

Turners delivers record HY result, driven by Auto Retail.

Turners Automotive Group (NZX/ASX: TRA) achieved a record result for the six months to 30 September 2023, despite a challenging macro environment. This demonstrates the resilience of Turners' diversified business underpinned by a strong team culture and a focus on implementing an effective strategy for organic growth.

Key HY24 financial metrics

- Revenue \$214.2m (+16%)
- EBIT \$30.2m (+16%)
- NPBT \$25.7m (+10%)
- NPAT \$18.5m (+8%)
- Earnings per share 21.2 cps (+7%)
- Q2 fully imputed dividend declared at 6.0 cps

Highlights

- Record net profit before tax of \$25.7m for HY24 (HY23 \$23.4m), 10% ahead of same period last year despite material macro challenges.
- Reaffirming guidance from October, 2023, that after a strong HY, FY24 result is expected to be ahead of FY23.
- Forecast fully imputed dividend at this level of profit will be at least 24 cps, up 4% on FY23
- Despite uncertain macro environment, diversification and resilience of the business continues to deliver robust earnings and consistent dividends with Q1 dividend paid at 6.0 cps and Q2 dividend declared at 6.0cps.
- Three out of four divisions – Auto Retail, Insurance and Credit Management – well ahead of last year on profit contributions.
- Headwinds for Finance Division from rising interest rates may become tail winds as interest rate environment improves, lifting margins.
- Stand out performance from Auto Retail growing volume and market share in a NZ used car segment which is up 6% year-to-date. Increased confidence in achieving 10% market share target.
- Turners auto retail network expansion and vehicle sourcing strategy underpins growth.
- Continued high levels of team engagement scores (top 5% of consumer businesses globally), coupled with high take up of employee share scheme (~50%)

CEO Todd Hunter said, "Despite challenging macro conditions, Turners has demonstrated it has the right strategy to maximise opportunity through the cycle, and is well-positioned as market conditions start to improve and the interest rate environment stabilises. With the NZ used car market growing 6% year to date, Turners has grown market share and volumes to produce a stand-out result. Meanwhile, the number of dealers in the market is down 18% from the 2017 peak. As market conditions stabilise, we are well placed to continue our strong growth underpinned by our network expansion as well as our agile sourcing strategy that is driving additional sales. We are also supporting emissions reductions by focussing on low emitting vehicles and have achieved a 39% reduction in emissions for cars imported by Turners between 2019 and 2023.

"We expect to continue this momentum into our second half to deliver a full year result ahead of last year, reiterating the guidance we provided in October, 2023."

Financial results

Reported NPBT for HY24 rose 10% to \$25.7m. Earnings per share for HY24 were 21.2 cps, up 7% on the same period last year. The Board paid a fully imputed Q1 dividend of 6.0 cps, and has declared a fully imputed Q2 dividend of 6.0 cps, taking HY24 dividends to 12.0 cps, on track for a full year dividend of at least 24 cps.

Chairman Grant Baker said, “Turners has been growing dividends for almost a decade as we continue to refine our diversified business platform to deliver robust earnings and returns for shareholders. Based on a projected 24 cps full year dividend and a \$4.25 share price, this reflects a gross yield of 7.8% per annum. This is built on a strong team that focuses on continuous improvement. We are delighted with the uptake of our employee share scheme so that our people are also rewarded for their investment in the business. Not only has the used car market proved resilient, but we are seeing signs of an improving interest rate environment. Net Interest Margin has stabilised and will expand once the OCR rate cycle reverses.”

Key Drivers of HY24 result

- Strong growth in auto retail revenues through increase in volume, margins and finance attached. Agile sourcing driving additional sales along with expansion of our auto retail network.
- Continued growth in damaged and end of life vehicle units sold due to aging NZ vehicle fleet and weather events.
- Interest rate environment continues to negatively impact finance net interest margin, however they have now stabilised and we expect a gradual recovery.
- Finance arrears have increased as expected from historic lows but are performing significantly better than market levels reflecting quality focus.
- Earnings diversification and resilience of business demonstrated in a challenging economic environment.

Divisional results

- Refer to appendix

Q3 Update

- Auto Retail: Volumes and margins holding up well in car sales. Damaged vehicle volumes still strong.
- Finance: Economic environment reducing SME's cash buffer for shock events and the expectation is arrears will increase if unemployment rate lifts. Oxford still hold an economic overlay provision buffer of \$2M which is unchanged from March 2023. Net interest margin and profit has stabilised.
- Insurance: Claims continue to track below expectations, investment returns improving and policy sales holding up well.
- Credit: Corporate debt load recovering slower than expected, but SME debt load increasing quickly. NZ Credit metrics continue to deteriorate.

Outlook

A strong first half performance, combined with Q3 outlook, provides confidence to reaffirm guidance that FY24 full year result will be ahead of FY23 (reiterating guidance from October 2023). The full year dividend at this level of profit is forecast to be at least 24 cents per share, which would represent a 4% improvement on last year.

ENDS

Appendix: Divisional Results

Auto Retail: Revenue \$156.1M +20%, Segment Profit \$18M +62%

- Market share continued to improve. Retail (BuyNow) unit sales up 8% to around 10,100. Wholesale auction unit sales up 4% to c. 9,800 units.
- Total owned units sold in HY24 up 10% over HY23. Overall margin on owned cars up 66%. Average cost of a unit in inventory down 8% to \$8,300 per unit.
- HY24 Finance Attach rates improved to 34% up from 32% in HY23
- Damaged vehicle unit sales up 31% arising from tail end of weather events in Q423 as well as old fleet reaching the end of life
- Agile sourcing driving additional sales. Vehicle sourcing capability continues to improve through lead generation, frontline tools, and pricing strategies. Continued improvements in use of data has helped lock in structural improvements in margin.

Finance: Revenue \$30.2M +3%, Segment Profit \$5.1M (-44%)

- Loan book starting to grow again off the back of stronger consumer lending
- Net interest margin has stabilised and is back growing, expected to gather pace as a reducing OCR cycle begins
- Interest expense up 62% for HY24 compared to HY23 with loan book down 4% over the same period
- Controlled lending through own Turners and Direct channel up 24% in HY24 to \$47m
- Loss on disposal of pre-GFC property security \$300k.
- Credit policy continued to be tightened through HY24.

Insurance: Revenue \$22.7M +5%, Segment Profit \$7.1M +14%

- Market share gains drove growth in policy sales. MBI premium up 3% on prior year
- Claims cost inflation offset by reduction in claims due to motorists driving less
- Underwriting profit up 1%. Operating cost Ratio steady.
- AM Best has revised the outlook to positive from stable for the Long-Term Issuer Credit Rating and affirmed the Financial Strength Rating of B++ (Good)
- Google Rating and Customer Net Promoter Score continuing to increase.

Credit Management: Revenue \$5.3M +8%, Segment Profit \$1.8M +29%

- Current NZ wide arrears level is now tracking above 2018 levels after coming off historic lows, a trend expected to worsen over coming months
- Debt value loaded increased by 32% to \$83.7m as market wide credit metrics continue to deteriorate. NZ SME debt load is up 45% year on year
- Debt value collected way up 10% to \$20.5m with cost of living pressure resulting in longer settlement arrangements to address outstanding debts
- Promises to Pay kept rate has also reduced from 73.1% in HY23 to 71.4% in HY24.

ENDS

About Turners

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

For further information, please contact:

Todd Hunter, Chief Executive Officer, Turners Automotive Group Limited, Mob: 021 722 818

Results announcement

Results for announcement to the market		
Name of issuer	Turners Automotive Group Limited	
Report period	6 months to 30 September 2023	
Previous reporting period	6 months to 30 September 2022	
Currency	NZD	
	Amount (000s)	Percentage change
Revenue from continuing operations	\$213,856	16%
Total revenue	\$214,233	16%
Net profit from continuing operations	\$18,506	8%
Total net profit	\$18,020	-4%
Interim dividend		
Amount per quoted equity security	\$0.06000000	
Imputed amount per quoted security	\$0.02333333	
Record date	9 January 2024	
Dividend payment date	26 January 2024	
Interim dividend	Current period	Prior comparable period
Net tangible assets per quoted security	\$1.47	\$1.31
A brief explanation of any of the figures above necessary to enable the figures to be understood	Please refer to accompanying Company Announcement	
Authority for this announcement		
Name of person authorised to make this announcement	Barbara Badish	
Contact person for this announcement	Todd Hunter	
Contact phone number	021 722 818	
Contact email address	Todd.Hunter@turners.co.nz	
Date of release through MAP	22 November 2023	

Unaudited financial statements accompany this announcement

TURNERS AUTOMOTIVE GROUP LIMITED
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2023

		Six months ended 30/09/2023 Unaudited \$'000	Six months ended 30/09/2022 Restated & unaudited \$'000	Year ended 31/03/2023 Restated & unaudited \$'000
	Note			
Revenue	3	213,856	185,021	389,027
Other income	3	377	256	608
Cost of goods sold		(93,069)	(80,527)	(173,986)
Interest expense		(13,402)	(8,251)	(19,933)
Impairment provision expense	3	(2,448)	(1,177)	(3,740)
Subcontracted services expense		(7,973)	(6,352)	(11,927)
Employee benefits		(33,587)	(30,341)	(60,709)
Commission		(6,481)	(6,999)	(12,024)
Advertising expense		(3,088)	(2,131)	(4,934)
Depreciation and amortisation expense	3	(5,635)	(5,387)	(11,478)
Systems maintenance		(2,392)	(2,039)	(5,109)
Claims		(10,484)	(10,680)	(21,785)
Other expenses		(10,002)	(7,956)	(18,536)
Profit before taxation		25,672	23,437	45,474
Taxation expense		(7,166)	(6,342)	(12,956)
Profit from continuing operations		18,506	17,095	32,518
Other comprehensive income for the period (which may subsequently be reclassified to profit/loss), net of tax				
Cash flow hedges		(418)	1,664	415
Revaluation of financial assets at fair value through OCI		(73)	(53)	(91)
Foreign currency translation differences		5	52	(7)
Total other comprehensive income for the period		(486)	1,663	317
Total comprehensive income for the period		18,020	18,758	32,835
Earnings per share (cents per share)				
Basic earnings per share	4	21.27	19.80	37.59
Diluted earnings per share	4	21.23	19.77	37.69

TURNERS AUTOMOTIVE GROUP LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 September 2023

	Note	Share Capital \$'000	Share Options Reserve \$'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 2022 (audited)		205,482	472	(32)	(1,085)	5,477	42,083	252,397
Adjustments on initial application of NZ IFRS 17, net of tax		-	-	-	-	-	(1,753)	(1,753)
Restated & unaudited balance at 1 April 2022		205,482	472	(32)	(1,085)	5,477	40,330	250,644
<i>Transactions with shareholders in their capacity as owners</i>								
Employee share based payments	4	1,602	56	-	-	-	-	1,658
Dividend paid	9	-	-	-	-	-	(6,062)	(6,062)
		1,602	56	-	-	-	(6,062)	(4,404)
<i>Comprehensive income</i>								
Profit		-	-	-	-	-	17,095	17,095
Other comprehensive income		-	-	52	(53)	1,664	-	1,663
Total comprehensive income for the period, net of tax		-	-	52	(53)	1,664	17,095	18,758
Balance at 30 September 2022 (restated & unaudited)		207,084	528	20	(1,138)	7,141	51,363	264,998
<i>Transactions with shareholders in their capacity as owners</i>								
Employee share based payments	4	(8)	(244)	-	-	-	296	44
Dividend paid	9	-	-	-	-	-	(8,670)	(8,670)
		(8)	(244)	-	-	-	(8,374)	(8,626)
<i>Comprehensive income</i>								
Profit		-	-	-	-	-	15,423	15,423
Other comprehensive income		-	-	(59)	(38)	(1,249)	-	(1,346)
Total comprehensive income for the period, net of tax		-	-	(59)	(38)	(1,249)	15,423	14,077
Balance at 31 March 2023 (restated & unaudited)		207,076	284	(39)	(1,176)	5,892	58,412	270,449
<i>Transactions with shareholders in their capacity as owners</i>								
Dividend reinvestment plan	4	1,485	-	-	-	-	-	1,485
Employee share based payments	4	1,040	(64)	-	-	-	-	976
Dividend paid	9	-	-	-	-	-	(11,287)	(11,287)
		2,525	(64)	-	-	-	(11,287)	(8,826)
<i>Comprehensive income</i>								
Profit		-	-	-	-	-	18,506	18,506
Other comprehensive income		-	-	5	(73)	(418)	-	(486)
Total comprehensive income for the period, net of tax		-	-	5	(73)	(418)	18,506	18,020
Balance at 30 September 2023 (unaudited)		209,601	220	(34)	(1,249)	5,474	65,631	279,643

TURNERS AUTOMOTIVE GROUP LIMITED
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2023

		30/09/2023	30/09/2022	31/03/2023	1/04/2022
		Unaudited	Restated & unaudited	Restated & unaudited	Restated & unaudited
	Note	\$'000	\$'000	\$'000	\$'000
Assets					
Cash and cash equivalents	5	12,639	17,711	11,845	13,373
Financial assets at fair value through profit or loss					
- Insurance		67,441	66,093	66,655	70,199
- Other		75	75	75	75
Trade receivables		10,581	5,529	7,800	7,506
Inventories		23,803	26,214	26,057	31,980
Finance receivables	6	420,940	443,057	424,621	422,870
Other receivables, deferred expenses and contract assets		15,786	11,552	7,137	7,259
Derivative financial instruments		5,474	7,146	5,887	5,414
Financial assets at fair value through OCI		157	172	230	225
Reverse annuity mortgages		2,685	2,851	2,925	3,242
Property, plant and equipment		109,122	74,180	105,993	67,569
Right-of-use assets		20,781	24,557	22,226	23,497
Investment property		-	5,950	5,800	5,950
Intangible assets		163,394	164,359	163,556	164,453
Total assets		852,878	849,446	850,807	823,612
Liabilities					
Other payables		49,229	42,442	56,008	50,103
Contract liabilities		1,453	1,808	1,562	1,848
Tax payable		2,485	2,999	6,773	4,016
Deferred tax		12,133	12,716	12,426	12,563
Borrowings	7	417,385	430,827	412,035	412,761
Lease liabilities		25,619	30,107	27,120	28,209
Life investment contract liabilities		6,878	7,039	7,042	8,153
Insurance contract liabilities		58,053	56,510	57,392	55,315
Total liabilities		573,235	584,448	580,358	572,968
Shareholders' equity					
Share capital		209,601	207,084	207,076	205,482
Other reserves		4,411	6,551	4,961	4,832
Retained earnings		65,631	51,363	58,412	40,330
Total shareholders' equity		279,643	264,998	270,449	250,644
Total shareholders' equity and liabilities		852,878	849,446	850,807	823,612
Total assets per share (\$)		9.75	9.80	9.81	9.57
Net tangible assets per share (\$)		1.47	1.31	1.38	1.15

TURNERS AUTOMOTIVE GROUP LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 September 2023

		Six months ended 30/09/2023 Unaudited \$'000	Six months ended 30/09/2022 Restated & unaudited \$'000	Year ended 31/03/2023 Restated & unaudited \$'000
	Note			
Cash flows from operating activities				
Interest received		26,918	25,958	51,639
Receipts from customers		183,474	158,139	334,105
Receipt of government subsidies		13	69	100
Interest paid		(12,453)	(7,189)	(17,653)
Interest paid - lease liabilities		(692)	(737)	(1,548)
Payment to suppliers and employees		(170,628)	(143,449)	(286,783)
Income tax paid		(11,752)	(7,268)	(10,394)
Net cash inflow/(outflow) from operating activities before changes in operating assets and liabilities		14,880	25,523	69,466
Net increase in finance receivables		81	(21,091)	(6,814)
Net decrease in reverse annuity mortgages		391	520	572
Net decrease of financial assets at fair value through profit or loss		(752)	3,170	3,872
Net contribution from life investment contracts		12	(87)	(304)
Changes in operating assets and liabilities arising from cash flow movements		(268)	(17,488)	(2,674)
Net cash inflow/(outflow) from operating activities		14,612	8,035	66,792
Cash flows from investing activities				
Proceeds from sale of property, plant, equipment and intangibles		1,761	479	942
Purchase of fixed assets and intangible assets		(8,743)	(9,826)	(44,177)
Purchase of investments		-	-	(96)
Net cash (outflow)/inflow from investing activities		(6,982)	(9,347)	(43,331)
Cash flows from financing activities				
Net bank loan advances/(repayments)		5,350	18,238	(553)
Principal elements of lease payments		(3,076)	(2,964)	(5,976)
Proceeds from the issue of shares		2,177	1,602	1,436
Dividend paid		(11,287)	(11,226)	(19,896)
Net cash inflow/(outflow) from financing activities		(6,836)	5,650	(24,989)
Net movement in cash and cash equivalents		794	4,338	(1,528)
Add opening cash and cash equivalents		11,845	13,373	13,373
Closing cash and cash equivalents		12,639	17,711	11,845
Represented by:	5	12,639	17,711	11,845
Cash at bank				
Closing cash and cash equivalents		12,639	17,711	11,845

TURNERS AUTOMOTIVE GROUP LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 September 2023

	Six months ended 30/09/2023 Unaudited \$'000	Six months ended 30/09/2022 Restated & unaudited \$'000	Year ended 31/03/2023 Restated & unaudited \$'000
RECONCILIATION OF NET SURPLUS WITH CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss)	18,506	17,095	32,518
Adjustment for non-cash items			
Impairment charge on finance receivables, reverse annuity mortgages and other receivables	2,448	1,099	3,659
Net loss/(profit) on sale fixed assets	(70)	(187)	(290)
Depreciation and amortisation	5,635	5,814	11,478
Capitalised reverse annuity mortgage interest	(151)	(144)	(287)
Deferred revenues	993	416	628
Fair value adjustments on assets/liabilities at fair value through profit and loss	(54)	840	(444)
Net annuity and premium change to policyholders accounts	(176)	(1,027)	(807)
Non-cash adjustments to finance receivables effective interest rates	-	(3)	(3)
Deferred expenses	657	(441)	1,206
Revaluation loss on investment property	-	-	150
Adjustment for movements in working capital			
Net (increase)/decrease in receivables and pre-payments	(4,690)	(86)	937
Net increase in inventories	2,255	5,766	5,923
Net (decrease)/increase in payables	(6,126)	(1,185)	12,580
Net increase/(decrease) in contract liabilities	233	(1,931)	(345)
Net (decrease)/increase in finance receivables	81	(21,091)	(6,814)
Net decrease in reverse annuity mortgages	391	520	572
Net increase/(decrease) of insurance assets at fair value through profit or loss	(752)	3,170	3,872
Net contributions/(withdrawals) from life investment contracts	12	(87)	(304)
Net (decrease)/increase in deferred tax liability	(293)	229	(197)
Net (decrease)/increase in tax payable	(4,287)	(732)	2,760
Net cash inflow/(outflow) from operating activities	14,612	8,035	66,792

TURNERS AUTOMOTIVE GROUP LIMITED

1. ACCOUNTING POLICIES AND SIGNIFICANT JUDGEMENT, ESTIMATES AND ASSUMPTIONS

The same accounting policies included in the Group's Annual Report for the year ended 31 March 2023 have been applied when preparing these consolidated condensed financial statements, except for the adoption of NZ IFRS 17 Insurance Contracts as set out in note 11.

These consolidated condensed 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 Accounting Standard 34 Interim Financial reporting ('NZ IAS 34') and International Accounting Standard 34 Interim Financial Reporting ('IAS 34'). The Group is a Tier 1 for-profit entity in accordance with XRB A1 Application of the Accounting Standards Framework.

The same significant judgments, estimates and assumptions (including basis of segmentation and the fair value measurement) included in the notes to the financial statements in the Group's Annual Report for the year to 31 March 2023 have been applied to these financial statements. The business does not experience notable seasonal variations. There has been no change to the basis of segmentation from that applied at 31 March 2023.

2. SEGMENTAL INFORMATION

OPERATING SEGMENTS

Revenue	Total segment revenue	Inter- segment revenue	Revenue from external customers	Total segment revenue	Inter- segment revenue	Revenue from external customers	Total segment revenue	Inter- segment revenue	Revenue from external customers
	30/09/2023	30/09/2023	30/09/2023	30/09/2022	30/09/2022	30/09/2022	31/03/2023	31/03/2023	31/03/2023
	Unaudited	Unaudited	Unaudited	Restated & unaudited	Restated & unaudited	Restated & unaudited	Restated & unaudited	Restated & unaudited	Restated & unaudited
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Automotive retail	161,025	(4,939)	156,086	133,201	(3,575)	129,626	283,354	(5,189)	278,165
Finance	30,154		30,154	29,157	-	29,157	58,634	-	58,634
Insurance	23,617	(897)	22,720	22,471	(846)	21,625	45,282	(1,717)	43,565
Credit management	5,260		5,260	4,862	-	4,862	9,259	(36)	9,223
Corporate & other	13		13	7	-	7	48	-	48
	220,069	(5,836)	214,233	189,698	(4,421)	185,277	396,577	(6,942)	389,635

Operating profit	30/09/2023	30/09/2022	31/03/2023
	Unaudited	Restated & unaudited	Restated & unaudited
	\$'000	\$'000	\$'000
Automotive retail	17,957	11,061	24,985
Finance	5,089	9,061	14,956
Insurance	7,128	6,262	12,517
Credit management	1,782	1,386	2,865
Corporate & other	(6,284)	(4,333)	(9,849)
Profit/(loss) before taxation	25,672	23,437	45,474
Income tax	(7,166)	(6,342)	(12,956)
Profit attributable to shareholders	18,506	17,095	32,518

TURNERS AUTOMOTIVE GROUP LIMITED

	Interest revenue			Interest expense			Depreciation and amortisation expenses		
	30/09/2023	30/09/2022	31/03/2023	30/09/2023	30/09/2022	31/03/2023	30/09/2023	30/09/2022	31/03/2023
	Unaudited \$'000	Restated & unaudited \$'000	Restated & unaudited \$'000	Unaudited \$'000	Restated & unaudited \$'000	Restated & unaudited \$'000	Unaudited \$'000	Restated & unaudited \$'000	Restated & unaudited \$'000
Automotive retail	290	103	225	(1,717)	(770)	(2,349)	(4,499)	(4,199)	(9,141)
Finance	26,269	25,544	51,508	(8,894)	(5,564)	(13,281)	(384)	(356)	(725)
Insurance	1,662	771	2,138	(26)	(32)	(61)	(569)	(627)	(1,211)
Credit management	2	1	4	(10)	(8)	(11)	(103)	(132)	(258)
Corporate & other	13	7	20	(2,934)	(1,877)	(4,261)	(80)	(73)	(143)
	28,236	26,426	53,895	(13,581)	(8,251)	(19,963)	(5,635)	(5,387)	(11,478)
Eliminations	(179)	-	(30)	179	-	30	-	-	-
	28,057	26,426	53,865	(13,402)	(8,251)	(19,933)	(5,635)	(5,387)	(11,478)

Other material non-cash items

	Revenue/(expenses)		
	30/09/2023	30/09/2022	31/03/2023
	Unaudited \$'000	Restated & unaudited \$'000	Restated & unaudited \$'000
Finance - impairment provisions	(2,428)	(1,128)	(3,741)
Insurance - reverse annuity mortgage interest	151	144	287

2.2 SEGMENT ASSETS AND LIABILITIES

	Segment assets			Segment liabilities		
	30/09/2023	30/09/2022	31/03/2023	30/09/2023	30/09/2022	31/03/2023
	Unaudited \$'000	Restated & unaudited \$'000	Restated & unaudited \$'000	Unaudited \$'000	Restated & unaudited \$'000	Restated & unaudited \$'000
Automotive retail	161,408	124,164	155,850	136,488	72,278	73,689
Finance	453,108	478,118	453,869	340,733	372,065	344,786
Insurance	134,849	133,186	134,890	76,399	75,891	77,533
Credit management	34,569	32,839	34,035	3,196	3,772	3,943
Corporate & other	252,911	203,758	238,577	97,206	83,894	84,618
	1,036,845	972,065	1,017,221	654,022	607,900	584,569
Eliminations	(183,967)	(122,619)	(166,414)	(80,787)	(23,452)	(4,211)
	852,878	849,446	850,807	573,235	584,448	580,358

Five reportable segments have been identified as follows:

Automotive retail - remarketing (motor vehicles, trucks, heavy machinery and commercial goods) and purchasing goods for sale.

Finance - provides asset based finance to consumers and SME's.

Credit management - collection services, credit management and debt recovery services to the corporate and SME sectors. Geographically the collections services segment business activities are located in New Zealand and Australia.

Insurance - marketing and administration of a range of life and consumer insurance and saving products.

Corporate & other - corporate centre.

TURNERS AUTOMOTIVE GROUP LIMITED

3. REVENUE & EXPENSES

Revenue includes:

	Six months ended 30/09/2023 Unaudited \$'000	Six months ended 30/09/2022 Restated & unaudited \$'000	Year ended 31/03/2023 Restated & unaudited \$'000
Interest income	28,057	26,426	53,865
Sales of goods	112,674	94,841	205,916
Commission and other sales revenue	45,293	36,068	74,980
Loan fee income	1,348	1,595	2,988
Insurance and life investment contract income	19,694	19,393	38,514
Collection income	5,258	4,861	9,204
Bad debts recovered	988	885	1,832
Other revenue	544	952	1,728
	213,856	185,021	389,027

Other income includes:

Dividend income	5	-	5
Gain of sale of property, plant and equipment	106	187	378
Government subsidies	13	69	100
Other	253	-	125
	377	256	608

Revenue from contracts with customers

Over time

Automotive retail

Commission and other sales revenue	11,474	7,412	16,425
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Finance

Other sales revenue	1,523	1,134	2,434
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At a point in time

Automotive retail

Sales of goods	112,674	94,841	205,916
Auction commissions	31,476	26,956	54,922

Credit management

Collection income	5,108	4,611	8,704
Voucher income	150	250	500

Insurance

Motor vehicle insurance commissions	820	566	1,199
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Net operating profit includes the following specific expenses

Depreciation

- Buildings	186	142	299
- Plant, equipment & motor vehicles	678	432	1,118
- Leasehold improvements, furniture, fittings & office equipment	523	468	1,075
- Computer equipment	593	593	1,274
- Signs & flags	73	74	198

Intangible amortisation

Amortisation of software	380	593	1,099
Amortisation of customer relationships	260	260	520
Amortisation of right-of-use asset	2,942	2,825	5,895
	5,635	5,387	11,478

Movement in impairment provisions

Provisions for:

Specific impaired finance receivables	327	149	(446)
Collective impairment provision for finance receivables	1,923	1,213	2,784
Movement in COVID-19 overlay	-	-	(1,682)
Movement in economic overlay provision	-	(200)	1,965
Collective impairment on reverse annuity mortgages	20	32	32
Finance receivables bad debts written off	178	(17)	1,087
Movement	2,448	1,177	3,740

TURNERS AUTOMOTIVE GROUP LIMITED

4. SHARE CAPITAL AND EARNINGS PER SHARE

	30/09/2023	30/09/2022	31/03/2023
	Unaudited	Restated & unaudited	Restated & unaudited
Number of ordinary shares			
Opening balance	86,700,247	86,069,248	86,069,248
Shares issued for staff options	300,000	525,000	525,000
Shares issued for employee share scheme	95,305	105,999	105,999
Shares issued under dividend reinvestment plan	420,981	-	-
	87,516,533	86,700,247	86,700,247

Basic earnings per share

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

	Six months ended	Six months ended	Year ended
	30/09/2023	30/09/2022	31/03/2023
	Unaudited	Restated & unaudited	Restated & unaudited
Profit for the Period (\$'000)	18,506	17,095	32,518
Weighted average number of ordinary shares at the end of the period	86,992,394	86,337,400	86,518,327
Basic earnings per share (cents per share)	21.27	19.80	37.59

Weighted number of shares

Opening balance	86,700,247	86,069,248	86,069,248
Shares issued for staff options	127,732	246,721	385,479
Shares issued for employee share scheme	17,186	21,431	63,599
Shares issued for Dividend Reinvestment Plan	147,228	-	-
	86,992,394	86,337,400	86,518,326

Diluted earnings per share

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

	Six months ended	Six months ended	Year ended
	30/09/2023	30/09/2022	31/03/2023
	Unaudited	Restated & unaudited	Restated & unaudited
Continuing operations (\$'000)	18,506	17,090	32,518
Add: Long term incentive expense relation to options (\$'000)	32	72	265
Profit for the year (\$'000)	18,538	17,162	32,783

Weighted number of ordinary shares (diluted)

Weighted average number of shares (basic)	86,992,394	86,337,400	86,518,326
Effect of the exercise of options	329,832	482,541	467,052
Weighted average number of shares (diluted)	87,322,226	86,819,941	86,985,378

Diluted earnings per share (cents per share)	21.23	19.77	37.69
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5. CASH AND CASH EQUIVALENTS

	30/09/2023	30/09/2022	31/03/2023
	Unaudited	Restated & unaudited	Restated & unaudited
	\$'000	\$'000	\$'000
Cash and cash equivalents	12,639	17,711	11,845

The Group's insurance business is required to comply with the solvency standards for licensed insurers issued by the Reserve Bank of New Zealand. The solvency standards specify the level of assets the insurance business is required to hold in order to meet solvency requirements, consequently all cash and cash equivalents held in the insurance business may not be available for use by the wider Group. The Group's insurance business' cash and cash equivalents at 30 September 2023 were \$1.5m (30 September 2022: \$1.2m; 31 March 2023: \$2.0m).

Cash and cash equivalents at 30 September 2023 of \$7.4m (30 September 2022 :\$3.9m; 31 March 2023: \$4.3m) belongs to the Turners Marque Warehouse Trust 1 and the Turners Marque ABS 2023-1 Trust and are not all available to the Group.

TURNERS AUTOMOTIVE GROUP LIMITED

6. FINANCE RECEIVABLES

	30/09/2023	30/09/2022	31/03/2023
	Unaudited	Restated & unaudited	Restated & unaudited
	\$'000	\$'000	\$'000
Gross finance receivables	420,554	438,556	422,014
Deferred fee revenue and commission expenses	10,024	13,915	11,276
Provision for impairment	(7,673)	(7,932)	(6,704)
Economic overlay provision	(1,965)	(1,482)	(1,965)
	420,940	443,057	424,621
Fair value	420,938	433,162	425,900

The fair values are based on cash flows discounted using a weighted average interest rate of 13.45% (30 September 2022: 11.40%; 31 March 2023: 11.81%).

Securitisation

The Group has two Trusts under which it securitises finance receivables. The Trusts are special purpose entities set up solely for the purpose of purchasing finance receivables originated by the finance sector. The New Zealand Guardian Trust Company Limited has been appointed Trustee and NZGT Security Trustee Limited as the security trustee for both Trusts. The Company is the sole beneficiary of both Trusts.

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

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

Turners Marque Warehouse Trust 1 (the Trust)

The Trust has a wholesale funding facility with the Bank of New Zealand (BNZ) which is secured by finance receivables sold to the Trust. The facility is for \$281m and with a 1 year term that will be renewed annually. BNZ fund up to 90% (30 September 2022: 89%; 31 March 2023: 85%) of the purchase price of the finance receivables with the balance funded by sub-ordinated notes from the Group.

During the reporting period \$96.4m finance receivables were sold to the Trust (30 September 2022: \$125.6m; 31 March 2023: \$215.5m) and the Trust sold \$100.0m finance receivables to the Turners Marque ABS 2023-1 Trust. As at 30 September 2023 the carrying value of finance receivables in the Trust was \$247.6m (30 September 2022: \$354.2m; 31 March 2023: \$314.4m).

Turners Marque ABS 2023-1 Trust (the 2023-1 Trust)

During the period the Group created the 2023-1 Trust. The 2023-1 Trust, is a closed pool trust, and issued \$100m notes comprising \$70m Class A1 notes and \$20.7m Class A2 notes both rated AAAsf (Fitch) and \$9.3m unrated Class B notes, the Class A2 notes and B notes are held by the Group. The 2023-1 Trust purchased \$100.0m finance receivables from the Trust. As at the 30 September 2023 the carrying value of finance receivables in the 2023-1 Trust was \$96.4m.

7. BORROWINGS

	30/09/2023	30/09/2022	31/03/2023
	Unaudited	Restated & unaudited	Restated & unaudited
	\$'000	\$'000	\$'000
Secured bank borrowings	347,385	430,827	412,035
Non bank borrowings	70,000	-	-
Total borrowings	417,385	430,827	412,035
Fair value	412,328	423,700	406,127

Secured bank borrowings

At September 2023 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 and three year term facility with ASB Bank and a securitisation facility with the Bank of New Zealand.

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

Non bank borrowings

The Group's non bank securitisation arrangement is described under finance receivables.

TURNERS AUTOMOTIVE GROUP LIMITED

8. ASSETS AND LIABILITIES CARRIED AT FAIR VALUE

The fair value of financial assets and liabilities carried at fair value are summarised in the table below. The methods used to calculate fair value are the same as those applied when preparing the Group's Annual Report for the year ended 31 March 2023 (refer note 5.5 in the Annual Report for the year ended 31 March 2023). During the period there were no movements of fair value assets or liabilities between levels of the fair value hierarchy.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
30/09/2023 (unaudited)				
Fair value assets:				
Financial assets at fair value through profit or loss - insurance	-	7,041	-	7,041
Financial assets at fair value through profit or loss - term deposits	60,400	-	-	60,400
Derivative financial instruments	-	5,474	-	5,474
	60,400	12,515	-	72,915
30/09/2022 (restated & unaudited)				
Fair value assets:				
Financial assets at fair value through profit or loss - insurance	-	7,193	-	7,193
Financial assets at fair value through profit or loss - term deposits	58,975	-	-	58,975
Investment property	-	-	5,950	5,950
Derivative financial instruments	-	7,146	-	7,146
	58,975	14,339	5,950	79,264
31/03/2023 (restated & audited)				
Fair value assets:				
Financial assets at fair value through profit or loss - insurance	-	7,305	-	7,305
Financial assets at fair value through profit or loss - term deposits	59,425	-	-	59,425
Investment property	-	-	5,800	5,800
Derivative financial instruments	-	5,887	-	5,887
	59,425	13,192	5,800	78,417

9. DIVIDENDS

	Six months ended 30/09/2023 Unaudited \$'000	Six months ended 30/09/2022 Restated & unaudited \$'000	Year ended 31/03/2023 Restated & unaudited \$'000
Final dividend for the year ended 31 March 2023 of \$0.07 (31 March 2022: \$0.07) per fully paid ordinary share, imputed paid on 28 July 2023 (2022: 28 July 2022).	6,085	6,062	6,062
Quarterly dividend for the year ended 31 March 2023 of \$0.05 per fully paid ordinary share, imputed, paid on 27 October 2022.	-	-	4,335
Quarterly dividend for the year ended 31 March 2023 of \$0.05 per fully paid ordinary share, imputed, paid on 26 January 2023.	-	-	4,335
Quarterly dividend for the year ended 31 March 2023: \$0.06 per fully paid ordinary share, imputed, paid on 27 April 2023.	5,202	-	-
Total dividends provided for or paid	11,287	6,062	14,732

Dividends not recognised at the end of the half year:

In addition to the above dividends, since the end of the period the directors have recommended the payment of the following dividends expected to be paid out of retained earnings at 30 September 2023 (30 September 2022; 31 March 2023), but not recognised as a liability at the end of the period:

Quarterly dividend for the year ended 31 March 2023 of \$0.06 per fully paid ordinary share, imputed, paid on 27 April 2023.	-	-	5,202
Final dividend of \$0.07 per fully paid ordinary share, imputed, payable on 28 July 2023.	-	-	6,085
Quarterly dividend for the year ended 31 March 2024 of \$0.05 (31 March 2023: \$0.05) per fully paid ordinary share, imputed, payable on 27 October 2023 (2022: 27 October 2022).	5,251	4,335	-
Quarterly dividend for the year ended 31 March 2024 of \$0.06 (31 March 2023: \$0.05) per fully paid ordinary share, imputed, payable on 27 January 2024 (2023: 26 January 2023).	5,268	4,335	-

10. COMMITMENTS

Capital Expenditure

At balance date, the Group has committed to the purchase of one property and the development of two sites. This has resulted in capital commitments of \$10,449,000 (30 September 2022: \$15.7m, purchase of three properties; 31 March 2023: \$4.4m development of one site).

11. CHANGE IN ACCOUNTING POLICY

This note explains the impact of the adoption of NZ IFRS 17 Insurance Contracts on the Group's financial statements and discloses the new accounting policies that have been applied from 1 April 2023.

The Group has adopted NZ IFRS 17 retrospectively from 1 April 2023 and has restated certain comparative amounts, the retrospective restatement does not have a material effect on the information in the statement of financial position at the beginning of the preceding period.

A. Recognition, measurement and presentation of insurance contracts

NZ IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. It introduces a model that measure groups of contracts based on the Group's estimates of the present value of future cash flows that are expected to arise as the Group fulfils the contracts, an explicit risk adjustment for non-financial risk and a contractual service margin (CSM).

Under NZ IFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Group expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. In addition, investment components are no longer included in insurance revenue and insurance service expenses.

The Group applies the premium allocation approach (PAA) to simplify the measurement of certain contracts.

Under NZ IFRS 17, only directly attributable insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and are tested for recoverability. These assets are presented in the carrying amount of the related portfolio of contracts and are derecognised once the related contracts have been recognised.

B. Transition

Changes in accounting policies resulting from the adoption of NZ IFRS 17 have been applied using the fair value approach as the Group cannot obtain reasonable and supportable information necessary to apply the full or modified retrospective approach.

The change in accounting policy only relates to the insurance segment and has affected the following items in the Statement of financial position:

	30/09/2022	1/04/2022
	\$'000	\$'000
Decrease in Other receivables, deferred expenses and contract assets	1,156	1,031
Increase in Insurance contract liabilities	1,228	1,350
Decrease in deferred tax impact	636	628
Decrease in Retained earnings	1,748	1,753

C. Accounting policy – Insurance contracts

Insurance contracts are those contracts that transfer significant insurance risk and are accounted for in accordance with the requirements of NZ IFRS 17 *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 mechanical breakdown risks.

Aggregation and recognition of insurance contracts

Insurance contracts

Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into annual cohorts (i.e. by year of issue) and each annual cohort into three groups based on the profitability of contracts:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

An insurance contract issued by the Group is recognised from the earliest of:

- the beginning of its coverage period (i.e. the period during which the Group provides services in respect of any premiums within the boundary of the contract);
- when the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- when facts and circumstances indicate that the contract is onerous.

When the contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group, determined as follows.

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Insurance contracts

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and investment services). A substantive obligation to provide services ends when:

- the Group has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- the Group has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

Measurement – Contracts not measure under the PAA

On initial recognition, the Group measures a group of contracts as the total of (a) the fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and (b) the CSM.

The risk adjustment for non-financial risk for a group of insurance contracts, determined separately from the other estimates, is the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

The CSM of a group of insurance contracts represents the unearned profit that the Group recognises as it provides services under those contracts. On initial recognition of a group of insurance contracts, the Group determines the net present value of future cash-flows expected to arise under those contracts, with an allowance for non-financial risk. If the result is positive (i.e. a net inflow), the group is not onerous, and a CSM is established equal to the present value of the net inflow, hence no profit is recognised in profit or loss at contract inception. If the result is negative, the CSM is zero, and the negative value reflects the loss on those contracts recognised at inception and is recognised as a loss in profit or loss.

Subsequently, the carrying amount of a group of contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and (b) any remaining CSM at that date. The liability for incurred claims includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

The fulfilment cash flows of groups of contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Changes in fulfilment cash flows are recognised as follows.

Changes relating to future services	Adjusted against the CSM (or recognised in the insurance service result in profit or loss if the group is onerous)
Changes relating to current or past services	Recognised in the insurance service result in profit or loss
Effects of the time value of money, financial risk and changes therein on estimated future cash flows	Recognised as insurance finance income or expenses

The CSM is adjusted subsequently only for changes in fulfilment cash flows that relate to future services and other specified amounts and is recognised in profit or loss as services are provided. The CSM at each reporting date represents the profit in the group of contracts that has not yet been recognised in profit or loss because it relates to future service.

This approach is applied to the Group's Funeral Plan and Annuity Insurance Life contracts.

Measurement – Contracts measured under the PAA

The Group uses the PAA to simplify the measurement of groups of contracts when the Group reasonably expects that such simplification would produce a measurement of the liability for remaining coverage for the group that would not differ materially from the result of applying the accounting policies described above.

On initial recognition of each group of insurance contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition. The Group has elected to recognise insurance acquisition cash flows as expenses when they are incurred.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any further premiums received and decreased by the amount recognised as insurance revenue for services provided. The liability for remaining coverage for in-force policies will reduce in line with the underlying pattern of insurance risk over the duration of the contracts in the group.

If at any time before and during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Group will recognise a loss in profit or loss and increase the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage.

The Group recognise the liability for incurred claims of a group of contracts at the amount of the fulfilment cash flows relating to incurred claims. The liability for incurred claims is derived from undiscounted fulfilment cash flows as the Group writes only lines of business with claims that are virtually all settled within 12 months.

This approach is applied to all the Group's insurance contracts, except for the Group's Funeral Plan and Annuity Insurance Life contracts.

The Group applies the same accounting policies to measure a group of reinsurance contracts, adapted where necessary to reflect features that differ from those of insurance contracts.

Derecognition

The Group derecognises a contract when it is extinguished – i.e. when the specified obligations in the contract expire or are discharged or cancelled.

Presentation

Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. All rights and obligations arising from a portfolio of contracts are presented on a net basis; therefore, balances such as insurance receivables and payables are no longer presented separately. Any assets or liabilities recognised for cash

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flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows) are also presented in the same line item as the related portfolios of contracts.

Amounts recognised in the statement of profit or loss and OCI are disclosed by the nature of the item.

Insurance contracts

For contracts not measured using the PAA, insurance revenue for each year includes the changes in the liabilities for remaining coverage that relate to services for which the Group expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. For contracts measured using the PAA, insurance revenue is recognised based on an allocation of expected premium receipts to each period of coverage, which is based on the passage of time.

Transition

Changes in accounting policies resulting from the adoption of NZ IFRS 17 have been applied using the fair value approach as the Group cannot obtain reasonable and supportable information necessary to apply the full or modified retrospective approach.

The following items have not be applied retrospectively:

- The risk mitigation option in NZ IFRS 17 have not been applied prospectively from 1 April 2022. Certain groups of contracts to which the risk mitigation option is applied have been measured under the fair value approach at 1 April 2022 (see below).
- The consequential amendments to NZ IFRS 3 Business Combinations introduced by NZ IFRS 17 require the Group to classify contracts acquired as insurance contracts based on the contractual terms and other factors at the date of acquisition. This requirement has not been applied to business combinations before 1 April 2023, for which the Group classified contracts acquired as insurance contracts based on the conditions at contract.

Reinsurance of onerous underlying contracts

For groups of reinsurance contracts covering onerous underlying contracts that were entered into before or at the same time as the onerous underlying contracts, the Group has established a loss-recovery component at 1 April 2022.

Fair value approach

Under the "Fair Value" method of transition, the Group determines the price that an independent party would pay to take over the insurance contract liabilities, allowing for:

- the future net cash-flows arising under those contracts;
- the time value of money; and
- the compensation that the purchaser would require for the uncertainty relating to those cash-flows.

Non-performance risk of the contract issuer is taken into account in determining the fair value. In the valuation of portfolios of insurance contracts, the non-performance risk is normally taken as zero as it is assumed that policyholder obligations will be met with certainty.

The opening value of Contractual Service Margins is then equal to the difference between the Fair Value, and the value of fulfilment cash-flows determined under NZ IFRS 17.