \$'000
Profit before tax	14,943	6,715
Less: revaluation of investment property disclosed as property, plant and equipment in the Group financial statements at cost	(5,425)	(500)
Less: depreciation on investment property disclosed as property, plant and equipment	(168)	-
Operating profit (note 6)	9,350	6,215

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 \$'000	Non – investment linked \$'000	Total \$'000
2021			
Premium income	-	36,328	36,328
Investment income	-	8,163	8,163
Claims expense	-	(21,566)	(21,566)
Other operating revenue	1,514	3,434	4,948
Other operating expenses	-	(11,525)	(11,525)
Investment revenues allocated to policyholders	(1,405)	-	(1,405)
Net profit before taxation	109	14,834	14,943
Net profit after taxation	79	12,205	12,284
Policy liabilities	8,116	53,101	61,217
Investment assets	8,254	101,304	109,558
Other assets	-	36,670	36,670
Other liabilities	-	13,627	13,627
Retained earnings	1,329	23,705	25,034

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

	Investment linked \$'000	Non – investment linked \$'000	Total \$'000
2020			
Premium income	-	38,690	38,690
Investment income	-	3,762	3,762
Claims expense	-	(23,890)	(23,890)
Other operating revenue	(150)	2,588	2,438
Other operating expenses	-	(14,546)	(14,546)
Investment revenues allocated to policyholders	261	-	261
Net profit before taxation	111	6,604	6,715
Net profit after taxation	80	4,861	4,941
Policy liabilities	7,072	51,420	58,492
Investment assets	7,197	91,039	98,236
Other assets	-	37,361	37,361
Other liabilities	-	14,605	14,605
Retained earnings	1,250	14,900	16,150

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:

- To ensure sound business practices are in place for underwriting risks and claims management;
- To achieve a target return on capital that is invested in order to take on insurance risk; and
- 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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

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
2021		
Market risks		
Increase in interest rates of 1%	(239)	(20)
Decrease in interest rates of 1%	265	22
Insurance risks		
Increase in expenses of 10%	1	(13)
Decrease in expenses of 10%	(1)	13
Decrease in mortality by 10%	(5)	(103)
Increase in mortality by 10%	6	113
Worsening of discontinuance rate by 10%	-	32
Improvement in discontinuance rate by 10%	-	(36)
2020		
Market risks		
Increase in interest rates of 1%	(238)	(48)
Decrease in interest rates of 1%	265	52
Insurance risks		
Increase in expenses of 10%	1	(28)
Decrease in expenses of 10%	(1)	28
Decrease in mortality by 10%	(5)	(241)
Increase in mortality by 10%	6	265
Worsening of discontinuance rate by 10%	-	76
Improvement in discontinuance rate by 10%	-	(86)

STATUTORY INFORMATION

Directors' remuneration and other benefits for the financial year ended 31 March 2021

	Directors' fees \$
Grant Baker	142,500
Paul Byrnes	71,250
Martin Berry	71,250
Matthew Harrison (1)	71,250
Alistair Petrie	71,250
John Roberts (2)	71,250
Antony Vriens (3)	71,250

- During the year ended 31 March 2021 Mr Harrison received an additional \$14,250 (2020: \$15,000) in fees for services as chairman of the Credit and Lending Committee.
- During the year ended 31 March 2021 Mr Roberts received an additional \$14,250 (2020: \$15,000) in fees for his services as chairman of the Audit and Risk Management Committee.
- During the year ended 31 March 2021 Mr Vriens received an additional \$33,250 (2020: \$35,000) in fees for his services as chairman of DPL Insurance Limited.

Disclosure of interests recorded in the interest's register

There were no new specific disclosures of interests entered in the interests' register in the accounting period ending 31 March 2021.

Dealings in Turners Automotive Group Limited shares by Directors

	Date of transaction	Shares acquired	Consideration paid \$	Nature of relevant interest
Grant Baker	17/03/2021	350,000	1,160,785	Joint Trustee of the Baker Family Trust, with deemed control over shares held by Montzemolo Holding Limited
John Roberts	20/01/2021	5,900	19,804	Registered holder and beneficial interest

Directors' relevant interest in quoted shares as at 31 March 2021

	Shares
Grant Baker	6,450,000
Paul Byrnes	2,484,860
Martin Berry	500,000
Matthew Harrison	5,179,294
Alistair Petrie	25,011
John Roberts	71,900
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 Montzemolo Holdings Limited Me Today Limited (Chairman) Velocity Capital LP Liam Lawson Supporters Partnership LP (Chairman)	Paul Byrnes Vic Road Restaurant Group Limited Ship to Shore Restaurant Group Limited
	John Roberts Apollo Foods Limited Centrix Group Limited

STATUTORY INFORMATION

Matthew Harrison

Harrigens Trustees Limited
 JHFT Trustees Limited
 GJG Trustees No.2 Limited
 GJG Trustees Limited
 MJH Consultants Limited
 HD Property Company Ltd
 Farne Investments Ltd
 Hawkes Bay Legal Trustees (Harrison Trusts) Ltd

Antony Vriens

Me Today Limited

Alistair Petrie

RH Investment Trust
 Trustee of Dossor Trust
 Bartel Holdings Ltd
 Darling Group Holdings
 Jellicoe St Enterprises Ltd
 Zeafruit Limited
 Melita Honey Limited Advisory Board

Martin Berry

Launcho Ventures Pte. Ltd
 Gong Cha Global Ltd

Employee remuneration

During the financial year ended 31 March 2021, 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:

Remuneration range	Number of employees	
	2021	2020
100,000 - 109,999	16	21
110,000 - 119,999	13	16
120,000 - 129,999	13	14
130,000 - 139,999	8	4
140,000 - 149,999	4	8
150,000 - 159,999	8	4
160,000 - 169,999	3	4
170,000 - 179,999	6	8
180,000 - 189,999	6	3
190,000 - 199,999	2	2
200,000 - 209,999	2	-
210,000 - 219,999	-	2
220,000 - 229,999	2	-
230,000 - 239,999	1	1
240,000 - 249,999	2	-
250,000 - 259,999	2	-
260,000 - 269,999	1	-
270,000 - 279,999	1	-
280,000 - 289,000	1	-
290,000 - 299,000	-	3
300,000 - 309,999	-	1
310,000 - 319,999	1	-
340,000 - 349,999	1	-
360,000 - 369,999	1	-
370,000 - 379,999	-	1
420,000 - 420,999	-	1
430,000 - 439,999	1	-
460,000 - 469,999	1	-
510,000 - 519,999	1	-
640,000 - 645,000	-	1
830,000 - 839,999	1	-

STATUTORY INFORMATION

STOCK EXCHANGE LISTINGS

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

PRINCIPAL ORDINARY SHAREHOLDERS AS AT 31 MAY 2021

The following table shows the names and holdings of the 20 largest holdings of quoted ordinary shares (TRA) of the Company as at 31 May 2021.

Rank	Name	Shares	% of Issued Capital
1	Bartel Holdings Limited	9,552,642	11.17
2	Montezemolo Holdings Limited	6,450,000	7.54
3	Harrigens Trustees Limited	5,179,294	6.05
4	FNZ Custodians Limited	4,257,955	4.98
5	JBWere (NZ) Nominees Limited	2,517,168	2.94
6	HSBC Nominees (New Zealand) Limited - NZCSD	2,242,711	2.62
7	National Nominees Limited - NCSD	2,230,366	2.61
8	Stephen John Sinclair & Jacqueline Margaret Sinclair & Roger Frederick Wallis	2,171,461	2.54
9	Custodial Services Limited <A/C 16>	2,132,611	2.49
10	Paul Bernard Mora	1,950,312	2.28
11	BNP Paribas Nominees (NZ) Limited - NZCSD	1,698,334	1.99
12	Paul Anthony Byrnes	1,484,860	1.74
13	Accident Compensation Corporation - NZCSD	1,442,175	1.69
14	John Jeffers Harrison	1,363,782	1.59
15	Glenn Arthur Duncraft	1,100,000	1.29
16	New Zealand Depository Nominee Limited <A/C 1 Cash Account>	1,097,549	1.28
17	Custodial Services Limited <A/C 4>	930,686	1.09
18	Forsyth Barr Custodians Limited <Account 1 E>	767,700	0.90
19	Public Trust - NZCSD <The Aspiring Fund>	749,758	0.88
20	Cushla Mary Smithies	542,841	0.63

SPREAD OF ORDINARY SHAREHOLDERS AS AT 31 MAY 2021

Range	Total Holders	Shares	% of Issued Capital
1 - 999	1,765	792,635	0.94
1,000 - 1,999	840	1,143,283	1.34
2,000 - 4,999	863	2,643,181	3.09
5,000 - 9,999	491	3,246,034	3.79
10,000 - 49,999	635	12,493,472	14.60
50,000 - 99,999	57	3,722,750	4.35
100,000 - 499,999	52	9,772,912	11.42
500,000 - 999,000	4	2,760,981	3.23
1,000,000 plus	13	48,969,000	57.24
Total	4,720	85,544,248	100.00

DOMICILE OF ORDINARY SHAREHOLDERS AS AT 31 MAY 2021	Shareholders		Shares	
	Number	%	Number	%
New Zealand	4,559	96.59	84,667,200	98.97
Australia	71	1.50	374,031	0.44
Other	90	1.91	503,017	0.59
Total	4,720	100.00	85,544,248	100.00

STATUTORY INFORMATION

SUBSTANTIAL PRODUCT HOLDERS

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

As at 31 March 2021 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	11.17
Montezemolo Holdings Limited	6,450,000	7.54
Harrigens Trustees Limited	5,179,294	6.05
Salt Funds Managers Limited	5,135,773	6.00

The total number of quoted voting products of the company on issue at 31 March 2021 was 85,544,248 paid ordinary shares.

CORPORATE GOVERNANCE REPORT

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

The Board considers that this framework and governance practices for the year ended 31 March 2021 are generally in line with the 10 December 2020 NZX Corporate Governance Code, except as stated below:

• **Recommendation 2.5: An issuer should have a written diversity policy which includes requirements for the board or relevant committee of the board to set measurable objectives for achieving diversity:** Turners has a diversity policy which encourages a culture of diversity and inclusiveness at Turners. While no measurable objectives are in place, the board requires management to provide regular reporting and monitoring on diversity within the Turners workforce. The Board also uses tools such as the quarterly staff engagement survey to measure diversity and how the business is recognising, valuing and respecting differences to establish benchmark measures and progress.

• **Recommendation 2.9: An issuer should have an independent chairperson of the board.** The chairperson of the board is Grant Baker, a non-executive director. Grant has a 7.54% shareholding in Turners and therefore the Board has determined that he is not an independent director. The chair is not the CEO of Turners, is not involved in the day to day running of the business and does not have significant influence over operational decisions.

• **Recommendation 3.3 and 3.4: An issuer should have a remuneration committee and a nomination committee.**

Due to the size of the Company's Board, matters normally dealt with by a remuneration committee or nominations committee are dealt with by the full Board.

The Company will continue to monitor best practice in the governance area and update its policies to ensure it maintains the most appropriate standards.

The information in this report is current as at 24 June 2021 and has been approved by the Board of Turners.

The Turners' Corporate Governance Code and other key policies are available on the Turners Automotive Group Limited website: <https://www.turnersautogroup.co.nz/About+Us/Corporate+Governance.html>.

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 Turners.

The Code of Ethics is the framework of standards by which directors, employees, contractors for personal services and advisers to Turners and its related companies are expected to conduct their professional lives. It has been approved by the Board in April 2021.

The Code of Ethics is intended to facilitate decisions that are consistent with Turners values, business goals and legal and policy obligations, thereby enhancing performance outcomes. In particular, it covers conflicts of interest, gifts, confidentiality, corporate opportunities, behaviour, proper use of assets and information and compliance with laws and policies. No donations have been to any political parties in FY21.

The Code of Ethics is available on the Company's website. Employees are expected to report any breaches in line with the processes outlined in the Code of Ethics. Turners has a Whistle Blower Policy to allow employees to raise the alarm on concerns they may have over malpractice without fear of retribution from their colleagues or employer.

The Board believes that all directors conformed to the Code of Ethics during the 2021 financial year.

Turners has a Quoted Financial Product Trading Code of Conduct to mitigate the risk of insider trading in Turners financial products by employees and directors. A copy of this is available on Turners' website. Additional trading restrictions apply to Restricted Persons including directors and certain employees. Details of directors' share dealings are on page 87 of the 2021 Financial Statements.

CORPORATE GOVERNANCE REPORT cont.

PRINCIPLE 2 – BOARD COMPOSITION AND PERFORMANCE

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;
- the role and responsibilities of directors;
- procedures for the nomination, resignation and removal of directors;
- identifies procedures to ensure that the Board meets regularly, conducts its meetings in an efficient and effective manner; and
- ensures that each Director is fully empowered to perform his or her duties as a director of Turners and to fully participate in meetings of the Board.

Day to day management of Turners is undertaken by the executive team 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.

Newly elected directors are expected to familiarise themselves with their obligations under the constitution, Board Charter, Turners Corporate Governance Code and the NZX Listing Rules. Training is also provided to new and existing Directors where required to enable directors to understand their obligations.

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 Turners Constitution.

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.

Directors will retire and may stand for re-election by shareholders every three years, in accordance with the NZX Listing Rules.

A Director appointed since the previous annual meeting holds office only until the next annual meeting, but is eligible for re-election at that meeting.

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

The Board currently comprises of seven directors: a non-executive chairman, four independent directors and two non-executive directors. While the Board is very active, non-executive directors are not involved in the day to day running of the business and have no influence over operational decisions. Directors are all elected based on the value they bring to the Board and against set criteria detailed in Turners Corporate Governance Code. The Board believes that the current directors provide valuable expertise and experience and offer complementary skill sets. The mix of long-standing and newer directors ensures that continuity of knowledge and organisational memory is balanced with fresh perspectives.

As at 31 March 2021, Board members were:

- Grant Baker, Non-executive Chairman: Appointed 10 September 2009
- Paul Byrnes, Deputy chairman and Independent Director: Appointed 2 February 2004
- Martin Berry, Independent Director: Appointed 17 August 2018
- Matthew Harrison, Non-executive director: Appointed 12 December 2012
- Alistair Petrie, Non-executive director: Appointed 24 February 2016
- John Roberts, Independent Director: Appointed 1 July 2015
- Antony Vriens, Independent Director: Appointed 12 January 2015

In order for a Director to be an independent director, the Board has determined that the relevant director must not be an executive of Turners and must have no disqualifying relationships. The Board follows the guidelines of the NZX Corporate Governance Code.

Information on each director is available on the Turners website and on page 20 and 21 of the 2021 Annual Report.

CORPORATE GOVERNANCE REPORT cont.

Director's interests are disclosed on pages 87 to 90 of the 2021 Financial Statements.

Board Training and Performance

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. An external review was conducted in FY20, and recommendations regarding the quality and frequency of communication between management and the Board have been implemented.

Diversity

Turners believes that 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 its stakeholders socially, economically and environmentally.

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.

Turners Diversity and Inclusion Policy is available on the Turners website. The Board requires management to provide regular reporting and monitoring on diversity and wellbeing within the Turners workforce.

The quarterly staff survey includes questions on equality with respondents rating Turners 8.2 out of 10 and higher.

As at 31 March 2021 the gender balance of Turners directors and people was as follows:

	31 March 2021		31 March 2020	
	Female	Male	Female	Male
Directors	-	7	-	7
Senior Leadership	7	26	6	26
Management	38	54	37	57
Other Employees	223	274	268	377

Board Meetings and Attendance

The Board has 11 scheduled meetings a year. The table below sets out Directors' attendance at Board and Committee meetings during FY21. In total, there were 15 Board meetings; 3 Audit, Risk Management & Sustainability Committee meetings; and 18 Lending and Credit Committee meetings.

	Board	Audit, Risk Management & Sustainability committee	Lending & Credit committee
Total Number of Meetings Held	15	3	18
Grant Baker	15		
Paul Byrnes	14		
Martin Berry	12		
Matthew Harrison	15		18
Alistair Petrie	15	3	18
John Roberts	14	3	18
Antony Vriens	15	3	

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, Risk Management and Sustainability Committee and the Lending and Credit Committee. Turners will continue to monitor best practice in the governance area and update its policies to ensure it maintains the most appropriate standards.

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.

CORPORATE GOVERNANCE REPORT cont.

The Committees meet as required and have terms of reference (Charters), which are approved and reviewed by the Board. Minutes of each Committee meeting are forwarded to all members of the Board, who are all entitled to attend any Committee meeting. Management may only attend committee meetings at the invitation of the Committee.

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.

Audit, Risk Management & Sustainability Committee (ARMS Committee)

The role of the ARMS 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 Turner's financial position and make appropriate enquiry into the audits of the Turner's financial statements. This responsibility includes providing the Board with additional assurance about the quality and reliability of the financial information issued publicly by Turners. All matters required to be addressed and for which the Committee has responsibility were addressed during the reporting period.

The Committee is comprised solely of non-executive Directors of Turners, has three members, has a majority of independent Directors and has at least one director with an accounting or financial background. The Chair of the committee is not the Chair of the Board and does not have a long-standing association with Turners' external audit firm as a current, or retired, audit partner or senior manager at that firm. 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. The Committee Charter is available as Appendix B in the Turners Corporate Governance Code.

Members as at 31 March 2021 were John Roberts (Chair), Antony Vriens and Alistair Petrie. It met three times during the financial year.

Lending and Credit Committee

The Lending and Credit Committee reviews the lending and credit policies of Turners' Finance subsidiary company. 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 2021 were Matthew Harrison (Chair), Alistair Petrie and John Roberts. It met eighteen times during the financial year.

Takeovers

Turners prepared in the event of a takeover. The Board has adopted a written Takeover Response Policy (contained within the Turners 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' directors are committed to keeping investors and the market informed of all material information about Turners and its performance, and ensuring compliance with applicable legislative and the NZX Listing Rules. The release of material information is guided by the Reporting and Disclosure section in Turners Corporate Governance Code, and the Turners Continuous Disclosure Policy, which are available to view on Turners' website.

Copies of other key governance documents are also available on Turners' website.

In addition to all information required by law, Turners also seeks to provide sufficiently 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 Turners and have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements, estimates and for ensuring all relevant financial reporting and accounting standards have been followed.

The Group Financial Controller holds the role of Company Secretary. In all accounting and secretarial matters, the Board ensures that the Secretary's reports are objective and that the Secretary has unfettered access to the chair and the ARMS committee, without reference to the CEO.

For the financial year ended 31 March 2021, the directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of Turners and facilitate compliance with Part 7 of the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013. 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.

CORPORATE GOVERNANCE REPORT cont.

Turners' full financial statements and half year results are available on Turners' website.

Non-financial information

The Board recognises the importance of non-financial disclosure and in particular, environmental, social and governance (ESG) matters. Turners has an Environmental, Social and Governance Policy in section 14 of Turners Corporate Governance Code. A number of initiatives underway which supports Turners' focus in these areas. The company is also in the process of establishing and measuring emissions targets.

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. Turners 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.

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.

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 Turners.

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

Details of directors and executives' remuneration and entitlements for the 2021 financial year are detailed on pages 75 and 87 of the Annual Report.

The Remuneration Policy is included in section 10 of Turners Corporate Governance Code. 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 policy is that no sum is paid to a director upon retirement or cessation of office.

While there is no formal requirement, all of Turners' directors either directly or indirectly own shares in the company. Details of shareholdings are on page 87 of the 2021 Financial Statements.

Board Remuneration

- Chairman \$150,000
- Non-executive Director \$75,000
- Chair of DPL Insurance Limited \$35,000
- Chair of DPL Insurance Limited for duties as a non-executive director for TRA \$75,000
- Chair of ARMS Committee \$15,000
- Chair of Credit and Lending Committee \$15,000

DPL Insurance is legally required to operate a separate board because it holds an insurance license with the Reserve Bank of New Zealand. Antony Vriens is the current chairman of the DPL Insurance board and is also a non-executive director of Turners.

Details of individual Directors' remuneration are detailed on page 87 of the 2021 Annual Report.

Turners does not pay fees upon retirement of directors.

CORPORATE GOVERNANCE REPORT cont.

Executive Remuneration

Executive remuneration consists of a fixed base salary, a variable short term bonus paid annually and a long term incentive, being 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 88 of the 2021 Financial Statements.

Details of the Group's Share Option Plan are detailed on page 73 and 74 of the 2021 Financial Statements.

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, being 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
FY21	539,117	56,434	595,552	300,000	100%	895,552
FY20	543,761	50,224	593,985	-	-	593,985

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

In July 2020, the CEO was granted 1,000,000 options at an exercise price of \$2.00 under the Group's Share Option Plan. The grant is split into 4 tranches of 250,000 options with the following vesting dates; 1 June 2021, 1 June 2022, 1 June 2023 and 1 June 2024. Each tranche expires two years after the vesting date.

The weighted average fair value of the options granted, using the Binomial Tree option pricing model, was \$0.31 per option.

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.

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 is committed to proactively managing risk. While this is the responsibility of the entire Board, the ARMS 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 ARMS Committee Charter which is included as Appendix B in Turners Corporate Governance Code. 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. Individual risks are discussed with the Board in detail as required.

Key financial and non-financial risks are included in note 5 of the 2021 Financial Statements.

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.

Health and Safety

The 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.

CORPORATE GOVERNANCE REPORT cont.

Turners has a Health and Safety Policy which is monitored by a Health and Safety Committee assisted by Health and Safety coordinators in each business unit. Health and Safety reports for all business units are included in the compliance section of 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 Corporate Governance Code) and ensures that audit independence is maintained, both in fact and appearance, such that Turners external financial reporting is viewed as being highly reliable and credible.

The ARMS 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 ARMS Committee Charter (Appendix B of the Turners Corporate Governance Code).

For the financial year ended 31 March 2021, Baker Tilly Staples Rodway was the external auditor for Turners Automotive Group Limited. Baker Tilly Staples Rodway were first appointed as external auditor in 1999 and were automatically re-appointed under the Companies Act 1993 at the 2020 Annual Shareholder Meeting. The last audit partner rotation was in the 2020 calendar year.

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 Baker Tilly Staples Rodway for audit and other services is identified on page 57 of the 2021 Annual Report.

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

Baker Tilly Staples Rodway attends the Annual Shareholder Meeting, and the lead audit partner is available to answer questions from shareholders at that meeting. Baker Tilly Staples Rodway attended the 2020 Annual Shareholder Meeting.

Turners has a number of internal controls overseen by ARMS Committee, including controls for computerised information system, security, business continuity management, insurance, health and safety, conflicts of interest, and prevention and identification of fraud. Turners does not have a dedicated 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

Turners maintains a comprehensive investor relations 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 Shareholders' Meeting and may raise matters for discussion at this event. The company live streams the annual meeting, which is accessible worldwide. In 2020, due to COVID-related disruption, the meeting was held online only.

In accordance with the NZX Corporate Governance Code, the Board ensured that the notice of the 2020 Annual Shareholder Meeting was posted to Turners' website as soon as possible, and at least 20 working days prior to that 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 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 shareholder communications in electronic form (by email).

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 staff, suppliers and customers.

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 5, 70 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	August
Half year results announced	November
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.

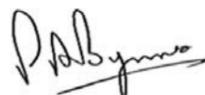
STOCK EXCHANGE

The Company's shares trade on the NZX Main Board operated by the NZX Limited under the code TRA and as an exempt foreign entity on the ASX operated by ASX Limited.

This annual report is dated 24 June 2021 and is signed on behalf of the board by:



G.K. Baker
Chairman



P.A. Byrnes
Deputy chairman

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