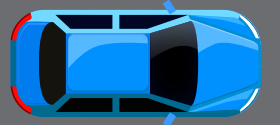




Turners.

Automotive Group

ANNUAL REPORT
FOR THE YEAR ENDED 31 MARCH 2018



ABOUT US

We are building an integrated automotive and financial services group, providing wholesale and retail customers with a 'one stop shop' for all their automotive purchasing, selling, financing and insurance needs.

Turners is the biggest seller of second hand cars, trucks and machinery in NZ. We finance them and insure them for mechanical breakdown, accident and loan repayments with the best range of products in the market.

We also operate in the credit management sector, leveraging off our expertise in the finance market.

AUTOMOTIVE RETAIL

Controlling the buying and selling of second hand cars, trucks and machinery to earn a transactional margin and delivering cross-sell opportunities for Finance and Insurance.

Turners and Buy Right Cars combined is the largest second hand vehicle retailer in New Zealand.

FINANCE AND INSURANCE

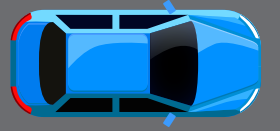
Helping customers with simple and attractive finance and insurance products, and building annuity revenue streams.

Turners has a portfolio of reputable businesses offering finance and insurance products to customers across New Zealand, including personal finance, motor vehicle loans and insurance.

CREDIT MANAGEMENT

Helping businesses of any size in New Zealand and Australia with better management of their credit challenges.

Turners has a growing presence in the credit management sector in both New Zealand and Australia through its EC Credit Control business.

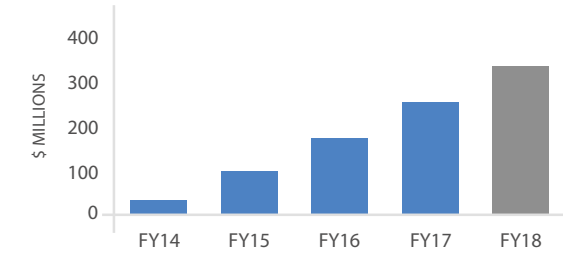


OUR YEAR AT A GLANCE

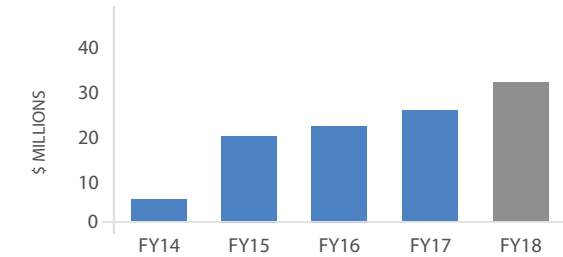
- Successfully integrated Autosure and Buy Right Cars into the group
- Integrated three separate finance operating entities into a single entity under the Oxford Finance brand
- Successfully merged existing insurance business into the newly acquired Autosure Insurance business
- Changed name to Turners Automotive Group Limited
- Acquired insurance agent, Motorplus NZ Limited
- Dual listed on the ASX
- Completed \$30 million capital raising, to support growth initiatives
- Expanded property footprint with opening of four new retail sites for Cars and Trucks & Machinery
- Acquired new sites for retail development in Auckland, Wellington and Whangarei
- Introduced Dealer Loyalty Scheme and issued first tranche of shares
- Banking syndication finalised with ASB and BNZ (post balance date, May 2018)
- Turners Automotive Retail division celebrated a significant milestone of being in business for 50 years

FINANCIAL HIGHLIGHTS

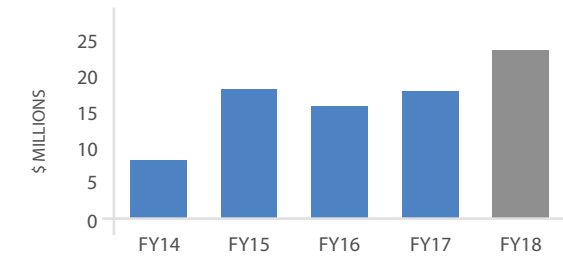
GROUP REVENUE
UP 32%
\$330.5m



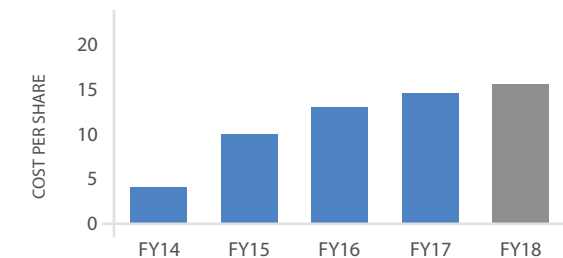
PROFIT BEFORE TAX
UP 26%
\$31.1m

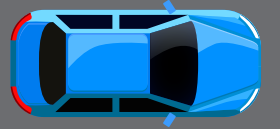


NPAT
UP 33%
\$23.4m



FULL YEAR DIVIDENDS
UP 7%
15.5 cents per share





CHAIR AND CEO'S REPORT

The past five years have been a period of strong growth for Turners as we acquired businesses that expanded our offer and strengthened our position in the market. From the purchase of multiple smaller finance and insurance brands and businesses, through to the major acquisitions of Turners Auctions, Autosure Insurance and Buy Right Cars, our business has gone from strength to strength.

This year, we deliberately focused on integrating our businesses after this period of sustained acquisition growth. We've simplified our brands to allow for better marketing and promotion; merged our teams into centralised locations; built common operating and funding platforms; and continued to improve our systems and processes to ensure we operate as efficiently as possible.

Thanks to the efforts of our support and administrative staff, much of this work occurred seamlessly in the background. Meanwhile, our business and sales teams continued to work hard, identifying better ways to serve our customers and realising new growth opportunities.

This resulted in another record year of results for the company and Turners delivered on guidance yet again, reporting a record Operating Profit (net profit before tax) of \$31.1 million, a 26% increase on the previous year. Net Profit After Tax rose to \$23.4 million, a 33% increase on FY17.

OPERATING ENVIRONMENT

Transactions in the used vehicle market were up marginally on FY17, despite some softening earlier in the year during the elections and dealing with the Marmorated Stink Bug and Takata Airbag Recall in the latter part of the year. Used car sales were similar to last year which was a record year; used truck sales were up 5%; and sales of damaged and end of life vehicles were up 11%.

The positive environment has led to increasing competition with dealer numbers up 5% in FY18. This, along with an increase in the supply of new and used vehicles, put pressure on margins during the year. Pleasingly, we saw an improvement in margins over summer and we continue to focus on buying well and keeping aged stock under control.

In the finance sector, we are seeing indications of a tightening credit cycle in different parts of the market, so we believe it is time to focus on lending quality and organic growth. We are also seeing intense competition for the originators within the finance and insurance markets, with commissions being paid to dealers at peak levels.

OPERATING PERFORMANCE

Our integrated business model remains at the heart of our success, providing us with a myriad of advantages, from the ability to offer an end to end customer journey and higher margin transactions in our controlled channels, through to better customer relationships, diversification of earnings and a balanced mix of annuity and transactional revenue.

Autosure and Buy Right Cars were successfully integrated into the group and have provided welcome scale and improved our reach and competitiveness. Turners took over management of Buy Right Cars from the vendors in September 2017, a year earlier than expected. The new management team is now settled in and dealing competently with some legacy issues around aged inventory, and we are starting to see the turn-around in performance we expected. The earnout payment to the original owners has been reduced accordingly. We remain very confident in the growth prospects of this business and we are planning to grow the network further over the next few years.

We have continued to build our investment into property, with the aim of securing strategic sites to extend our footprint or for reconfiguration of existing sites to drive improved retail experience for further growth. We have allocated a proportion of insurance reserves to support this property strategy as it achieves better utilisation of capital in the business, and improved insurance division returns.

We have further strengthened and diversified our funding platform, reducing our reliance on individual sources and our cost of funding, and providing headroom for continued growth. As of May 2018, a new \$140m banking syndication is now in place with our partners, ASB and BNZ. At the same time, we have been re-negotiating the pool parameters with BNZ on the securitisation warehouse.

DIVIDEND

Your Directors remain passionate advocates for the business. Indeed, a number of them are long term committed investors, which strongly aligns their interests with those of shareholders. Every Director brings to the table relevant experience across a range of sectors and indepth knowledge of the automotive, finance and insurance industries, and robust debate and diversity of opinion is encouraged in the boardroom.

Based on the ongoing positive performance of the group, the Board declared a fully imputed final quarter dividend of 5.0 cents per share taking the full year dividends to 15.5 cents per share. The Directors have also adopted an enhanced dividend policy with an increase in the payout ratio to 50 - 60% of NPAT. Earnings per share increased to 29.3 cents per share, up 15% year on year.

STRATEGIC INITIATIVES FOR FY19

We are focused on growing market share by leveraging the strength and unique benefits of our integrated business model, and offering more products and services to more customers across more channels. We will still consider mergers and acquisitions where there is a strategic benefit, however, we see the majority of our medium-term growth coming from within the group.

An essential ingredient in our success will be building on the "trust" kiwis have in the Turners brand, established over more than 50 years of doing business in New Zealand.

The used vehicle market remains strong and the large number of end of life vehicles needing replacement continues to grow. As automotive sales increase, so does the demand for automotive finance and insurance products.

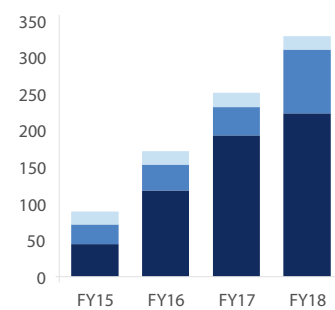
We are targeting several key areas in the next year which will drive our growth:

We are putting the customer at the heart of all we do, with significant investments in training and people development, further retail re-configuration, and other ways to improve the quality of the customer experience, both physically and online, across all our businesses.

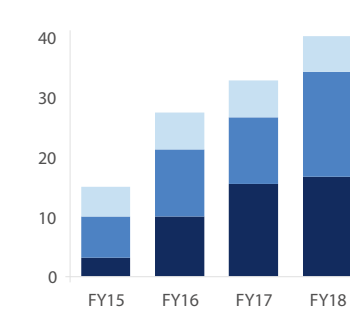
In finance, we will be continuing the transition to higher quality and more profitable lending.

We have a wealth of valuable data within our business that informs us about our customers and the markets we operate in. Transactional data, data about which cars need repairing, purchasing habits, industry trends and more. We will be looking to leverage this to engage with our customers, deliver better service and identify new opportunities to do what we do better.

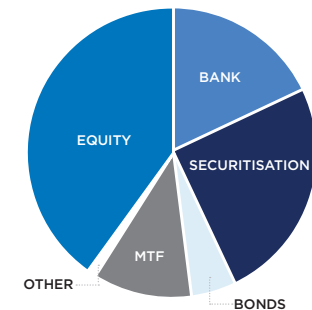
SECTOR REVENUE



SECTOR OPERATING PROFIT



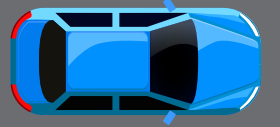
FY18 BORROWINGS BY SOURCE



■ CREDIT MANAGEMENT ■ FINANCE AND INSURANCE ■ AUTOMOTIVE RETAIL

STRATEGIC FOCUS FOR FY19

CUSTOMER FIRST	QUALITY LENDING	UTILISE OUR WEALTH OF DATA	LEVERAGE OUR ECO-SYSTEM
Keep developing 'Customer First' culture across all businesses Improve the quality of the customer experience – both in-person and online	Continue the transition to higher quality, more profitable lending	Access and drive value from the wealth of data in the business to engage with our customers, and deliver better service	Leverage our unique automotive eco-system to meet all of our customers' needs



Finally, we will be looking to leverage the benefits of our unique automotive eco-system, identifying new opportunities we can offer to customers and improved cross-selling across the group.

AN EXCITING FUTURE IN A GROWING MARKET

The Board remains confident in the long term sustainability of the company and in management's ability to deliver increasing value for shareholders.

Kiwis love their cars – more than 1.1 million transactions took place in the last year alone – and we expect the demand for second hand vehicles to continue, whether that be today's internal combustion engines or the electric vehicles of the future. More than 20% of the current light vehicle fleet in New Zealand is at or very close to the scrapping age, which gives us the confidence in future demand for replacement vehicles (ICE or EV).

There will always be a need for a trusted business which can provide multiple channels for customers to buy and sell cars, both online and in the 'real world', and offer all the add-ons that customers are looking for. We have recently undertaken market research which shows that the Turners brand stands out strongly as the most "trusted" brand in the used car market and the brand that has the most awareness.

The used car market remains strong and we like the dynamics of a market that is large in scale, highly fragmented, largely non-discretionary in nature (particularly compared to the new car market) and brand agnostic.

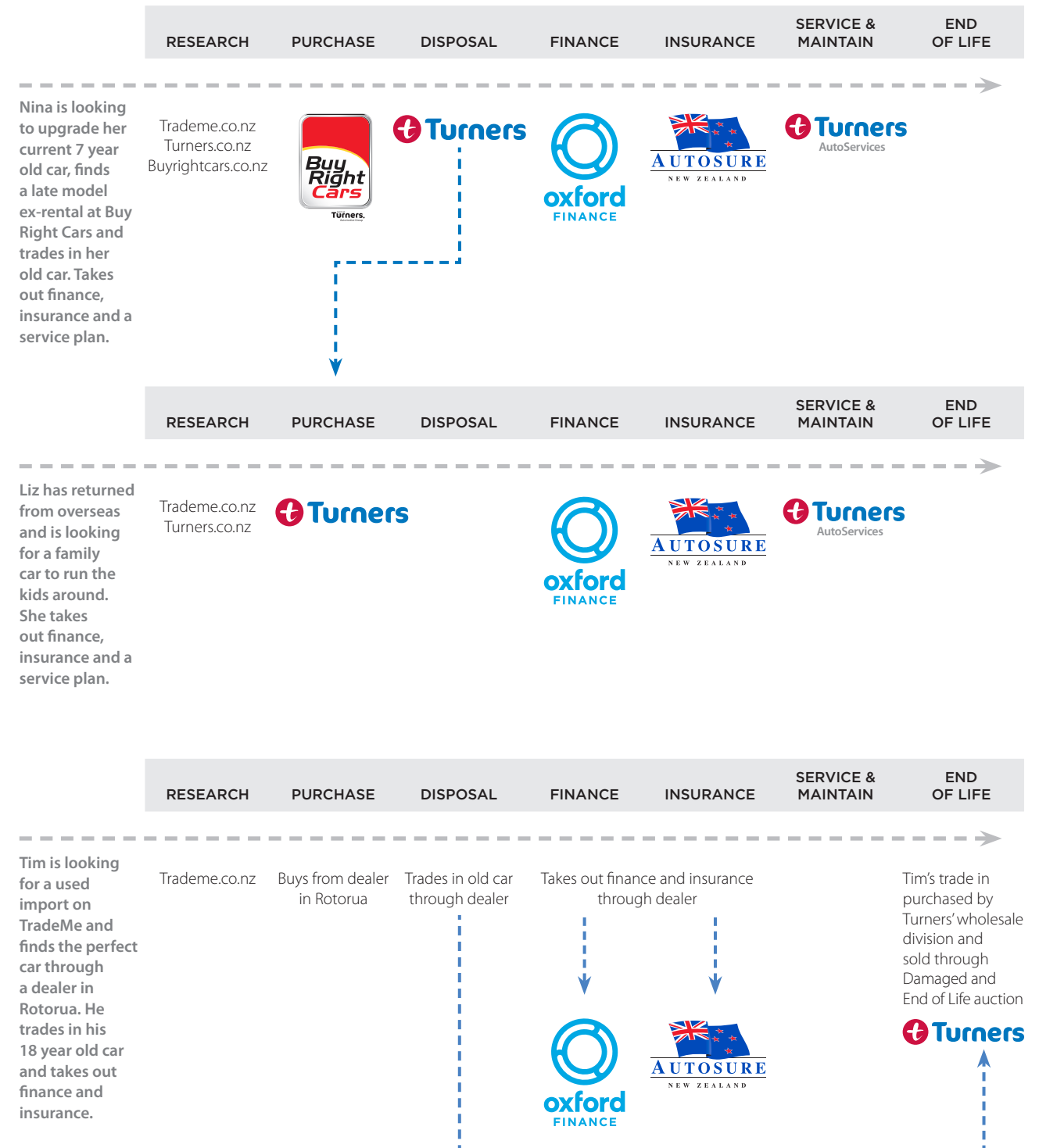
Our dual listing on the ASX in July last year is providing the company with access to a larger capital market to support our growth strategy and we are seeing increasing interest from Australian investors. We remain a proudly New Zealand focused, owned and operated kiwi business. Our company is well funded, has great brands and is well positioned to continue growing, cementing our unique position as an integrated automotive group and delivering increasing value for our shareholders.

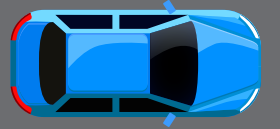
Thank you to our shareholders, customers and staff for your ongoing support.

Grant Baker
Chairman

Todd Hunter
Chief Executive Officer

CUSTOMER JOURNEYS





AUTOMOTIVE RETAIL

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

We operate under two brands – Turners and Buy Right Cars – and were involved in more than 50,000 customer transactions last year for cars, trucks & machinery and damaged & end of life vehicles.

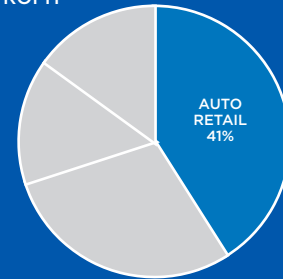
The ongoing transition from wholesale to higher margin retail customers continues, with 70% of transactions now with retail customers (65% in FY17). These sales provide us with more opportunities to sell finance and insurance contracts. In addition, the percentage of ‘owned vehicles’ – those purchased and on sold by Turners – increased to 50% of transactions, up from 15% four years ago. These also generate better margins and more finance opportunity.

The development of our national network continues to be a priority and opens up additional opportunities for profit contribution. In the last year alone, we opened four new sites across our nationwide network, including relocations of existing branches, and we have a strong pipeline of potential sites and developments in place. Moving forward, we will have more focus on developing new and existing retail car yards for both our Turners and our Buy Right Cars brands.

At year end, we were pleased to announce the establishment of a partnership with Auto Super Shoppes and their network of 83 workshops. This allows us to now offer service and maintenance packages through the Turners business. This is an exciting opportunity and we believe it will make our offer even more compelling for our customers

REVENUE \$223.2 MILLION ↑ 16%
OP PROFIT \$16.6 MILLION ↑ 8%

FY18 OP PROFIT



Two well known and reputable brands – Turners and Buy Right Cars

National network of 24 car yards and Trucks & Machinery sites

Turners involved in 50,000 customer transactions in FY18:

- 70% of transactions with retail customers
- 50% of transactions are for ‘owned vehicles’

FY19 KEY FOCUS AREAS

- Drive a better customer experience
- Investment in property and recruitment, training and development
- Redirection of Turners Finance loans into Oxford Finance in 2H19

FINANCE

It is estimated that more than 80% of used car buyers require finance of some kind. Similarly, the majority of buyers will need insurance cover.

Turners provides for this, offering a range of finance and insurance products through our own retail channels, but also through a network of more than 1,500 dealers and brokers throughout New Zealand.

The market is highly competitive but we are continuing to experience significant growth as we focus on delivering faster, better and easier solutions for our customers. This resulted in our finance book growing 39% in FY18.

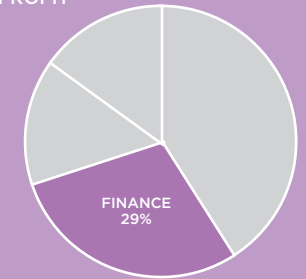
We are continuing to tighten credit criteria to position the business for the inevitable downward shift in the credit cycle. There has been some arrears deterioration, most noticeably in the MTF non-recourse book. However, we have implemented a higher degree of scrutiny, resulting in lower loan volumes but higher quality new lending.

MTF remains an exciting opportunity for our company and we are benefitting from our 8% shareholding in the organisation.

As we’ve grown our finance offering, we’ve acquired a number of different brands. In the past year, we have combined these into a single entity, with a single technology platform, under the Oxford Finance brand. From FY19, we will also be redirecting Turners Finance from the Automotive Retail division into the Finance division.

REVENUE \$39.7 MILLION ↑ 48%
OP PROFIT \$11.7 MILLION ↑ 16%

FY18 OP PROFIT



Consolidated into a single operating brand and platform under Oxford Finance

Finance book grew by 39% to \$293 million

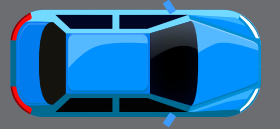
Provided more than 14,000 loans in FY18

Over \$530 million in funding available for finance receivables, primarily from:

- Securitisation
- Banking syndication
- Bonds
- MTF Finance Receivables Funding

FY19 KEY FOCUS AREAS

- Streamline the customer experience by making it quicker and easier
- Use smart data analytics to make better lending decisions
- Continue to re-position finance ledgers towards higher quality lending



INSURANCE

The acquisition of Autosure in FY17 created the step change in scale needed to compete in the sector, and we have continued to grow, with the acquisition of Motorplus NZ last year. This added about 6,000 policies to our insurance business from 1 August 2017.

As with finance, the majority of retail vehicle buyers will need some form of insurance cover. Over 90% of our insurance business is motor vehicle related, and of this, the majority is for motor vehicle breakdown insurance (MBI).

These policies are sold through our own retail channels as well as a network of referrers.

We are working on integrating insurance products into our digital finance selling platform, AutoApp, to improve the customer experience and make it easier for dealers to transact both insurance and finance products through the one system.

We pride ourselves on our ability to be agile, flexible and innovative and are continually looking at new or improved policies we can introduce to the market such as MBI for Electric Vehicles.

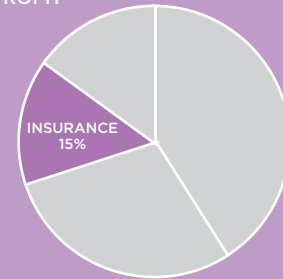
Pleasingly, we achieved over our budget expectation for gross written premium in FY18 and policy sales now exceed more than 5,300 policies sold every month.

Our overall loss ratio was at 70% for the year, slightly above budgeted levels. We have a number of initiatives in place, both cost and revenue focused, that will reduce this loss ratio to below 68% for the FY19 year.

As with our finance business, our focus in FY18 was on integrating our insurance businesses into a single operating entity under the Autosure brand.

REVENUE \$46.9 MILLION ↑ 283%
OP PROFIT \$5.7 MILLION ↑ 518%

FY18 OP PROFIT



Consolidated into a single operating brand and platform under Autosure insurance

Acquisition of Motorplus NZ and the transfer of 6,000 policies

More than 5,300 MBI and motor vehicle insurance policies sold every month

Gross written premium \$40 million

15% increase in insurance policies sold through Turners channels

FY19 KEY FOCUS AREAS

- Continued focus on 'pricing for risk' with data analytics as a key enabler
- Implement replacement dealer retail selling system, tightly integrated in finance origination system AutoApp

CREDIT MANAGEMENT

EC Credit Control offers total credit management services for its customers in New Zealand and Australia. It is a solid and consistent performer, delivering good cashflow and profitable returns, and has been a part of the Turners portfolio since 2012.

The past year has been focused on attracting and loading higher quality debt, which has resulted in less debt load, but is translating into improved collection.

The underlying business performed very well in FY18 when considering the unredeemed voucher release is \$700,000 less than in FY17. Underlying profit has improved to \$5.7m in FY18 from \$5.0m in FY17

We continued to increase debt load from our key New Zealand corporate accounts, reflecting positive market share gains against our competitors. We still consider Australia to be a big opportunity and significant effort is being directed into this market.

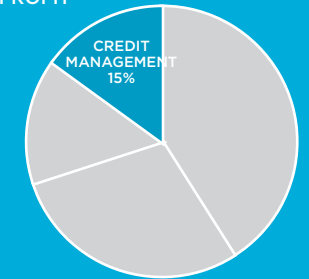
On the technology front, we implemented an automated dialler within the collections division which is resulting in up to three times more calls being made on a daily basis.

We are in the early stages of a new strategic partnership with Australian accounts receivable software provider, IODM. We believe this alliance is a potential game changer for the business, with EC Credit Control both onselling their products and acting as IODM's debt collection partner for all IODM's users.

This should see more and fresher debts referred and EC Credit Control will also receive a share of the monthly subscription revenue on the products it sells. Importantly, it broadens the product offering into core business processes and is opening up a number of opportunities to deliver more value to customers over and above core debt collection.

REVENUE \$18.7 MILLION ↓ 2%
OP PROFIT \$6.1 MILLION ↓ 2%

FY18 OP PROFIT



Improved collections performance with up to 27.3% of debt collected (FY17 26.3%)

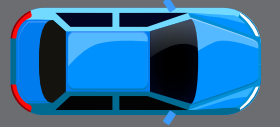
Automated dialling technology resulting in up to 3x as many daily calls

Exciting new partnership with Australian accounts receivable software provider, IODM

Terms of Trade sales up 20% in the NZ market

Unredeemed voucher liability release \$0.4m (FY17 \$1.1m)

FY19 focus on Australian corporate debt market



FY18 FINANCIAL COMMENTARY

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

FY18 FINANCIAL RESULTS

FY18 was a strong and positive year for Turners. The company continued its record of achieving market guidance, with operating profit of \$31.1m at the top of the guidance range and a 26% increase on the prior year.

Revenue was up 32% to \$330.5m, positively impacted by both the Buy Right Cars and Autosure acquisitions, and the organic growth from Turners' focus on the retail customer and the growing finance book.

The margin compression in Buy Right Cars, particularly on some older inventory units, was offset by an improvement in Finance profits due to a higher level of lending; the step change in Insurance from the Autosure acquisition; and good underlying growth. This resulted in a record operating profit of \$31.1m.

Corporate and Other Costs of \$0.7m increased compared to FY17, due to ASX listing costs and acquisition amortisation offset by a clawback on the Buy Right Cars earnout.

Net profit after tax (NPAT) lifted 33% to \$23.4m as Turners benefited from the acquisitions and integration efforts.

NPATA (NPAT with tax adjusted addback of amortised acquisition intangibles) was up 42% to \$24.9m.

Turners Automotive Group is a strong yielding stock, with a quarterly dividend payment structure. Based on the ongoing positive performance of the group, the Directors approved a change in the Dividend Policy with an increase in the pay out ratio to 50% to 60% of NPAT (previously 50% to 5% of NPAT).

A final quarter dividend of \$5.0 cents per share (cps), took total FY18 dividends to a record 15.5 cps, up 7% on the previous year and representing a 50 - 55% pay out of NPAT.

BALANCE SHEET

Total assets increased by \$95m, mainly due to growth in the finance book, property investments in Automotive Retail and the investment of \$42m into term deposit for insurance reserves.

A focus on a faster turnover of inventory and a reduction in aged stock delivered improved working capital efficiency.

Turners significantly increased its investment into property related capital projects, with \$19m allocated during the year to update and reposition the retail branch network to support further growth.

FUNDING MIX

Shareholder equity as at 31 March 2018 was \$214.3m (FY17: \$171.7m) and reflected the \$30m capital raise in October 2017. The additional capital provides Turners with funding to support the continued organic growth across the business as well as capacity for additional growth initiatives including property expansion.

Turners' funding platform has been further diversified and strengthened through a new \$140m banking syndication with ASB and BNZ banks. The new arrangement simplifies the structure and provides additional funding headroom. It also shifts a significant portion of debt from amortising profile to committed term debt thereby freeing up cashflow to support further organic growth.

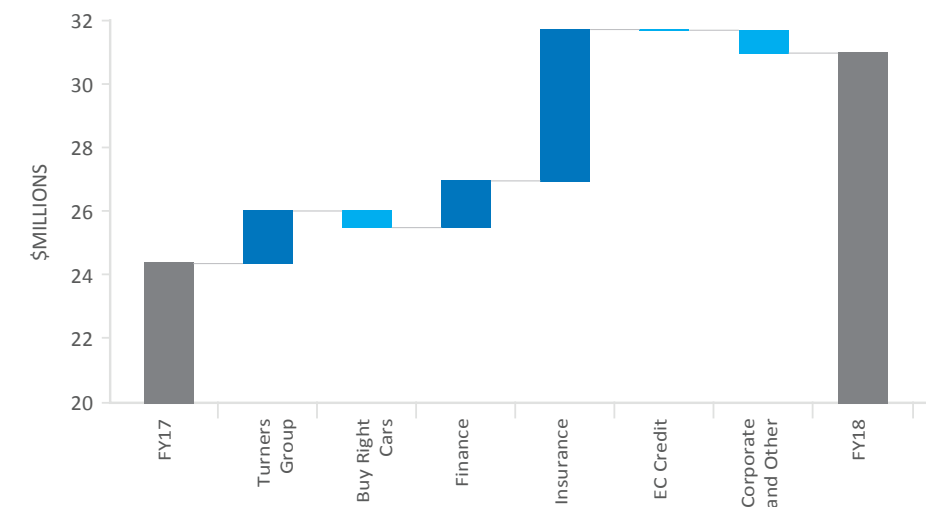
FIVE YEAR FINANCIAL PERFORMANCE

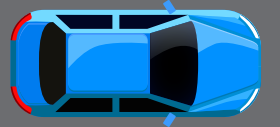
	FY14	FY15	FY16	FY17	FY18
Operating Revenue	31	97	171.2	251.3	330.5
Net Profit Before Tax (Operating Profit)	5	19	21.6	24.6	31.1
Net Profit After Tax	8	18	15.6	17.6	23.4
Earnings Per Share	20.0	33.0	24.7	25.5	29.3
Dividends Per Share	4.0	10.0	13.0	14.5	15.5
Financial Position					
Finance Receivables	38	143	168.0	207.1	289.9
Total Assets	127	329	367	557	652
Borrowings	18	127	175	266	317
Shareholder Funds	74	121	129.8	171.7	214.3

FUNDING MIX

	FY18 \$M	% OF TOTAL	FY17 \$M	% OF TOTAL
TOTAL ASSETS	652		557	
Equity	214	33%	172	31%
Convertible bonds	26	4%	26	5%
Securitisation Funding (BNZ)	133	20%	69	12%
Bank Funding (Corporate BNZ & ASB)	97	15%	122	22%
MTF Finance Receivables Funding	59	9%	49	9%
Insurance Contract Liabilities	48	8%	43	8%
Life Investment Contract Liabilities	7	1%	13	2%
Payables and Deferred Revenue	49	8%	43	8%
Deferred tax liability	19	3%	20	4%

PROFIT BEFORE TAX





Antony Vriens, Grant Baker, Alistair Petrie, John Roberts, Matthew Harrison, Paul Byrnes

BOARD

The Turners Board is focused on creating shareholder value as we continue our growth as an integrated automotive and financial services business. Each director brings valuable skills, expertise and experience to the Board.

Grant Baker | Non-executive Chairman | Appointed September 2009

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

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

Paul Byrnes | Deputy Chairman and Non-executive Director | Appointed February 2004

Paul Byrnes is a chartered accountant, a professional director and an investor with over 25 years' experience in senior and CEO roles in private and listed companies. His career has included the management buyout of previously listed Holeproof Industries, consulting and participation in merger and acquisition opportunities and business 'turnaround' management. Paul was appointed CEO and Executive Director of Dorchester Pacific in May 2008 (now Turners Automotive Group), handing over the CEO role to Todd Hunter in June 2016. Paul is entrepreneurial at heart but combines this with a wealth of top class governance experience (Top Energy and Hellaby Holdings) and the real world CEO experience of bringing a finance company positively out of the GFC. Paul has a 3.80% 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 8.02% combined holding in the company. Matthew is a self-confessed "car nut" and has owned some very special cars over the years including a McLaren P1. He is very enthusiastic about the future of Turners and, given his large shareholding and love for automobiles, is strongly committed to seeing Turners continue its successful journey.

Alistair Petrie | Non-executive Director | Appointed February 2016

Alistair Petrie has over 15 years of senior management experience in both private and listed companies in the agribusiness sector. He has extensive knowledge in sales and marketing in both international and domestic environments, which is particularly useful for some of the challenges and opportunities Turners has importing vehicles from Japan. He has a number of directorships and represents the interests of Bartel Holdings, which has a 7.95% 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".

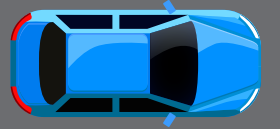
John Roberts | Independent Director | Appointed July 2015

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'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 insurance industry professional, with demonstrated success as a senior executive and consultant in insurance and wealth management businesses within Australia and New Zealand.

Antony currently holds the position of VP of Technical Insurance Services for Manulife Asia. 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.



LEADERSHIP TEAM

Turners' management team comprises individuals with the experience, skills and qualities to help lead Turners into the future.



Todd Hunter
Chief Executive Officer



Aaron Saunders
Group Chief Financial Officer



Simon Gould-Thorpe
Group Chief Information Officer



Sonya Rose
Group General Manager Human Resources



Greg Hedgepeth
CEO Turners Automotive Retail



Dion Jones
General Manager Finance



James Searle
Group General Manager Insurance



David Wilson
Chief Executive Officer EC Credit Control



Jeremy Rooke
General Manager Digital Strategy

Todd Hunter | Chief Executive Officer

Todd is a strong and experienced senior executive, with a background in marketing, sales and accounting in both large global and domestic businesses. He joined Turners Automotive Retail in 2006 and was appointed CEO in August 2013. In 2015, he was appointed COO of the wider Turners Automotive Group and named CEO in 2016. Todd is a chartered accountant and holds a Bachelor of Commerce degree 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 degree from Auckland University.

Simon Gould-Thorpe | Group Chief Information Officer

Simon joined Turners Automotive Retail in 2010, with over 20 years of achievement and demonstrated success in Information Technology. He has brought with him extensive experience in multiple industries including finance & insurance, food production and automotive.

Sonya Rose | Group General Manager Human Resources

Sonya joined Turners in August 2012. She has over 12 years' experience in all aspects of human resources, with particularly strong knowledge of employment relations, change management employee engagement. Sonya has worked across a range of industries and organisations including central and local government and private enterprise.

Greg Hedgepeth | CEO Turners Automotive Retail

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

Dion Jones | Group General Manager Finance

Dion joined Turners Group NZ in 2013 as the Head of Turners Finance. He was appointed to his current role of Group GM – Finance in February 2017 and has oversight of all Finance Companies within the Turners Automotive Group. Dion has a comprehensive understanding of the finance and insurance sector, ranging from the development of credit qualifications through to holding senior sales and management positions. Before joining Turners, Dion worked at APM, Sovereign and ASB Bank.

James Searle | Group General Manager Insurance

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

David Wilson | Chief Executive Officer EC Credit Control

Dave joined EC Credit in 2007 and was previously in the role of Group Sales Manager. He was appointed to his current role in April 2015. Dave has worked in the credit management industry since 2001 and has over 20 years' experience and held senior positions in banking, finance and recruitment industries.

Jeremy Rooke | General Manager Digital Strategy

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

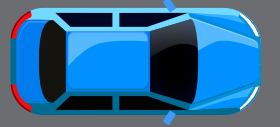


Turners.

Automotive Group

FINANCIAL REPORTS FOR THE YEAR ENDED 31 MARCH 2018

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INDEPENDENT AUDITOR'S REPORT
for the year ended 31 March 2018

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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 28 to 83, which comprise the consolidated statement of financial position as at 31 March 2018, 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 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

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

Basis for Opinion

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

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



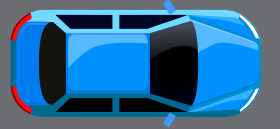
INDEPENDENT AUDITOR'S REPORT cont.
for the year ended 31 March 2018



Key Audit Matters

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

Key Audit Matter	How our audit addressed the key audit matter
<p>Impairment testing of Goodwill and Other Indefinite Life Intangible Assets</p> <p>As disclosed in Note 20 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 \$71.4m allocated across three of the Group's CGUs. Goodwill and brand 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 2018.</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 future cash flow forecasts, and future market or 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"> ▪ 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. ▪ Challenging Management's assumptions and estimates used to determine the recoverable value of its Indefinite Life Intangible Assets, including those relating to forecasted revenue, cost, capital expenditure and discount rates, by adjusting for future events and corroborating the key market related assumptions to external data. Procedures included: <ul style="list-style-type: none"> ○ Evaluating the logic of the value-in-use calculations supporting their 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; ○ 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 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. ▪ Evaluating the related disclosures about indefinite life intangible assets which are included in Note 20 in the Group's consolidated financial statements.



INDEPENDENT AUDITOR'S REPORT cont.
for the year ended 31 March 2018



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 \$289.8m. Finance receivable assets were significant to our audit due to the size of the assets and the subjectivity, complexity and uncertainty inherent in the timing of the recognition of impairment in respect of finance receivables and the amount of that impairment.</p> <p>The assessment of impairment is made at both an individual finance receivable level, for individually significant receivables, and a collective level for groups of finance receivables with similar credit risk characteristics.</p> <p>Management has prepared impairment models to complete its assessment of impairment for the Group's finance receivables as at 31 March 2018.</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"> Evaluating the design and operating effectiveness of the key controls over finance receivable origination, ongoing administration and impairment model data and calculations; For individually assessed finance receivables, examining those finance receivables and forming our own judgements as to whether the impairment provision recognised by Management was appropriate; For the collectively assessed finance receivables, challenging and evaluating the logic of Management's impairment models and the key assumptions used with our own experience. Also, testing key inputs used in the collective impairment models and the mathematical accuracy of the calculations within the models; Evaluating the related disclosures about finance receivables, and the risks attached to them which are included in Note 14 in the Group's consolidated financial statements.
<p>Valuation of Insurance Contract Liabilities</p> <p>As disclosed in Note 33 of the Group's consolidated financial statements the Group has insurance contract liabilities of \$48.4m. 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 2018.</p>	<p>Our audit procedures among others included:</p> <ul style="list-style-type: none"> Evaluating the design and operating effectiveness of the key controls over insurance contract origination, ongoing administration, integrity of data provided to Management's external actuarial expert used in the estimation process and management's review of the estimates; Evaluating the competence, capabilities, objectivity and expertise of Management's external actuarial expert and the appropriateness of the expert's work as audit evidence for the relevant assertions; Agreeing the data provided to Management's external actuarial expert to the Group's records; Engaging our own actuarial expert to assist in understanding and evaluating: <ul style="list-style-type: none"> the work and findings of the Group's external actuarial expert engaged by Management; the Group's actuarial methods and assumptions to assist us in challenging the appropriateness of actuarial methods and assumptions used by Management; Assessing the selection of methods and assumptions with a view to identifying management bias; Evaluating the related disclosures about insurance contract liabilities, and the risks attached to them which are included in Note 33 in the Group's consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT cont.
for the year ended 31 March 2018



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 2018 (but does not include the consolidated financial statements and our auditor's report thereon).

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

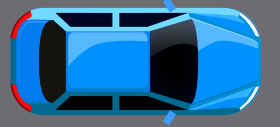
Responsibilities of the Directors for the Consolidated Financial Statements

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

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

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

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



INDEPENDENT AUDITOR'S REPORT cont. for the year ended 31 March 2018



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

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

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

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

INDEPENDENT AUDITOR'S REPORT cont. for the year ended 31 March 2018



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 2018 included on Turners Automotive Group Limited's website. The Directors of Turners Automotive Group Limited are responsible for the maintenance and integrity of Turners Automotive Group Limited's website. We have not been engaged to report on the integrity of Turners Automotive Group Limited's website. We accept no responsibility for any changes that may have occurred to the consolidated financial statements since they were initially presented on the website.

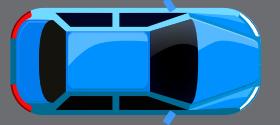
The audit report refers only to the consolidated financial statements named above. It does not provide an opinion on any other information which may have been hyper linked to or from these consolidated financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication, they should refer to the published hard copy of the audited consolidated financial statements and related audit report dated 28 June 2018 to confirm the information included in the audited consolidated financial statements presented on this website.

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

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

STAPLES RODWAY AUCKLAND
Auckland, New Zealand

28 June 2018



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2018

	Notes	2018 \$'000	2017 \$'000
Revenue from continuing operations	7	325,047	249,338
Other income	7	5,423	1,671
Cost of goods sold		(137,332)	(116,997)
Interest expense	7	(14,344)	(11,350)
Impairment provision expense	7	(6,380)	(2,026)
Subcontracted services expense		(10,777)	(8,520)
Employee benefits (short term)		(51,911)	(40,862)
Commission		(12,107)	(7,446)
Advertising expense		(4,001)	(3,431)
Depreciation and amortisation expense	7	(5,627)	(2,863)
Property and related expenses		(10,644)	(9,391)
Systems maintenance		(1,822)	(1,468)
Claims		(32,021)	(6,491)
Movement in life insurance liabilities	33	(82)	(1,056)
Credit legal fee service expense		(844)	(838)
Other expenses		(11,445)	(13,639)
Profit before taxation		31,133	24,631
Taxation (expense)/benefit	8	(7,773)	(7,057)
Profit for the year		23,360	17,574
Other comprehensive income for the year (which may subsequently be reclassified to profit/loss), net of tax			
Cash flow hedges		(170)	41
Foreign currency translation differences		2	(6)
Total other comprehensive income		(168)	35
Total comprehensive income for the year		23,192	17,609
Earnings per share (cents per share)			
Basic earnings per share	9	29.26	25.49
Diluted earnings per share	9	28.87	25.03

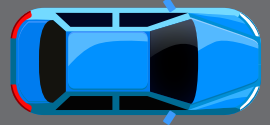
The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2018

	Notes	Share capital \$'000	Share options \$'000	Translation reserve \$'000	Cash flow hedge reserve \$'000	Retained earnings \$'000	Total \$'000
Balance at 31 March 2016		136,127	-	(17)	(35)	(6,263)	129,812
<i>Transactions with shareholders in their capacity as owners</i>							
Capital contributions (net of issue costs)	26	32,682	-	-	-	-	32,682
Employee share based payments	27	-	208	-	-	-	208
Dividend paid	28	-	-	-	-	(8,595)	(8,595)
Total transactions with shareholders in their capacity as owners		32,682	208	-	-	(8,595)	24,295
<i>Comprehensive income</i>							
Profit		-	-	-	-	17,574	17,574
Other comprehensive income		-	-	(6)	41	-	35
Total comprehensive income for the year, net of tax		-	-	(6)	41	17,574	17,609
Balance at 31 March 2017		168,809	208	(23)	6	2,716	171,716
<i>Transactions with shareholders in their capacity as owners</i>							
Capital contributions (net of issue costs)	26	30,339	-	-	-	-	30,339
Employee share based payments	27	-	493	-	-	-	493
Dividend paid	28	-	-	-	-	(11,417)	(11,417)
Total transactions with shareholders in their capacity as owners		30,339	493	-	-	(11,417)	19,415
<i>Comprehensive income</i>							
Profit		-	-	-	-	23,360	23,360
Other comprehensive income		-	-	2	(170)	-	(168)
Total comprehensive income for the year, net of tax		-	-	2	(170)	23,360	23,192
Balance at 31 March 2018		199,148	701	(21)	(164)	14,659	214,323

The accompanying notes form part of these financial statements



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the year ended 31 March 2018

	Notes	2018 \$'000	2017 \$'000
Assets			
Cash and cash equivalents	10	25,145	69,069
Financial assets at fair value through profit or loss	11	53,378	10,320
Trade receivables	12	11,323	12,663
Inventory	13	38,596	44,642
Finance receivables	14	289,799	207,143
Derivative financial instruments		-	88
Other receivables and deferred expenses	15	11,747	8,489
Reverse annuity mortgages	16	9,997	9,222
Investment property	17	4,820	4,000
Property, plant and equipment	19	35,945	18,909
Intangible assets	20	170,982	172,088
Total assets		651,732	556,633
Liabilities			
Other payables	21	34,875	28,091
Financial liability at fair value through profit or loss	22	226	7,611
Deferred revenue	23	5,506	5,624
Deferred tax	24	18,786	20,173
Tax payables		5,029	1,808
Derivative financial instruments		111	-
Borrowings	25	317,373	265,889
Life investment contract liabilities	33	7,127	12,847
Insurance contract liabilities	33	48,376	42,874
Total liabilities		437,409	384,917
Shareholders' equity			
Share capital	26	199,148	168,809
Other reserves		516	191
Retained earnings		14,659	2,716
Total shareholders' equity		214,323	171,716
Total shareholders' equity and liabilities		651,732	556,633

For and on behalf of the Board

G.K. Baker
Chairman Director

P.A. Byrnes
Deputy chairman

Authorised for issue on 28 June 2018

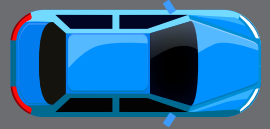
The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2018

	Notes	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Interest received		41,925	27,909
Receipts from customers		281,031	216,948
Interest paid		(9,609)	(8,237)
Payment to suppliers and employees		(266,124)	(216,489)
Income tax paid		(5,824)	(5,044)
Net cash outflow from operating activities before changes in operating assets and liabilities		41,399	15,087
Net increase in finance receivables		(75,248)	(36,403)
Net decrease in reverse annuity mortgages		66	1,246
Net (increase)/decrease of financial assets at fair value through profit or loss		(41,937)	9,156
Net (withdrawals)/contributions from life investment contracts		(5,765)	(2,645)
Changes in operating assets and liabilities arising from cash flow movements		(122,884)	(28,646)
Net cash (outflow)/inflow from operating activities	30	(81,485)	(13,559)
Cash flows from investing activities			
Proceeds from sale of property, plant, equipment, intangibles and held for sale assets		3,944	340
Purchase of property, plant and equipment		(21,859)	(7,295)
Purchase of intangible assets		(839)	(1,106)
Purchase of subsidiaries and investments	18	(3,754)	(63,346)
Net cash inflow/(outflow) from investing activities		(22,508)	(71,407)
Cash flows from financing activities			
Net bank loan advances/(repayments)		39,005	82,288
Proceeds from the issue of shares		29,656	13,374
Proceeds from the issue of bonds		-	19,784
Other borrowings		2,837	-
Dividend paid		(11,417)	(8,595)
Net cash inflow/(outflow) from financing activities		60,081	106,851
Net movement in cash and cash equivalents		(43,912)	21,885
Add opening cash and cash equivalents		69,069	13,810
Cash included with purchase of subsidiaries		-	33,378
Translation difference		(12)	(4)
Closing cash and cash equivalents		25,145	69,069
Represented By:			
Cash at bank	10	25,145	69,069
Closing cash and cash equivalents		25,145	69,069

The accompanying notes form part of these financial statements



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

1. REPORTING ENTITY

Turners Automotive Group Limited, (formerly Turners 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
- debt management (collection services).

The financial statements were authorised for issue by the directors on 28 June 2018.

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

New standards and amendments and interpretations to existing standards that came into effect during the current accounting period beginning on 1 April 2017

Disclosure Initiative (Amendments to NZ IAS 7 'Statement of Cash Flows')

Entities are now required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (eg drawdowns and repayments of borrowings) and non cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences.

The adoption of Amendments to NZ IAS 7 'Statement of Cash Flows' has only had an impact on disclosure in the Group's financial statements for the year ended 31 March 2018.

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 2017

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

NZ IFRS 9 'Financial Instruments'

NZ IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in NZ IAS 39, 'Financial Instruments: Recognition and Measurement', that relates to the classification and measurement of financial instruments. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income ('OCI') and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling.

There is now a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

NZ IFRS 9 also relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under NZ IAS 39

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

The effective date is annual reporting periods beginning on or after 1 January 2018, the 31 March 2019 financial statements.

The indicative impacts of implementing NZ IFRS 9 are as follows:

- Classification and measurement of financial instruments:
The Group's financial assets and liabilities include only those measured, at amortised cost, at fair value through profit or loss; and at fair value through other comprehensive income. The Group anticipates that the classification and measurement of its financial assets will remain unchanged under NZ IFRS 9.
- Impairment model change from incurred losses to expected credit losses:
The introduction of the expected credit losses impairment model is expected to involve a change in the timing of when impairment losses are recognised.

Trade and other receivables

With regards to the Group's trade receivables, the Group's incurred credit losses from these financial assets have historically not been material. Consequently the introduction of the expected credit losses impairment model is not expected to have a material impact on the Group's financial statements, given the Group's low exposure to counterparty default risk as a result of the Group's credit risk management processes that are in place.

Finance receivables

With regards to the Group's trade receivables, the Group's incurred credit losses from these financial assets have historically been material. Consequently, the introduction of the expected credit losses ('ECL') impairment model is expected to have a material impact on the Group's financial statements. The Group has undertaken a preliminary assessment on the possible impact that the introduction of the ECL impairment model will have on the Group's finance receivable impairment provisioning. The preliminary analysis indicates that as at 31 March 2018 it would have resulted in an increase in finance receivable provisioning between \$1.2m to 1.7m. The Group is continuing to undertake further analysis.

- Hedge accounting

The Group has hedging arrangements, however these are immaterial and the recognition and measurement of these arrangements under NZ IFRS 9 will remain largely unchanged

The Group will adopt NZ IFRS 9 for the accounting period beginning on 1 April 2018.

NZ IFRS 15 'Revenue from Contracts with Customers'

NZ IFRS 15 'Revenue from Contracts with Customers' introduces a five step process for revenue recognition with the core principle being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services. The five step approach is as follows:

- Step 1: Identify the contracts with the customer;
- Step 2: Identify the separate performance obligations;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price; and
- Step 5: Recognise revenue when a performance obligation is satisfied.

NZ IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple element arrangements.

The effective date is annual reporting periods beginning on or after 1 January 2018, the 31 March 2019 financial statements.

Under NZ IFRS 15 the Group would recognise revenue when (or as) it satisfies a performance obligation by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). A performance obligation may be satisfied at a point in time (typically for promises to transfer goods to a customer) or over time (typically for promises to transfer services to a customer). For a performance obligation satisfied over time, a company would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied.

Currently the Group's revenue streams from contracts with customers that fall within the scope of NZ IFRS 15 are the following:

- Sale of goods
- Commission and auction income
- Collections income

The Group has undertaken a preliminary assessment on the possible impact NZ IFRS 15 will have on the Group's financial statements. The preliminary analysis indicates that the standard is unlikely to have a material impact however further analysis is ongoing.

The Group will adopt NZ IFRS 15 for the accounting period beginning on 1 April 2018.

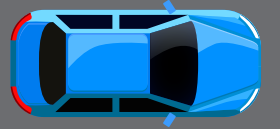
NZ IFRS 16 'Leases'

NZ IFRS 16 'Leases' will replace NZ IAS 17 'Leases'. NZ IFRS 16 eliminates the distinction between operating and finance leases for lessees and will result in lessees bringing most leases onto their Statements of Financial Position.

The main changes affect lessee accounting only – lessor accounting is mostly unchanged from NZ IAS 17.

NZ IFRS 16 introduces the following:

- Use of a control model for the identification of leases. This model distinguishes between leases and service contracts on the basis of whether there is an identified asset controlled by the customer.



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

- Distinction between operating and finance leases is removed. Assets (a right of use asset) and liabilities (a lease liability reflecting future lease payments) will now be recognised in respect of all leases, with the exception of certain short term leases and leases of low value assets

The effective date is annual reporting periods beginning on or after 1 January 2019, the 31 March 2020 financial year. Earlier application is permitted, if NZ IFRS 15 Revenue from Contracts with Customers has also been adopted.

The indicative impacts of implementing NZ IFRS 16 are as follows for all leases that the Group is a party to:
Initial recognition and measurement:

- Recognition of a right of use ('ROU') asset. Initial measurement of the ROU asset would include the initial present value of the lease liability, the initial direct costs, prepayments made to lessor, less any lease incentives received from the lessor and restoration, removal and dismantling costs; and
- Recognition of a lease liability, which would reflect the initial measurement of the present value of lease payments, including reasonably certain renewals.

Subsequent measurement:

- ROU asset: Depreciate the ROU asset based on NZ IAS 16 'Property, plant and equipment'.
- Lease liability: Accrete liability based on the effective interest method, using a discount rate determined at lease commencement (as long as a reassessment and a change in the discount rate have not occurred) and reduce the liability by payments made.

NZ IFRS 16 will have a material impact on the Group's financial statements and will be dependent on the leases that the Group is a party to as at the beginning of the year ended 31 March 2020. The Group's operating lease commitments as at 31 March 2018 are set out in note 31, measurement of the lease liability and asset under NZ IFRS 16 is yet to be fully assessed.

The Group will adopt NZ IFRS 16 for the accounting period beginning on 1 April 2019.

NZ IFRS 17 Insurance Contracts

NZ IFRS 17, 'Insurance Contracts', will replace NZ IFRS 4, 'Insurance Contracts'. Under the NZ IFRS 17, insurance contract liabilities will be calculated at the present value of future insurance cash flows with a provision for risk. The discount rate applied will reflect current interest rates. If the present value of future cash flows would produce a gain at the time an insurance contract is issued, the model would also require a "contractual service margin" to offset the day 1 gain. The contractual service margin would be amortized over the life of the insurance contract. There would also be a new income statement presentation for insurance contracts, including a revised definition of revenue and additional disclosure requirements. NZ IFRS 17 will also have accommodations for certain specific types of insurance contracts. Short-duration insurance contracts will be permitted to use a simplified unearned premium liability model until a claim is incurred. For some contracts, in which the cash flows are linked to underlying items, the liability value will reflect that linkage.

The effective date is annual reporting periods beginning on or after 1 January 2021, the 31 March 2022 financial year.

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

3.3 Basis of consolidation

Business combinations

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

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount of the identifiable assets acquired and liabilities assumed.

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

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

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

Acquisition of non-controlling interests

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

Subsidiaries

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

Loss of control

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

Investments in associates (equity accounted investees)

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

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

Transactions eliminated on consolidation

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

3.4 Foreign currency

Foreign currency transactions

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

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

Foreign currency differences arising on retranslation are recognised in profit or loss.

Foreign operations

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

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

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

3.5 Revenue and expense recognition

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

Sales of goods

Sales of goods comprise sales of motor vehicle and commercial goods owned by the Group. Sales of goods are recognised when the risks and rewards of ownership are transferred, which is when the customer gains control of the goods. This normally occurs on receipt of a deposit, full payment or approval of financing.

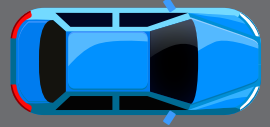
Sales of service

Sales of service comprise auction commission and other auction revenue, collection income, fee and commission revenue. Sales of service income is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Interest income and expense

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

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



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

Lending and funding - fees and commissions

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

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

Premium income and acquisition costs

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

General insurance premiums comprise the total premiums payable for the whole period of cover provided by contracts entered into during the reporting period and are recognised on the date on which the policy commences. Premiums include any adjustments arising in the reporting period for premium receivables written in respect of business written in prior accounting periods. Premiums collected by intermediaries, but not yet received, are assessed based on known sales and are included in written premium.

Unearned premiums are those proportion of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Under life investment contracts deposits are received from policyholders which are then invested on behalf of the policyholders. No premium income is recognised as revenue. Fees deducted from members' accounts are accounted for as fee income.

Those direct and indirect costs incurred during the financial period arising from the acquiring or renewing of insurance contracts are deferred to the extent that these costs are recoverable out of future premiums from insurance contracts. All other acquisitions costs are recognised as an expense when incurred.

Subsequent to initial recognition, the deferred acquisitions cost asset (DAC) for life insurance contracts is amortised over the expected life of the contracts. DAC for general insurance contracts is amortised over the period in which the revenues are earned.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in profit or loss. DACs are also considered in the liability adequacy test for each reporting period.

DACs are derecognised when the related contracts are either settled or disposed of.

Voucher income

Voucher income is initially recognised as an unredeemed voucher liability. Voucher income is recognised when the voucher is redeemed. For those vouchers that are unredeemed and have an expiry date, income is recognised on expiry. For those vouchers that are unredeemed and have no expiry date, voucher income is recognised after a period of time based on historical non-redemption patterns. Estimates are readjusted as necessary based on movements in the actual non-redemption patterns.

Other income

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

Claims expense

Claims expenses represent claim payments adjusted for the movement in the outstanding claims liability.

General insurance claims expenses are recognised when claims are notified with the exception of claims incurred but not reported for which a provision is estimated. Life insurance contract claims are recognised when a liability has been established. Claims under life investment contracts represent withdrawals of investment deposits and are recognised as a reduction in the life investment contract liabilities.

Other expense recognition

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

3.6 Financial assets

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

Financial assets at fair value through profit or loss

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

Loans and receivables

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

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

Held to maturity investments

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

Available for sale financial assets

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

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

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

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

3.7 Cash and cash equivalents

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

3.8 Finance, trade and other receivables and reverse annuity mortgages

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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

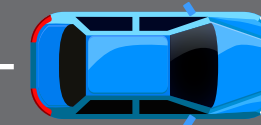
The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in profit or loss.

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

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

3.9 Financial liabilities

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



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

Financial liabilities at fair value through profit or loss

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

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

Payables

The Group's payables comprise trade and other payables.

Borrowings

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

3.10 Trade and other payables

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

3.11 Contingent consideration

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

3.12 Borrowings

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

3.13 Derivative financial instruments and hedge accounting

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

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

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

Cash flow hedge

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

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

Derivatives that do not qualify for hedge accounting

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

3.14 Insurance contracts

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

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

General insurance contract liabilities include claims provision and the provision for unearned premium. The outstandings claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling cost and a reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of claims, therefore the ultimate cost of these cannot be known at reporting date and are estimated based on past experience. The liability is not discounted for the time value of money and is 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 brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

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

3.15 Life investment contracts

Life investment contracts are those contracts with minimal insurance risk and are accounted for in accordance with NZ IAS 18 Revenue (refer note 3.5) and NZ IAS 39 Financial Instruments: Recognition and Measurement (refer note 3.6). 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.

3.16 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.

3.17 Investment property

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

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

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

Investment properties are not depreciated for accounting purposes.

3.18 Property, plant and equipment

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

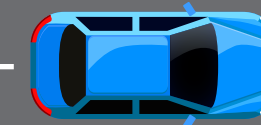
The rates for the following asset classes are:

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

3.19 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 represents the excess of fair value attributed to investments in subsidiaries over the fair value of the underlying net assets, including intangible assets, at the date of acquisition.



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

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

Corporate relationship assets are amortised on the straight line basis over the expected life (3 – 5 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).

3.20 Leases in which the Group is lessee

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

3.21 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.

3.22 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.

3.23 Managed funds and other fiduciary activities

DPL Insurance Limited, a wholly owned subsidiary, 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 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.

3.24 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.

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for the year ended 31 March 2018

Long service leave

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

Profit sharing and bonus plans

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

Share based payments

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

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

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

Superannuation plans

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

3.25 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.

3.26 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, IFRS and applicable reporting standards management has made judgements, estimates and assumptions that affect the application of accounting policies and about the future that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

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

Provision for impairment on loan receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loan and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgment to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics and adjusted as necessary on the basis of current observable data to reflect the effect of current conditions. If the expectation is different from the estimation, such difference will impact the carrying value of receivables (refer notes 7 and 14).

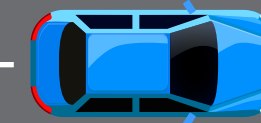
Impairment of goodwill

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 related investment or cash-generating unit, which entails making judgements, including the expected rate of growth of revenues, margins expected to be achieved and the appropriate discount rate to apply when valuing future cash flows (refer note 20).

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 33A).



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Impairment of corporate brands

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

Unredeemed voucher liabilities

The Group's estimate of the unredeemed voucher liability is based on historic redemption patterns. Changes in the redemption pattern of unredeemed vouchers could affect the reported value of this liability. At year end, the Group readjusted the unredeemed prepaid collection voucher liability write off methodology based on movements in the actual redemption patterns to reflect the continued decline in the redemption of historically issued prepaid collection vouchers. The change in accounting estimate resulted in a \$0.7m (2017: \$1.8m) decrease in the unredeemed voucher liability (note 23).

Business combinations

Management uses valuation techniques to determine the fair values of the various elements of a business combination. Judgement is used in the determination of the fair value of the consideration and the value on intangible assets arising on acquisition (for example corporate brands and customer relationships) The fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability (see note 18).

Valuation of investment properties

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

The derecognition of finance receivables

The Group follows the guidance in NZ IAS 39, 'Financial Instruments: Recognition and Measurement', 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 14).

Fair value measurement

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

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 33, and fair value risk relating to the Group's Investment property.

5.1 Financial instrument by category

<i>Carrying value</i>	2018 \$'000	2017 \$'000
Financial assets		
Cash and cash equivalents	25,145	69,069
Financial assets at fair value through profit or loss	53,378	10,320
<i>Loans and receivables</i>		
Trade receivables	11,323	12,663
Finance receivables	289,799	207,143
Other receivables and deferred expenses	7,342	6,015
Reverse annuity mortgages	9,997	9,222
	396,984	314,432
Financial liabilities		
Other payables	24,043	19,485
Financial liability at fair value through profit or loss	226	7,611
Borrowings	317,373	265,889
	341,642	292,985

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, derivative financial instruments, financial assets at fair value through profit or loss (excluding equities held in unithised funds), trade receivables, finance receivables, reverse annuity mortgages, and other receivables.

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

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

To manage credit on finance receivables the Group performs credit evaluations on all customers requiring advances. The approval process considers a number of factors including: borrower's past performance, ability to repay, amount of money to be borrowed against the security and the creditworthiness of the guarantor/co-borrower involved.

The Group operates a lending policy with various levels of authority depending on the size of the loan. A lending and credit committee operates and overdue loans are assessed on a regular basis by this body.

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

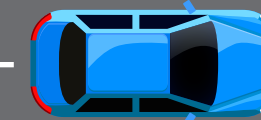
- neither past due or impaired - compliance with all terms, good security value, and no adverse events affecting the borrower;
- past due but not impaired - payments past due, compliance with most of the terms, concerns over security value, concerns over future events that may affect the borrower; and
- impaired - non-compliance with terms or evidence of impairment of security held, or adverse event affecting the borrower.

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;
- 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 motor vehicle and equipment finance receivables, 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.



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for the year ended 31 March 2018

5.3 Liquidity risk

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

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

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

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

	0-6 months	7-12 months	13-24 months	25-60 months	60+ months	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2018						
Other payables	24,043	-	-	-	-	24,043
Derivative cash flow hedges	29	30	37	15	-	111
Borrowings	88,066	30,690	193,070	18,615	-	330,441
	112,138	30,720	193,107	18,630	-	354,595
<i>Expected undiscounted cash flows:</i>						
Other payables	24,043	-	-	-	-	24,043
Derivative cash flow hedges	29	30	37	15	-	111
Borrowings	42,352	28,281	30,728	83,505	274,473	459,339
	66,424	28,311	30,765	83,520	274,473	483,493
2017						
Other payables	19,485	-	-	-	-	19,485
Borrowings	18,750	50,998	172,340	50,440	-	292,528
	38,235	50,998	172,340	50,440	-	312,013
<i>Expected undiscounted cash flows:</i>						
Other payables	19,485	-	-	-	-	19,485
Borrowings	18,750	51,002	60,132	62,102	131,645	323,631
	38,235	51,002	60,132	62,102	131,645	343,116

5.4 Market Risk

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

5.4.1 Insurance business

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

In the other insurance business, market risk arises when there is a mismatch between the insurance policy liabilities and the assets backing those liabilities. Refer to note 33K 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

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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 2018 was \$70m (2017: \$nil) and weighted average interest was 2.24%. There was no hedge ineffectiveness recognised in profit or loss during the period (2017: \$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.

Interest rate risk

	Carrying amount	-1% Profit	-1% Equity	+1% Profit	+1% Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
2018					
Financial Assets					
Cash and cash equivalents	25,145	(251)	(181)	251	181
Financial assets at fair value through profit or loss	42,500	(425)	(306)	425	306
Finance receivables	289,799	(2,323)	(1,673)	2,323	1,673
Reverse annuity mortgages	9,997	(100)	(72)	100	72
Financial Liabilities					
Financial liability at fair value through profit or loss	226	2	1	(2)	(1)
Derivative cash flow hedges	111	-	(827)	-	636
Borrowings	317,373	2,588	1,863	(2,588)	(1,863)
Total increase/(decrease)		(509)	(1,195)	509	1,004
2017					
Financial Assets					
Cash and cash equivalents	69,069	(691)	(498)	691	498
Financial assets at fair value through profit or loss	122	(1)	(1)	1	1
Finance receivables	207,143	(1,590)	(1,145)	1,590	1,145
Derivative cash flow hedges	88	-	52	-	(50)
Reverse annuity mortgages	9,222	(92)	(66)	92	66
Financial Liabilities					
Financial liability at fair value through profit or loss	7,611	76	55	(76)	(55)
Borrowings	265,889	2,169	1,562	(2,169)	(1,562)
Total increase/(decrease)		(129)	(41)	129	43

5.4.3 Currency risk

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

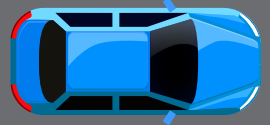
To ensure the net exposure to EC Credit Control (Aust) Pty Ltd, which has AUD as its functional currency, is kept to an acceptable level, the Group has a comprehensive transfer pricing policy and converts the AUD unredeemed voucher liability (refer note 23) into a NZD liability by selling the AUD liability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

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

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

Currency risk

	2018	2017
	NZ\$'000	NZ\$'000
in NZD'000		
Net exposure to AUD	122	465
Net exposure to JPY	525	-



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

In NZD'000	-10% Profit	-10% Equity	+10% Profit	+10% Equity
2018				
AUD	67	(5)	(55)	4
JPY	(306)	(43)	251	34
2017				
AUD	-	42	-	(47)
JPY	-	440	-	(361)

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. A +1%/-1% movement in the MTF share price will increase/(decrease) profit and equity by \$36k/(\$36k) (2017: \$30k/(\$30k)).

5.5 Assets and liabilities carried at fair value:

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

Level 1	the fair value is calculated using quoted prices in active markets.
Level 2	the fair value is estimated using inputs other than quoted prices in level 1 that are observable for the assets or liability, either directly (as prices) or indirectly (derived from prices).
Level 3	the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2018				
Fair value assets:				
Financial assets at fair value through profit or loss - Insurance	-	7,249	-	7,249
Financial assets at fair value through profit or loss - investment in equities	-	3,629	-	3,629
Financial assets at fair value through profit or loss - term deposits	42,500	-	-	42,500
Investment property	-	-	4,820	4,820
	42,500	10,878	4,820	58,198
Fair value liabilities:				
Financial liability at fair value through profit or loss	-	-	226	226
Derivative cash flow hedges	-	111	-	111
	-	111	226	337
2017				
Fair value assets:				
Financial assets at fair value through profit or loss - Insurance	-	7,190	-	7,190
Financial assets at fair value through profit or loss - investment in equities	-	3,008	-	3,008
Financial assets at fair value through profit or loss - term deposits	122	-	-	122
Derivative cash flow hedges	-	88	-	88
Investment property	-	-	4,000	4,000
	122	10,286	4,000	14,408
Fair value liabilities:				
Financial liability at fair value through profit or loss	-	-	7,611	7,611

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

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 5.4.1).

Fair value assets - investment in equities

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

Fair value liability - term deposits and fixed interest securities

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

Fair value - investment property

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

This is a level 3 fair value measurement and the key output used in determining the consideration is the probable sales price. A change in sales price of +/- 5% would increase/(decrease) the total fair value and profit or loss by \$0.2m/(\$0.2m).

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

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

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

Buy Right Cars

On 29 July 2016, contingent consideration of \$6.3m was recognised and re-measured to \$6.8m on 31 March 2017.

The fair value estimate, at acquisition date, of the contingent consideration was determined by discounting the probability adjusted earn out consideration of \$6.8m by 4.8%.

This is a level 3 fair value measurement and the key unobservable assumptions used in determining the probability adjusted earn out consideration was the probability of achieving 65% to 150% of the annual net profit performance target established in the sales and purchase agreement for the two earn periods.

During the year ended 31 March 2018 \$2.6m was released to profit or loss as the period 2 earn out targets are not expected to be met (2017: a charge of \$0.5m was recognised in profit or loss for the contingent consideration arrangement as the assumed probability adjusted earn out consideration was increased from \$3.4m to \$3.5m and the discount rate changed from 4.8% to 4.55%).

Autosure

On 31 March 2017, contingent consideration of \$0.8m was recognised and not re-measured as the acquisition took place on the 31 March 2017. The maximum consideration to be paid is \$1.0m.

The fair value estimate, at acquisition date, of the contingent consideration was determined by discounting the probability adjusted earn out consideration of \$0.8m by 4.55%.

This is a level 3 fair value measurement and the key unobservable assumptions used in determining the probability adjusted earn out consideration was the probability of achieving 96% to 100% of the gross written premium target established in the sales and purchase agreement.

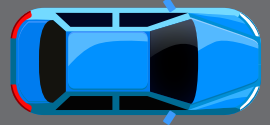
During the year ended 31 March 2018 the asset was released to profit or loss as the earn out consideration targets were not met.

Derivative cash flow hedges

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

Reconciliation of recurring level 3 fair value movements:

Reconciliation of recurring level 3 fair value measurements	2018 \$'000	2017 \$'000
Assets		
Opening balance	4,000	-
Transfer from finance receivables (exercise security interest)	-	3,500
Revaluation at reporting date - investment property	820	500
Closing balance	4,820	4,000



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

<i>Liabilities</i>	2018 \$'000	2017 \$'000
Opening balance	7,611	-
On acquisition contingent consideration - Motorplus	221	-
On acquisition contingent consideration - Buy Right Cars	-	6,342
On acquisition contingent consideration - Autosure	-	775
Revaluation at reporting date	(3,190)	494
Settlement of period one and part of period two earn out consideration	(4,416)	-
Closing balance	226	7,611

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

6. SEGMENTAL INFORMATION

6.1 Description of segments

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

No businesses were acquired in the financial year ending 31 March 2018. During the financial year ending 31 March 2017, the Group acquired the business of Buy Right Cars and Autosure. Buy Right Cars has been aggregated into the 'Automotive retail' segment as Buy Right Cars, together with Turners Group NZ Limited, operate in the automotive sector remarketing motor vehicles and other related activity. Autosure has been aggregated into the 'Insurance segment' as Autosure, together with DPL Insurance, operate in the insurance market, marketing and administering consumer insurance products and other related activity.

Five reportable segments have been identified as follows:

Automotive retail:	Remarketing (motor vehicles, trucks, heavy machinery and commercial goods) and purchasing goods for sale.
Collection services:	Collection services, credit management and debt recovery services to the corporate and SME sectors. Geographically the collections services segment business activities are located in New Zealand and Australia.
Finance:	Provides asset based finance to consumers and SME's.
Insurance:	Marketing and administration of a range of life and consumer insurance products.
Corporate & other:	Corporate centre.

Operating segments

Revenue	Revenue		Revenue		Revenue	
	Total segment revenue	Inter-segment revenue	from external customers	Total segment revenue	Inter-segment revenue	from external customers
2018 \$'000	2018 \$'000	2018 \$'000	2017 \$'000	2017 \$'000	2017 \$'000	2017 \$'000
Automotive retail	226,434	(3,222)	223,212	193,472	(783)	192,689
Finance	39,747	-	39,747	26,818	-	26,818
Collection services - New Zealand	13,075	(3,886)	9,189	13,127	(3,804)	9,323
Collection services - Australia	9,488	-	9,488	9,783	-	9,783
Insurance	46,923	-	46,923	12,255	-	12,255
Corporate & other	1,911	-	1,911	466	(325)	141
	337,578	(7,108)	330,470	255,921	(4,912)	251,009

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.

NOTES TO THE FINANCIAL STATEMENTS

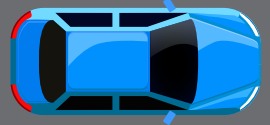
for the year ended 31 March 2018

<i>Operating profit</i>	2018 \$'000	2017 \$'000
Automotive retail	16,550	15,397
Finance	11,735	10,156
Collection services - New Zealand	5,845	6,006
Collection services - Australia	224	239
Insurance	5,731	928
Corporate & other	(8,952)	(8,095)
Profit/(loss) before taxation	31,133	24,631
Income tax	(7,773)	(7,057)
Net profit attributable to shareholders	23,360	17,574

	Interest revenue		Interest expense		Depreciation and amortisation expense	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Automotive retail	9,311	7,590	(4,767)	(3,753)	(2,351)	(2,286)
Finance	34,432	22,907	(5,829)	(3,648)	(348)	(329)
Collection services - New Zealand	12	13	-	-	(91)	(92)
Collection services - Australia	-	-	-	-	(2)	-
Insurance	1,997	875	-	-	(681)	(91)
Corporate & other	22	418	(4,438)	(4,274)	(2,154)	(65)
	45,774	31,803	(15,034)	(11,675)	(5,627)	(2,863)
Eliminations	(690)	(325)	690	325	-	-
	45,084	31,478	(14,344)	(11,350)	(5,627)	(2,863)

Other material non-cash items	Revenue		Expenses	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Automotive retail - impairment provisions	-	-	(423)	(297)
Finance - impairment provisions	-	-	(5,929)	(1,710)
Insurance - impairment provisions	-	-	(28)	(16)
Collection services - New Zealand - deferred revenue	433	1,061	-	-
Insurance - reverse annuity mortgage interest	869	825	-	-
Corporate & other - reverse annuity mortgage interest	-	60	-	(3)
	1,302	1,946	(6,380)	(2,026)

Segment assets and liabilities	Assets		Liabilities	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Automotive retail	152,006	134,160	115,071	103,821
Finance	255,937	174,134	199,374	126,528
Collection services - New Zealand	27,115	25,974	5,756	9,246
Collection services - Australia	1,665	1,908	1,181	890
Insurance	124,358	118,722	69,213	66,503
Corporate & other	298,912	266,403	89,443	79,169
	859,993	721,301	480,038	386,157
Eliminations	(208,261)	(164,668)	(42,629)	(1,240)
	651,732	556,633	437,409	384,917



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

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

	Business combinations		Other	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Automotive retail	-	1,958	21,515	7,578
Finance	-	-	418	403
Collection services - New Zealand	-	-	140	82
Insurance	-	887	8,384	377
Corporate & other	-	-	10	61
	-	2,845	30,467	8,501

Automotive retail segment analysis

	Revenue			Revenue		
	Total	Inter-	from	Total	Inter-	from
	division	division	external	division	division	external
revenue	revenue	customers	revenue	revenue	customers	
2018	2018	2018	2017	2017	2017	
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Auctions	41,655	(472)	41,183	38,169	(272)	37,897
Finance	14,711	(143)	14,568	12,700	-	12,700
Fleet	108,047	-	108,047	97,858	-	97,858
Buy Right Cars	62,021	(2,607)	59,414	44,745	(511)	44,234
	226,434	(3,222)	223,212	193,472	(783)	192,689

	Operating profit	
	2018	2017
	\$'000	\$'000
Auctions	3,410	2,442
Finance	5,724	4,916
Fleet	4,970	4,932
Buy Right Cars	2,446	3,107
	16,550	15,397

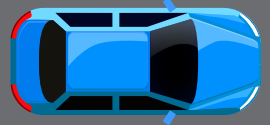
	Assets		Liabilities	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Auctions	44,395	30,386	24,038	13,044
Finance	66,294	55,506	60,133	50,694
Fleet	14,595	20,546	8,373	14,876
Buy Right Cars	28,549	29,450	23,045	25,724
	153,833	135,888	115,589	104,338
Eliminations	(1,827)	(1,728)	(518)	(517)
	152,006	134,160	115,071	103,821

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

7. PROFIT BEFORE TAX

	2018	2017
	\$'000	\$'000
Revenue from continuing operations includes:		
Interest income		
Bank accounts, short term deposits and investments	1,343	206
Finance receivables	42,872	30,387
Reverse annuity mortgages	869	885
Total Interest Income	45,084	31,478
Other revenue		
Sales of goods	163,622	139,153
Commission and other auction revenue	46,730	37,942
Finance related insurance commissions	4,718	6,839
Loan fee income	2,766	2,187
Insurance and life investment contract income	41,685	10,467
Collection income	18,665	19,093
Bad debts recovered	887	1,058
Other revenue	890	1,121
Total Other Revenue	279,963	217,860
Total Operating Revenue	325,047	249,338
Other income comprises:		
Revaluation gain on investments	590	729
Revaluation gain on investment property	820	500
Dividend income	349	358
Gain of sale of property, plant and equipment	1,000	84
Fair value gain on contingent consideration	2,664	-
	5,423	1,671
Interest expense		
Bank borrowings and other	12,516	9,357
Bonds	1,828	1,993
Total Interest Expense	14,344	11,350
Movement in impairment provisions		
Provisions for:		
Specific impaired finance receivables	14	619
Collective impairment provision for finance receivables	14	5,300
Collective impairment on reverse annuity mortgages	16	28
Finance receivables bad debts written off		433
Movement	6,380	2,026
Net operating profit includes the following specific expenses		
Depreciation		
- Plant, equipment & motor vehicles	614	490
- Leasehold improvements, furniture, fittings & office equipment	747	824
- Computer equipment	436	313
- Signs & flags	82	92
Intangible amortisation		
Amortisation of software	1,587	1,144
Amortisation of customer relationships	594	-
Insurance contract liabilities amortisation		
Amortisation of policies in force	1,567	-
	5,627	2,863
Tax advisory fees	121	221
Donations	15	10
Directors' fees	425	458
Post-employment benefits	1,314	738
Loss on sale of property, plant and equipment	23	53



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

	2018	2017
	\$'000	\$'000
Fees paid to auditor		
Staples Rodway Auckland (auditor of the Group)		
Audit of financial statements		
Audit of annual financial statements	441	372
Other services		
<i>Other assurance services</i>		
- audit of DPL Insurance Limited solvency return	6	5
- Agreed Upon Procedures in relation to the EC Credit Control Limited trust account	3	3
Total other services	9	8
Total fees paid to Staples Rodway Auckland	450	380

8. TAXATION

	2018	2017
	\$'000	\$'000
Net operating profit before taxation	31,133	24,631
Income tax expense at prevailing rates	(8,722)	(6,900)
Tax impact of income not subject to tax	1,248	239
Tax impact of expenses not deductible for tax purposes	(437)	(520)
Tax assets recognised	93	-
Under provision in prior years	45	124
Taxation (expense)/benefit	(7,773)	(7,057)
Comprising:		
Current	(9,205)	(5,790)
Deferred	1,387	(1,391)
Under provision in prior years	45	124
	(7,773)	(7,057)

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:

	2018	2017
Profit for the year (\$'000)	23,360	17,574
Weighted average number of ordinary shares at 31 March	79,835,734	68,931,984
Basic earnings per share (cents per share)	29.26	25.49

	2018	2017
Weighted number of shares		
Opening balance	74,523,527	63,431,637
Shares issued for the purchase of Buy Right Cars	132,270	410,795
Shares issued for the share placement	4,377,211	2,183,174
Shares issued for the share purchase plan	775,873	-
Shares issued under the staff share scheme	26,684	-
Shares issued for the dealer share scheme	169	-
Shares issued for the conversion of bonds	-	2,906,378
	79,835,734	68,931,984

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

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:

	2018	2017
	\$'000	\$'000
Continuing operations		
	23,360	17,574
Add: interest expense relating to optional convertible bonds, net of tax	1,196	1,196
Add: Long term incentive expense relation to options	493	208
Profit for the year	25,049	18,978

Weighted number of ordinary shares (diluted)

Weighted average number of shares (basic)	79,835,734	68,931,984
Effect of the conversion of bonds	6,816,220	6,816,220
Effect of the exercise of the options	107,222	61,845
Weighted average number of shares (diluted)	86,759,176	75,810,049

Diluted earnings per share (cents per share)	28.87	25.03
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10. CASH AND CASH EQUIVALENTS

	2018	2017
	\$'000	\$'000
The carrying value of cash and cash equivalents are denominated in the following currencies:		
Australian dollars	1,046	632
Japanese yen	975	-
New Zealand dollars	23,124	68,437
	25,145	69,069

The Group's insurance business is required to comply with the solvency standards for licensed insurers issued by the Reserve Bank of New Zealand. The solvency standards specify the level of assets the insurance business is required to hold in order to meet solvency requirements, consequently all cash and cash equivalents, held in the insurance business may not be available for use by the wider Group. DPL Insurance's cash and cash equivalents at 31 March 2018 were \$9.2m (2017: \$55.6m).

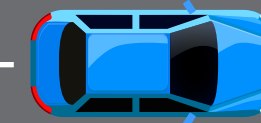
Cash and cash equivalents at 31 March 2018 of \$4.9m (2017: \$2.1m) belong to the Turners Marque Warehouse Trust 1 are not available to the Group.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018	2017
	\$'000	\$'000
Insurance:		
Investments in unitised funds	7,249	7,190
Other:		
Term deposits	42,500	122
Investment in equities	3,629	3,008
Total	53,378	10,320

Investments in unitised funds comprise:

New Zealand and overseas equities	3,055	2,857
Fixed Interest securities	1,351	1,293
Cash	1,143	1,264
New Zealand and overseas property securities	1,700	1,776
Total	7,249	7,190



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

	2018 \$'000	2017 \$'000
Investments with external investment managers		
ANZ New Zealand Investments Limited - Unitised Funds	7,249	7,190
The carrying amounts of the financial assets at fair value through profit or loss, excluding investments in unitised funds, are denominated in the following currencies:		
Australian dollars	-	5
New Zealand dollars	46,129	3,125
	46,129	3,130

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 2018 were \$42.5m (2017: \$nil).

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 at the reporting date is the carrying value of financial assets at fair value through profit or loss, excluding investments in unitised funds. The financial assets in this category 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

	2018 \$'000	2017 \$'000
Neither past due nor impaired	10,068	11,152
Past due but not impaired	1,255	1,511
Impaired	275	203
	11,598	12,866
Impairment provision	(275)	(203)
Net trade receivables	11,323	12,663

Trade receivables are a current asset.

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.

The age of impaired trade receivables is as follows:

	2018	2017
Past due up to 30 days	16	171
Past due 30 – 60 days	15	24
Past due 60 – 90 days	-	1
Past due 90+ days	244	7
	275	203

The age of past due but not impaired trade receivables is as follows:

	2018	2017
Past due up to 30 days	447	277
Past due 30 – 60 days	16	157
Past due 60 – 90 days	-	255
Past due 90+ days	792	822
	1,255	1,511

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

	2018 \$'000	2017 \$'000
Movement in the impairment provision:		
Opening balance	203	204
Acquisition impairment balance	-	-
Impairment charge/(release) included in other operating expenses	103	1
Amounts written off	(31)	(2)
	275	203

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:

	2018	2017
Australian dollars	918	918
New Zealand dollars	10,405	11,745
	11,323	12,663

Currency risk

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

Fair value and credit risk

Due to the short-term nature of trade receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk 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.

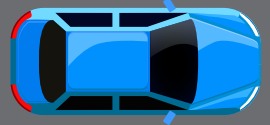
13. INVENTORIES

	2018 \$'000	2017 \$'000
Motor vehicles	39,631	45,402
Commercial goods	14	16
	39,645	45,418
Less provision for stock obsolescence	(1,049)	(776)
	38,596	44,642

Inventories are a current asset.

Movement in provisions for stock obsolescence

	2018	2017
Opening balance	776	468
Movement	273	308
Closing balance	1,049	776



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

14. FINANCE RECEIVABLES

	2018 \$'000	2017 \$'000
Commercial loans	32,567	28,476
Consumer loans	253,168	175,584
Property development & investment loans	8,492	7,069
Legacy	1,426	2,001
Gross finance receivables	295,653	213,130
Specific impairment provision	(1,592)	(973)
Collective impairment provision	(9,702)	(5,055)
Deferred fee revenue and commission expenses	5,440	41
	289,799	207,143
Current	144,001	99,349
Non-current	145,798	107,794
	289,799	207,143
	2018 \$'000	2017 \$'000
<i>Impaired finance receivables</i>		
Gross finance receivables are summarised as follows:		
Neither past due nor impaired	258,433	197,885
Past due but not impaired	28,902	11,244
Impaired	8,318	4,001
Gross	295,653	213,130
The age of impaired finance receivables is as follows:		
Past due up to 30 days	2,140	333
Past due 30 – 60 days	147	92
Past due 60 – 90 days	357	60
Past due 90+ days	5,674	3,516
	8,318	4,001
The age of past due but not impaired finance receivables is as follows:		
Past due up to 30 days	12,988	5,442
Past due 30 – 60 days	4,957	2,444
Past due 60 – 90 days	2,020	775
Past due 90+ days	8,937	2,583
	28,902	11,244
Specific impaired financial receivables		
Opening balance	4,001	6,400
Additions	-	1,904
Amounts now collectively assessed	5,630	-
Amounts recovered	(438)	(2,764)
Amounts written off	(875)	(1,539)
	8,318	4,001
Movement in the impairment provisions:		
<i>Specific impairment provision</i>		
Opening balance	973	1,952
Impairment charge/(release) through profit or loss	619	282
Amounts written off	-	(1,261)
	1,592	973

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

	2018 \$'000	2017 \$'000
<i>Collective impairment provision</i>		
Opening balance	5,055	4,824
Acquisition impairment balance	-	-
Impairment charge/(release) through profit or loss	5,300	285
Amounts written off	(653)	(54)
	9,702	5,055
Total impairment provision	11,294	6,028

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.

<i>Fair value and credit risk</i>	Carrying amount	Fair value	Carrying amount	Fair value
	2018 \$'000	2018 \$'000	2017 \$'000	2017 \$'000
Finance receivables	289,799	289,951	207,143	206,786

The fair values are based on cash flows discounted using a weighted average interest rate of 15.01% (2017: 15.51%).

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

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

Securitisation

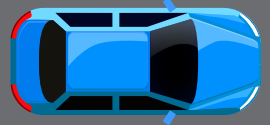
The Group has a wholesale funding facility with the Bank of New Zealand (BNZ) under which it securitises finance receivables through The Turners Marque Warehouse Trust 1 (the Trust). Under the facility, BNZ provide funding to the Trust secured by finance receivables sold to the Trust from the finance sector. The facility is for a 24 month term that will be renewed annually. The facility is for \$163m.

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

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

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

During the financial year \$144.5m finance receivables were sold to the Trust (2017: \$74.8m). As at 31 March 2018 the carrying value of finance receivables in the Trust was \$145.6m (2017: \$73.0m).



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

15. OTHER RECEIVABLES AND DEFERRED EXPENSES

	2018 \$'000	2017 \$'000
Deferred acquisition costs	4,214	1,353
Other receivables and prepayments	7,533	7,136
	11,747	8,489
Current	7,411	5,234
Non-current	4,336	3,255
	11,747	8,489
Carrying amount of financial assets included in other receivables	7,342	6,015
The carrying amounts of the financial assets included in other receivables are denominated in the following currencies:		
Australian dollars	5	6
New Zealand dollars	7,337	6,009
	7,342	6,015

Fair value and credit risk

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

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

16. REVERSE ANNUITY MORTGAGES

	2018 \$'000	2017 \$'000
Reverse annuity mortgages	10,094	9,291
Provision for impairment	(97)	(69)
	9,997	9,222
Current	-	1,892
Non-current	9,997	7,330
	9,997	9,222
Movement in provisions for impairment		
Opening balance	69	52
Impairment charge/(release) through profit or loss	28	17
Closing balance	97	69

Interest rate

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

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

Fair value and credit risk

	Carrying amount 2018 \$'000	Fair value 2018 \$'000	Carrying amount 2017 \$'000	Fair value 2017 \$'000
Reverse annuity mortgages	9,997	11,866	9,222	10,721

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

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

17. INVESTMENT PROPERTY

	2018 \$'000	2017 \$'000
Investment property	4,820	4,000
Movements in carrying amounts		
Opening balance	4,000	-
Transfer from finance receivables (exercise security interest)	-	3,500
Net change in fair value	820	500
Closing balance	4,820	4,000

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

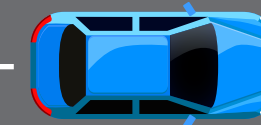
The investment property was valued at reporting date by a Property Institute of New Zealand registered valuer, Jones Lang LaSalle Limited, Valuation & Advisory. Jones Lang LaSalle Limited is an external independent valuation company with appropriate recognised professional qualifications and recent experience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

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

18. INVESTMENT IN SUBSIDIARIES

Subsidiary		Ownership Interest Held	
		2018	2017
Buy Right Cars (2016) Limited	Vehicle trade	100.0%	100.0%
Dorchester Finance Limited	Finance	100.0%	100.0%
Dorchester Oxford Limited	Holding company	100.0%	100.0%
Dorchester Staff Share Plan Trustees Limited	Trustee	100.0%	100.0%
Dorchester Turners Limited	Holding company	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%
Southern Finance Limited	Finance	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%
Dorchester Life Trustees Limited	Dormant	100.0%	100.0%
Dorchester RAMS Limited	Dormant	100.0%	100.0%
EC Web Services Limited	Dormant	66.6%	66.6%
EGPTM Limited	Dormant	100.0%	100.0%
EGPTT Limited	Dormant	100.0%	100.0%
Smart Group Services Limited	Dormant	100.0%	100.0%
Turners International Holdings Limited	Dormant	100.0%	100.0%
Turners Smart Autocentre Limited	Dormant	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.



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

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.

On 1 May 2018, Dorchester Oxford Limited, Oxford Finance Limited, Southern Finance Limited and Dorchester Finance Limited were amalgamated to become Dorchester Finance Limited which changes its name on amalgamation to Oxford Finance Limited.

Acquisition of businesses in the year ending 31 March 2017

ACQUISITION OF BUY RIGHT CARS

On 29 July 2016, the Group purchased the business of Buy Right Cars Limited, an Auckland based used motor vehicle import and dealership network. The acquisition significantly increases the Group's footprint and presence in the key Auckland market and achieves a number of the Group's strategic objectives, including stepping up imports of used vehicle, achieving better control of the motor vehicle compliance process and control over origination in the finance and insurance businesses as a high percentage of their car sales are financed.

	29/07/2016
	\$'000
Fair value of consideration transferred	
Cash	29,344
Ordinary shares (612,000)	1,854
Contingent consideration	6,342
	<u>37,540</u>
Identified assets acquired and liabilities assumed	
Inventories	26,980
Property, plant and equipment	1,958
Other assets	12
Intangible assets - brand value	4,300
Payables	(5,366)
Deferred tax	(1,204)
Identifiable net assets	<u>26,680</u>
Goodwill on acquisition	<u>10,860</u>
Consideration transferred settled in cash	29,344
Acquisition costs charged to expenses	169
Net cash paid relating to acquisition	<u>29,513</u>

Contingent consideration

At acquisition date contingent consideration of \$6.3m was recognised. The contingent consideration arrangement requires the Group to make earn out payments on the first and second anniversary of the acquisition, in cash and shares (maximum of 30% of earn out payment), to Buy Right Cars Limited. The earn out payments are based on the earn out consideration adjusted by the performance percentage. The performance percentage is calculated by comparing the actual annual net profit before tax (NPBT) to the target annual NPBT included in the sale and purchase agreement.

During the year Group made the first earn out payment totalling \$3.4m, \$2.7 in cash and \$0.7 in shares, and \$1.0m in cash towards the second earn out payment. No provision has been made for any further payment for the second earn out as the business is not expected to meet the second earn out targets included in the sale and purchase agreement.

Identified assets acquired and liabilities assumed

The fair value of the brand has been determined using the income approach and by applying the relief from royalty method. The fair value of all other assets and liabilities was determined using the cost approach.

Goodwill

The goodwill of \$10.9m is primarily related to growth expectation, expected future profitability and synergistic opportunities, particularly in finance and insurance and extended foot print in the used car market and brand.

Contribution to Group results

In the eight months to 31 March 2017 the business contributed revenue of \$44.2 million and profit of \$2.1 million to the Group's consolidated results. If the acquisition had occurred on 1 April 2016, management estimates that the Group consolidated revenue would have been \$272.9m and the Group consolidated profit for the year would have been \$18.6m.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

ACQUISITION OF AUTOSURE

In November 2016 the Group entered in to an agreement to purchase part of the Autosure business from Vero Insurance New Zealand Limited. This acquisition included the Autosure brand, corporate relationships and the in-force portfolio of mechanical breakdown, guaranteed asset protection, payment protection, credit contract indemnity and extended warranty insurance contract liabilities. The acquisition was completed on 31 March 2017 being the date on which the transfer of in-force Autosure insurance portfolio received approval from the Reserve Bank of New Zealand. The purchase of Autosure aligns with the Group's strategy of building on organic growth with acquisitions of reputable businesses and brands that build capability and scale in the integrated automotive financial services market.

	31/03/2017
	\$'000
Fair value of consideration transferred	
Cash	34,000
Contingent consideration	775
	<u>34,775</u>
Identified assets acquired and liabilities assumed	
Cash	33,378
Receivables	400
Property, plant and equipment	523
Intangible asset - brand	21,500
Intangible asset - corporate relationships	5,200
Intangible asset - software	400
Trade and other payables	(971)
Deferred tax	(8,792)
Insurance liabilities	(33,315)
Less: intangible asset- portfolio-in-force	4,700
Identifiable net assets	<u>23,023</u>
Goodwill on acquisition	<u>11,752</u>
Consideration transferred settled in cash	34,000
Cash received on portfolio transfer	(33,378)
Net cash outflow on acquisition	622
Acquisition costs charged to expenses	446
Net cash paid relating to acquisition	<u>1,068</u>

Contingent consideration

At acquisition date contingent consideration of \$0.8m was recognised. The contingent consideration arrangement requires the Group to make an earn out payment on the first anniversary of the acquisition, in cash, to Vero Insurance New Zealand Limited. The earn out payment is based on the earn out consideration adjusted by the performance percentage. The performance percentage is calculated by comparing the actual annual gross written premium to the target annual gross written premium included in the sale and purchase agreement.

No contingent payment was made to Vero Insurance New Zealand Limited as the actual annual gross written premium minimum performance percentage did not meet the target included in the sales and purchase agreement.

Identified assets acquired and liabilities assumed

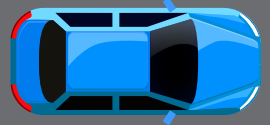
The fair value of corporate relationships was determined using the income approach, discounting future estimated cash flows by a risk adjusted weighted average cost of capital. The fair value of the portfolio-in-force intangible asset represents the difference between the assumed insurance liabilities, measured in accordance with the Group's existing accounting policies, and the fair value of the future claim and administration obligations arising in respect of those contracts. The fair value of the brand has been determined using the income approach and by applying the relief from royalty method. The fair value of all other assets and liabilities was determined using the cost approach.

Goodwill

Goodwill of \$11.8 million is primarily related to growth expectations, expected future profitability, the substantial skill, expertise of the work force and synergies arising from the utilisation of Autosure's repairer network by our existing insurance business and from cross selling on insurance and finance to an extended dealer network and customer base.

Contribution to Group results

As the effective date of the purchase was 31 March 2017, the business has made no material net contribution to the Group's consolidated results. If the acquisition had occurred on 1 April 2016, management estimates that the Group consolidated revenue would have been \$283.6m and the Group consolidated profit before acquisition amortisation for the year would have been \$23.0m.



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

19. PROPERTY, PLANT & EQUIPMENT

	Land \$'000	Plant, equipment & motor vehicles \$'000	Leasehold improvements, furniture, fittings & office equipment \$'000	Computer equipment \$'000	Signs & flags \$'000	Total \$'000
2018						
At cost	11,155	3,169	6,866	1,735	462	23,387
Accumulated depreciation	-	(1,093)	(2,153)	(995)	(237)	(4,478)
Opening carrying amount	11,155	2,076	4,713	740	225	18,909
Additions	14,215	948	6,368	470	12	22,013
Disposals, transfers & translation difference	(2,018)	(400)	(669)	(8)	(3)	(3,098)
Depreciation	-	(614)	(747)	(436)	(82)	(1,879)
Closing carrying amount	23,352	2,010	9,665	766	152	35,945
At cost	23,352	3,632	12,652	2,023	471	42,130
Accumulated depreciation	-	(1,622)	(2,987)	(1,257)	(319)	(6,185)
Closing carrying amount	23,352	2,010	9,665	766	152	35,945
2017						
At cost	6,212	2,002	4,155	1,827	416	14,612
Accumulated depreciation	-	(639)	(1,389)	(1,331)	(145)	(3,504)
Opening carrying amount	6,212	1,363	2,766	496	271	11,108
Additions - business combinations	-	640	1,805	-	-	2,445
Additions	4,943	878	968	557	48	7,394
Disposals, transfers & translation difference	-	(315)	(2)	-	(2)	(319)
Depreciation	-	(490)	(824)	(313)	(92)	(1,719)
Closing carrying amount	11,155	2,076	4,713	740	225	18,909
At cost	11,155	3,169	6,866	1,735	462	23,387
Accumulated depreciation	-	(1,093)	(2,153)	(995)	(237)	(4,478)
Closing carrying amount	11,155	2,076	4,713	740	225	18,909

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

20. INTANGIBLE ASSETS

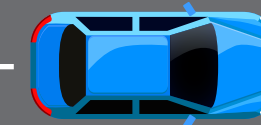
	2018 \$'000	2017 \$'000
Brand		
Opening carrying amount at cost	71,400	45,600
Additions (refer note 18)	-	25,800
Closing carrying amount	71,400	71,400
Goodwill		
Opening carrying amount at cost	92,509	69,888
Additions (refer note 18)	-	22,612
Foreign exchange adjustment	15	9
Closing carrying amount	92,524	92,509
Software		
At cost	5,646	4,256
Accumulated amortisation	(3,053)	(2,024)
Opening carrying amount	2,593	2,232
Additions - business combinations (refer note 18)	-	400
Additions	839	1,105
Disposals and transfers	-	-
Amortisation	(1,587)	(1,144)
Closing carrying amount	1,845	2,593
At cost	6,235	5,646
Accumulated amortisation	(4,390)	(3,053)
Closing carrying amount	1,845	2,593
Corporate relationships		
At cost	6,289	1,089
Accumulated amortisation	(703)	(703)
Opening carrying amount	5,586	386
Additions - business combinations (refer note 18)	221	5,200
Amortisation	(594)	-
Closing carrying amount	5,213	5,586
At cost	6,510	6,289
Accumulated amortisation and impairment provision	(1,297)	(703)
Closing carrying amount	5,213	5,586
Total intangible assets carrying amount	170,982	172,088

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

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

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

	2018 \$'000	2017 \$'000
Goodwill		
Allocated to the insurance CGU/segment	12,777	12,777
Allocated to collection services CGU/segment	23,988	23,973
Allocated to the finance CGU/segment	9,272	9,272
Allocated to the automotive retail CGU/segment -Turners Group (NZ)	10,860	10,860
Allocated to the automotive retail CGU/segment - Buy Right Cars	35,627	35,627
	92,524	92,509



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

Brand

Allocated to the insurance CGU/segment	21,500	21,500
Allocated to the automotive retail CGU/segment -Turners Group (NZ)	45,600	45,600
Allocated to the automotive retail CGU/segment - Buy Right Cars	4,300	4,300
	71,400	71,400

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

Insurance CGU

The year 1 forecast cash flows were extrapolated using the following growth rates; year 2 - 23%; year 3 - 3%; year 4 - -15%; year 5 - 1% and a terminal rate of 2% (2017: year 2 - 10%; year 3 - 7.5%, years 4 to 5 - 5% and 2% terminal rate). A pre-tax discount rate of 12.4% (2017: 11.2%) was applied in determining the recoverable amount. The discount rate was established based on weighted average cost of capital taking into account the specific attributes and size of the CGU (2017: weighted average cost of capital taking into account the specific attributes and size of the CGU).

In assessing the impairment of the goodwill and brand value in the insurance CGU, a sensitivity analysis for reasonably possible changes in key assumptions was performed. This included increasing and reducing the terminal growth rate by 1% (2017: reducing the year 3 - 5 growth rates by 1.5%, increasing and reducing the terminal growth rate by 1%) and increasing and decreasing the discount rate by 1% (2017: 1%). These reasonably possible changes in rates did not cause any impairment.

Collection services CGU

The year 1 forecast cash flows were extrapolated using the following growth rates; year 2 - 11%; year 3 - 6%, year 4 - 4% and year 5 - 5% and a terminal rate of 2.0% (2017: year 2 - 11%; year 3 - 6%, year 4 to 5 - 5.0% and a terminal rate of 2.0%). A pre-tax discount rate of 14.0% (2017: 14.8%) was applied in determining the recoverable amount. The discount rate was established based on weighted average cost of capital taking into account the specific attributes and size of the CGU (2017: weighted average cost of capital taking into account the specific attributes and size of the CGU).

In assessing the impairment of the goodwill in the collection services CGU, a sensitivity analysis for reasonably possible changes in key assumptions was performed. This included increasing and reducing the terminal growth rate by 1% (2017: reducing the year 2 - 5 growth rates by 2.0%, increasing and reducing the terminal growth rate by 1%) and increasing and decreasing the discount rate by 1% (2017: 1%). These reasonably possible changes in rates did not cause any impairment.

Finance CGU

For the period ended as at 31 March 2017, the goodwill allocated to the 'finance CGU/segment' was allocated to the Oxford Finance (OFL) and Southern Finance (SFL) CGUs. Goodwill on the two CGUs was monitored separately. During the year ended 31 March 2018, the OFL and SFL CGUs, together with the group's Dorchester Finance (DFL) CGU, were combined into one CGU under the OFL brand. The finance CGU/segment for the entire Group going forward will be managed as a single business. As a result, the internal reporting for the CGUs OFL, SFL and DFL has been replaced with one report covering the combined businesses. Accordingly, the Group has reallocated the goodwill previously allocated to OFL and SFL to the combined CGU, for the purposes of impairment testing. The Group performed an impairment review as at 31 March 2017, prior to any restructuring, which did not identify any pre-existing impairment.

In the 31 March 2018 assessment, the year 1 forecast cash flows were extrapolated using the following growth rates; year 2 - 290%; year 3 - 19%, year 4 to 5 - 5.0% and a terminal rate of 2.0%. A pre-tax discount rate of 19.0% was applied in determining the recoverable amount. The discount rate was established based on the cost of equity of the finance businesses taking into account the specific attributes and size.

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

Oxford Finance (OFL) as at 31 March 2017

For the 31 March 2017 impairment testing, the year 1 forecast cash flows were extrapolated using the following growth rates; year 2 - 10%; year 3 - 7.5%, years 4 to 5 - 5.0% and a terminal rate of 2.0%. A pre-tax discount rate of 19% was applied in determining the recoverable amount. The discount rate was established based on the cost of equity of OFL taking into account the specific attributes and size of OFL .

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

In assessing the impairment of the goodwill in OFL, a sensitivity analysis for reasonably possible changes in key assumptions was performed. This included reducing the year 2 - 5 growth rates by 2.0%, increasing and reducing the terminal growth rate by 1% and increasing and decreasing the discount rate by 1%. These reasonably possible changes in rates did not cause any impairment.

Southern Finance (SFL) as at 31 March 2017

For the 31 March 2017 impairment testing, the year 1 forecast cash flows were extrapolated using the following growth rates; year 2 to 5 - 5.0% and a terminal rate of 2.0%. A pre-tax discount rate of 24.5% was applied in determining the recoverable amount. The discount rate was established based on the cost of equity of SFL taking into account the specific attributes and size of SFL.

In assessing the impairment of the goodwill in SFL, a sensitivity analysis for reasonably possible changes in key assumptions was performed. This included reducing the year 3 - 5 growth rates by 2.0%, increasing and reducing the terminal growth rate by 1% and increasing and decreasing the discount rate by 1% These reasonably possible changes in rates did not cause any impairment.

Automotive retail CGU

Turners Group (NZ) (TGNZ)

The year 1 forecast cash flows were extrapolated using the following growth rates; year 2 - 5%; year 3 - 7%, years 4 to 5 - 5% and a terminal rate of 2.0% (2017: year 2 - 10%; year 3 - 7.5%, years 4 to 5 - 5% and a terminal rate of 2.0%). A pre-tax discount rate of 18.1% (2017: 17.4%) was applied in determining the recoverable amount. The discount rate was established based on the cost of equity of TGNZ taking into account the specific attributes and size of TGNZ (2017: cost of equity of TGNZ taking into account the specific attributes and size of TGNZ).

In assessing the impairment of the goodwill and brand value in TGNZ, a sensitivity analysis for reasonably possible changes in key assumptions was performed. This included increasing and reducing the terminal growth rate by 1% (2017: reducing the year 2 - 5 growth rates by 2.0%, increasing and reducing the terminal growth rate by 1%) and increasing and decreasing the discount rate by 1% (2017: 1%). These reasonably possible changes in rates did not cause any impairment.

Buy Right Cars (BRC)

The year 1 forecast cash flows were extrapolated using the following growth rates; year 2 - -60%; year 3 - 8%, years 4 to 5 - 5.0% and a terminal rate of 2.0% (2017: year 2 - 10%; year 3 - 7.5%, years 4 to 5 - 5.0% and a terminal rate of 2.0%) . A pre-tax discount rate of 12.9% (2017: 13.5%) was applied in determining the recoverable amount. The discount rate was established based on weighted average cost of capital taking into account the specific attributes and size of BRC (2017: weighted average cost of capital taking into account the specific attributes and size of BRC).

In assessing the impairment of the goodwill and brand value in BRC, a sensitivity analysis for reasonably possible changes in key assumptions was performed. This included increasing and reducing the terminal growth rate by 1% (2017: reducing the year 2 - 5 growth rates by 2.0%, increasing and reducing the terminal growth rate by 1%) and increasing and decreasing the discount rate by 1% (2017: increasing and decreasing the discount rate by 1%). These reasonably possible changes in rates did not cause any impairment.

21. OTHER PAYABLES

	2018	2017
	\$'000	\$'000
Accounts payable	16,168	14,147
Employee entitlements (short term)	4,169	4,080
Employee entitlements (long term)	221	475
Other payables and accruals	14,317	9,389
	34,875	28,091

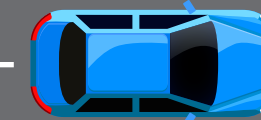
Carrying value of financial liabilities in other payables	24,043	19,485
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The carrying amounts of the Group's financial liabilities in other payables are denominated in the following currencies:

Japanese Yen	865	3,249
Australian dollars	614	899
New Zealand dollars	22,564	15,337
	24,043	19,485

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.



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

Fair value

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

22. FINANCIAL LIABILITY AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018	2017
	\$'000	\$'000
Contingent consideration	226	7,611

Interest rate and foreign exchange risk

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

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

23. DEFERRED REVENUE

	2018	2017
	\$'000	\$'000
Unredeemed vouchers	1,793	2,226
Prepaid income	3,713	3,398
	5,506	5,624

24. DEFERRED TAXATION

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

	2018	2017
	\$'000	\$'000
Opening balance	20,173	8,744
Deferred tax acquired	-	-
Tax losses utilised	-	26
Deferred tax on brands	-	9,996
Prepaid tax refunded	-	-
Charge to hedging reserve	-	16
Charge to profit or loss	(1,387)	1,391
Closing balance	18,786	20,173

The charge to profit or loss is attributable to the following items:

Tax losses	-	994
Corporate relationships	(146)	-
Policy in force asset	(438)	-
Loan impairment provision	(1,474)	188
Insurance deductible reserves	223	55
Property, plant and equipment	164	11
Provisions and accruals	284	143
	(1,387)	1,391

Deferred tax (assets)/liabilities to be recovered after more than 12 months	16,138	(2,591)
Deferred tax (assets)/liabilities to be recovered within 12 months	2,648	22,764
Closing balance	18,786	20,173

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:

Deferred tax assets:

Loan impairment provision	3,676	1,729
Provisions and accruals	183	1,417
Total deferred tax asset	3,859	3,146

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

Deferred tax liabilities:

Brand	19,992	19,992
Customer relationships	1,344	1,456
Insurance reserves - policies in force	877	1,316
Deferred expenses and accruals	432	555
	22,645	23,319

Net deferred tax liabilities	18,786	20,173
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Imputation credit memorandum account

Opening balance	5,707	3,111
Income tax payments/(refunds received)	5,743	4,212
Imputation credits utilised	(4,440)	(1,616)
Closing balance	7,010	5,707

Policy holder tax losses

The policy holder tax losses carried forward at 31 March 2018 are \$4,753,000 (2017: \$4,424,000).

The policy holder taxation losses are only available to be offset against future policy holder income.

25. BORROWINGS

	2018	2017
	\$'000	\$'000
Secured bank borrowings	230,712	191,708
Deferred borrowing costs	(253)	(143)
	230,459	191,565

Non-bank borrowings		
Motor Trade Finance	58,603	49,021
Vendor property funding	2,837	-

Bonds	25,561	25,561
Deferred issue costs	(87)	(258)
	25,474	25,303

Total borrowings	317,373	265,889
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Current	111,399	51,861
Non-current	205,974	214,028
	317,373	265,889

Secured bank borrowings

The bank borrowings, together with trade and lease premise guarantees of \$4.1 million (2017: \$4.1 million), are secured by a first-ranking general security agreement over the assets of the Company and its subsidiaries, excluding DPL Insurance Limited and Turners Finance Limited. The Group has entered into the a securitisation financing arrangement with the Bank of New Zealand as described in note 14. Current interest rates are variable and average 3.65% (2017: 3.91%).

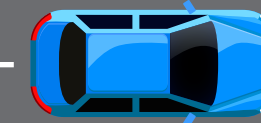
In the 3 May 2018 the Group entered into a syndicated funding facility with the Bank of New Zealand and ASB Bank. The facility replaced the Group's bank borrowing excluding securitisation which remained with the Bank of New Zealand. The syndicated facility is secured by a first-ranking general security agreement over the assets of the Company and its subsidiaries, excluding DPL Insurance Limited, Turners Finance Limited and EC Credit (Aust.) Limited.

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. The carrying value of the investment is \$3,620,000 and is included in Financial asset at fair value through profit or loss (2017: \$3,008,000).

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.



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

Vendor property funding

The vendor property funding is secured over the purchased property, bears interest at 3% and is repayable of 9 November 2018.

Bonds

On 30 September 2016 Turners Automotive Group Limited issued bonds with a fixed maturity on 30 September 2018 and a fixed return with the option to convert to shares in Turners Limited or repayment in cash. The interest on the bonds is fixed at 6.5%. The bonds are secured by a general security agreement over the assets of certain subsidiaries of Turners Automotive Group Limited and rank behind secured bank borrowings. The Guarantors are Dorchester Turners Limited, Dorchester Finance Limited, Buy Right Cars (2016) Limited (formerly Dorchester Life Management Limited), Dorchester Life Trustees Limited, EC Credit Control (NZ) Limited, Estate Management Services Limited, Payment Management Services Limited, EC Web Services Limited, Oxford Finance Limited, Dorchester Oxford Limited, Dorchester RAMS Limited, Turners Group NZ Limited, Smart Group Services Limited, Turners Fleet Limited, Turners International Holdings Limited, Turners Property Holdings Limited and Turners Smart Autocentre 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.

Fair value	Carrying	Fair	Carrying	Fair
	amount	value	amount	value
	2018	2018	2017	2017
	\$'000	\$'000	\$'000	\$'000
Borrowings	317,373	317,388	265,889	266,416

The fair values are based on cash flows discounted using a weighted average borrowing rate of 4.24% (2017: 4.65%).

	2018	2017
	\$'000	\$'000
Contractual repricing dates		
1 year or less	283,205	212,049
Over 1 to 2 years	19,714	42,526
Over 2 to 5 years	14,794	11,715
	317,713	266,290

Reconciliation of borrowings arising from financing activities

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

	Bank borrowings	Motor Trade Finance	Vendor property funding	Bonds
	\$'000	\$'000	\$'000	\$'000
Balance at 31 March 2017	191,565	49,021	-	25,303
Financing cash flows (i)	39,005	-	2,837	-
Other - netted off finance receivables	-	9,582	-	-
<i>Non-cash changes</i>				
Deferred borrowing costs	(111)	-	-	171
Balance at 31 March 2018	230,459	58,603	2,837	25,474

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

26. SHARE CAPITAL

	2018	2017
Number of ordinary shares		
Opening balance	74,523,527	63,431,637
Shares issued for the purchase of Buy Right Cars	227,729	612,000
Shares issued for the share placement	8,278,146	4,553,477
Shares issued for the share purchase plan	1,656,104	-
Shares issued under the staff share scheme	86,192	-
Shares issued for the dealer share scheme	30,914	-
Shares issued for the conversion of bonds	-	5,926,413
Total issued and authorised capital	84,802,612	74,523,527

	2018	2017
	\$'000	\$'000
Dollar value of ordinary shares		
Opening balance	168,809	136,127
Shares issued for the purchase of Buy Right Cars	683	1,854
Shares issued for the share placement	25,000	13,410
Shares issued for the share purchase plan	5,001	-
Shares issued under the staff share scheme	265	-
Shares issued for the dealer share scheme	92	-
Shares issued for the conversion of bonds	-	17,453
Share issue costs	(702)	(35)
Total issued capital	199,148	168,809

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

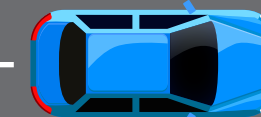
The Group's capital consists of share capital, share option reserve, translation reserve, cash flow reserve and retained earnings. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound 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 33G.

27. SHARE OPTIONS

In July 2017, Senior Executives of the Company were granted 1,700,000 options at an exercise price of \$3.60 under the Group's Share Option Plan. The grant is split into four tranches of 425,000 options with the following vesting dates; 1 August 2017, 1 August 2018, 1 August 2019 and 1 August 2020. Each tranche expires two year after the vesting date.

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



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

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, was \$0.36 per option (2017: \$0.75 per option). The significant inputs in the model were, the share price at grant date of \$3.53 (2017: \$3.79), the exercise price of \$3.60 (2017: \$2.99195), volatility of 21.5% (2017: 30%), an expected option life for tranche 1 of 2.03 years, tranche 2 of 3.03 years, tranche 3 of 4.03 years, tranche 4 of 5.03 years (2017: tranche 1 of 2.5 years, tranche 2 of 3.5 years, tranche 3 of 4.5 years, tranche 4 of 5.5 years) and an annual risk free rate of 2.63% (2017: 2.43%). 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 \$493,000 (2017: \$208,000).

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

	Exercise price 2018 \$	Options 2018 000's	Exercise price 2017 \$	Options 2017 000's
Opening balance	2.99195	1,003	-	-
Granted	3.60000	1,700	2.99195	1,003
Cancelled	3.60000	(500)	-	-
Closing balance	3.32316	2,203	2.99195	1,003

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

Expiry date	Exercise price 2018 \$	Options 2018 000's	Options 2017 000's
31 May 2019	2.99195	251	251
31 July 2019	3.60000	300	-
31 May 2020	2.99195	251	251
31 July 2020	3.60000	300	-
31 May 2021	2.99195	251	251
31 July 2021	3.60000	300	-
31 May 2022	2.99195	250	250
31 July 2022	3.60000	300	-

28. DIVIDENDS

	2018 \$'000	2017 \$'000
Interim dividend for the year ended 31 March 2017 of \$0.04 (31 March 2016: \$nil) per fully paid ordinary share, imputed, payable on 12 April 2017.	2,980	-
Final dividend for the year ended 31 March 2017 of \$0.045 (31 March 2016: \$0.07) per fully paid ordinary share, imputed, paid on 21 July 2016 (un-imputed 28 July 2016).	3,353	4,440
Interim dividend for the year ended 31 March 2018 of \$0.03 (31 March 2017: \$0.03) per fully paid ordinary share, imputed, paid on 3 November 2018 (2017: 30 September 2016).	2,540	1,921
Interim dividend for the year ended 31 March 2018 of \$0.03 (31 March 2017: \$0.03) per fully paid ordinary share, imputed, paid on 22 December 2017 (23 December 2016).	2,544	2,234
	11,417	8,595

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

Dividends not recognised at year end

In addition to the above dividend in 2018, after year end the directors recommended the payment of the following dividend:

Interim dividend of \$0.045 (31 March 2017: \$0.04) per fully paid ordinary share, imputed, payable on 20 April 2018 (2017: 12 April 2017)	3,816	2,980
Final dividend of \$0.05 (31 March 2017: \$0.045) per fully paid ordinary share, imputed, payable on 18 July 2018 (2017: 21 July 2017).	4,240	3,353

29. TRANSACTIONS WITH RELATED PARTIES

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

Shares

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

In the financial year ending 31 March 2017 the following shares were issued to major shareholders and a partner in the Business Bakery LP (major shareholder):

	Number of shares issued
<i>Conversion of 30 September 2016 bonds</i>	
Bartel Holdings Limited	2,322,853
Montezemolo Holdings Limited	655,049
Sinclair Investment Trust	67,911
<i>Share placement</i>	
Harrigens Trustees Limited	169,779

Bonds

In the financial year ending 31 March 2017, Bartel Holdings Limited (major shareholder) subscribed for \$8,000,000 6.5% bonds (note 25) with a maturity date of 30 September 2018. Interest of \$520,000 (2017: \$260,000) was paid to Bartel Holding Limited on the bonds during the year.

In the financial year ending 31 March 2017, the following major shareholder, close members of the family of major shareholders and partners in the Business Bakery LP (major shareholder) earned interest on the 30 September 2016 bonds:

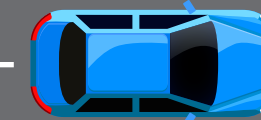
	Action on maturity	Number of bonds	Interest paid on bonds 2017 \$'000
Bartel Holdings Limited	Converted to shares	6,840,804	308
Hugh Green Investments Limited	Repaid in cash	2,400,000	108
Montezemolo Holdings Limited	Converted to shares	1,929,120	87
Sinclair Investment Trust	Converted to shares	200,000	9
		4,529,120	204

Turners Automotive Group Limited Employee Share Scheme

During the financial year, the Company issued 282,040 (2017: nil) shares pursuant to an offer under the Turners Automotive Group Limited Employee Share Scheme ('Scheme'), the shares were issued for \$3.02, the market value of the shares on that date was \$3.02. Participants in the Scheme may not sell their shares for 18 months following issue or until their loans are repaid, whichever comes later. No shares were issued under the scheme in the current financial year. No shares were issued in the prior year.

As at 31 March 2018, 198,918 shares (2017: 139,675) were issued and allocated to employees under the scheme and no shares (2017: 12,000) were held as unallocated shares.

At 31 March 2018 balance on the loans outstanding to the share scheme were \$120,094 (2017: \$120,455). The loans bear interest at 5%, are for a 3 year term with fortnightly repayments and the Group has unlimited recourse against the participants in the Scheme.



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

Key management personnel compensation

The key management personnel are all the Directors of the Company and Group General Managers. Compensation of key management personnel for the years ended 31 March 2018 and 31 March 2017 was as follows:

(\$'000)	Short-term benefits \$'000	Post-employment benefits \$'000	Other long-term benefits \$'000	Share-based payments \$'000	Total \$'000
Year ended 31 March 2018	3,583	-	78	493	4,154
Year ended 31 March 2017	3,352	-	58	208	3,618

A loan of \$125,000 outstanding at 31 March 2017, made to the executive director bearing interest at 7% was repaid on 19 June 2017.

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 84 to 87. Directors fees are detailed in note 7 and in the shareholder and statutory information section. The details of the director share purchases are included in the statutory and shareholder information section.

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

	2018 \$'000	2017 \$'000
Profit for the year	23,360	17,574
Adjustment for non-cash and other items		
Impairment (charge)/ release on finance receivables, reverse annuity mortgages and other receivables	6,390	2,026
Net (profit)/loss on sale fixed assets	(1,000)	(84)
Depreciation and amortisation	5,627	2,863
Capitalised reverse annuity mortgage interest	(869)	(885)
Deferred revenues	917	4,678
Fair value adjustments on assets/liabilities at fair value through profit and loss	(1,139)	(1,012)
Net annuity and premium change to policyholder accounts	45	(137)
Non-cash long term employee benefits	516	179
Non-cash adjustment to finance receivables effective interest rates	109	83
Deferred expenses	(7,135)	(3,901)
Fair value adjustment on investment property	(820)	(500)
Fair value adjustment to contingent consideration	(2,845)	-
Adjustment for movements in working capital		
Net (increase)/decrease in receivables and pre-payments	1,009	(6,518)
Net (increase)/decrease in inventories	5,958	(3,585)
Net (increase)/decrease in current tax receivables	1,881	2,159
Net increase/(decrease) in payables	9,443	2,071
Net increase in finance receivables	(75,248)	(36,403)
Net decrease in reverse annuity mortgages	66	1,246
Net decrease of insurance assets at fair value through profit or loss	(41,937)	9,156
Net (withdrawals)/contributions from life investment contracts	(5,765)	(2,645)
Net increase in deferred tax	(48)	76
Cash flows from operating activities	(81,485)	(13,559)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

31. COMMITMENTS AND CONTINGENT LIABILITIES

	2018 \$'000	2017 \$'000
Operating lease commitments under non-cancellable operating leases:		
Not later than 1 year	9,473	8,976
1-2 years	8,064	7,611
2-5 years	10,262	12,379
5+ years	3,154	4,344
	30,953	33,310

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

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

Capital Expenditure:

At reporting date the Group has no capital commitments (2017: \$3.4m).

Loan Commitments:

The Group has no material undrawn credit commitments at reporting date (2017: nil).

Contingent Liabilities:

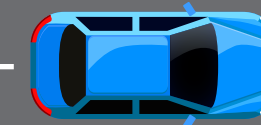
Autosure

DPL Insurance Limited (DPL) and Vero Insurance New Zealand Limited (Vero) have agreed to an expert determination to decide the appropriate level of insurance reserves to be transferred to DPL Insurance for the acquisition of the Autosure business. Both parties are seeking a payment. The directors consider that on balance of probabilities DPL is likely to receive a payment. Pending the outcome of the determination, DPL may be required to make a payment to Vero. At the date of this report the timing and amount of any payment could not be reliably estimated.

The Group has no other material contingent liabilities at reporting date (2017: nil).

32. SUBSEQUENT EVENTS AFTER BALANCE DATE

On the 3 May 2018 the Group entered into a syndicated funding facility with the Bank of New Zealand and ASB Bank, refer note 25.



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

33. 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 2018 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 (2017: 28%). The net discount rates assumed were as follows:

	2018	2017
Whole of Life and Endowment Policies (including Funeral 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 2017:	March 2018:
	3.08% per annum net of tax	2.61% 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 (2017: 2.0%).

c) Mortality Rates

Rates of mortality were assumed as follows:

For underwritten whole of life, endowment and term insurance policies: NZ97 (2017: NZ97).

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

For annuities and Reverse Mortgages the Directors assumed mortality according to 90% of the NZ12-14 population tables (2017: PA(90) table, reduced by four years). For the Cook Islands Annuity Pension Plan the assumed mortality table is the PA(90) table without adjustment (2017: no change).

d) Profit Carriers

The policies were divided into major product groups with profit carriers as follows:

Major Product Groups

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)	Claims & reinsurance
Annuities	Annuity payments
Consumer Credit / Lifestyle	Not Applicable
Motor business	Not Applicable
Accidental death & redundancy – Stop Gap	Not Applicable
Accidental death regular & single premium	Not Applicable

e) Investment and Maintenance Expenses

The maintenance expense and general growth and development expense allowances assumed for the main classes of business were as follows:

Endowments	\$149 per policy per annum (2017: \$118)
Funeral plans	\$37 per policy per annum (2017: \$29)
Term life plans (for loss recognition)	\$74 per policy per annum (2017: \$59)
Consumer credit plans (for loss recognition):	\$37 per policy per annum (2017: \$29)
Annuity plans	\$149 per policy per annum (2017: \$118)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

Investment management expenses were assumed to be 1.0% (2017: 1.0%) of policy liabilities.

f) Inflation and Automatic Indexation of Benefits

Maintenance expenses are assumed to increase 2.0% per annum (2017: 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 (2017: 5.0%), and nil for annuity pension plan business (2017: nil).

For the DPL Funeral plan the rates of discontinuance are based on company experience, beginning at 15% in year 1 and reducing ultimately to 8% per annum (2017: No change).

For the Funeral plan (ex Greenwich) product the rates of discontinuance are based on the pricing assumption for this product, beginning at 10% in year 1, and reducing ultimately to 2% per annum.

For Quick Cover the rates of discontinuance are based on the pricing assumption for this product, beginning at 25% in year 1, and reducing ultimately to 12% per annum.

i) Surrender Values

The Company's current basis of calculating surrender values is assumed to continue in the future.

j) Rates of Future Supportable Participating Benefits

Rates of bonus supported by the participating fund are simple annual bonuses of \$2.00 (2017: \$2.00) per \$1,000 of sum assured on endowment policies.

k) Impact of changes in assumptions

The impact of the change in the discount rate is a reduction in policy liabilities of \$121,000. (2017: \$185,000).

The impact of the revised expense and mortality assumptions is an increase in policy liabilities of \$11,000 (2017: \$32,000).

l) Crediting Policy Adopted for Future Supportable Participating Benefits

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

Non-life insurance liabilities

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

B. Financial strength rating

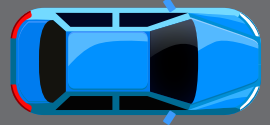
The Insurance (Prudential Supervision) Act 2010 requires all licensed insurers to have a current Financial Strength Rating, given by an approved rating entity. DPL Insurance Limited has been issued a Financial Strength Rating of B+ (Good) and an Issuer Credit Rating of bbb- (Good), with the outlook assigned to both ratings as 'Stable' by A.M. Best. The rating was issued by A.M. Best on 29 June 2017.

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 2018

C. Surplus after taxation from insurance activities arose from:

	2018	2017
	\$'000	\$'000
Insurance Contracts		
Planned margin of revenues over expenses	137	143
Change in valuation assumptions	(11)	(32)
Change in discount rate: 3.08% to 2.61% (2017: 2.61% to 3.08%)	(120)	164
Difference between actual and assumed experience	2,491	(552)
Life investments contracts		
Difference between actual and assumed experience	294	420
Investment returns on assets in excess of insurance contract and investment contract liabilities	823	383
Surplus after taxation attributable to insurance activities	3,614	526

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

	2018	2017
	\$'000	\$'000
Insurance contract premiums	39,719	8,732
Investment revenue	549	552
Less: investment revenue paid to life insurance investment contracts	(439)	(409)
Other Revenues	1,856	1,592
Total insurance and investment contract income	41,685	10,467
Investment Income		
Equity securities	398	470
Fixed interest securities	76	96
Property investments	75	(14)
	549	552

Included within equity securities is dividend income of \$Nil (2017: \$Nil) and included within fixed interest securities is interest income of \$Nil (2017: \$Nil). Included within total Investment Income is net realised and unrealised gains/(losses) on securities at fair value through profit or loss of \$549,000 (2017: \$552,000).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

E. Insurance related expenses

	2018	2017
	\$'000	\$'000
Insurance contract claims	28,882	5,393
Reinsurance expenses	658	531
Insurance contracts		
Policy acquisition expenses - commission costs	2,126	754
Deferred acquisition cost amortisation	(3,387)	150
Total insurance contract related expenses	(1,261)	904
Life investment contracts		
Investment management expenses	39	69
Movement in life insurance liabilities	82	1,056

Net operating profit includes the following specific expenses

	2018	2017
Audit fees for the audit of financial statements	114	75
Rental and lease costs	284	159
Amortisation of policies in force	1,567	-
Amortisation of customer relationships	594	-
Amortisation of other intangible assets	391	48
Depreciation	215	48
Employee benefits	6,914	1,847

F. Taxation

Net operating profit before taxation	4,195	928
Income tax expense at prevailing rates	1,175	260
Tax impact of expenses not deductible for tax purposes	(594)	142
Taxation (expense)/benefit	581	402
Comprising:		
Current	296	(50)
Deferred	285	452
	581	402
Deferred tax		
Opening balance	(9,110)	134
Charge to profit or loss	(285)	(452)
Deferred tax on intangibles	-	(8,792)
Closing balance	(9,395)	(9,110)

The charge to profit or loss is attributable to the following items:

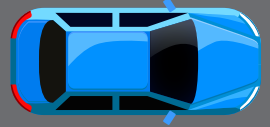
Insurance deductible reserves	(222)	(55)
Provisions and accruals	(63)	(397)
	(285)	(452)

Income tax losses on policyholder base

The policy holder tax losses carried forward at 31 March 2018 are \$4,783,224 (2017: \$4,487,318).

Imputation credit memorandum account

The policyholder imputation credit account has a closing balance at 31 March 2018 of \$Nil (2017: \$Nil).



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

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.

	2018 \$'000	2017 \$'000
Actual solvency capital	26,799	21,827
Calculated minimum solvency capital	17,007	12,313
Coverage ratio on calculated margin (times)	1.58	1.77
Overall minimum capital requirement	17,007	12,313
Solvency margin on overall minimum requirement	9,792	9,514
Coverage ratio on overall minimum requirement (times)	1.58	1.77
<i>Non-life insurance</i>		
Actual solvency capital	17,905	14,960
Calculated minimum solvency capital	11,404	9,315
Solvency margin on calculated minimum requirement	6,501	5,645
<i>Life insurance</i>		
Actual solvency capital	8,894	6,867
Calculated minimum solvency capital	5,603	2,998
Solvency margin on calculated minimum requirement	3,291	3,869

H. Policyholder liabilities

	2018 \$'000	2017 \$'000
Insurance contract liabilities		
Opening insurance contract liabilities	42,874	12,688
Increase in insurance contract liabilities	8,142	3,310
Amortisation Intangible asset - policies in force	(1,567)	-
Increase in deferred acquisition costs	(1,073)	(1,739)
On acquisition insurance liabilities less policies in force (refer note 18)	-	28,615
Closing insurance contract liabilities	48,376	42,874

Policyholder liabilities contain the following components:

Future policy benefits	58,792	17,589
Future expenses	6,578	611
Future profit margins	2,810	1,403
Balance of future premiums	(18,633)	(3,606)
Re-insurance	4,774	1
On acquisition insurance liabilities	-	33,315
Life deferred acquisition costs	(2,812)	(1,739)
Intangible asset - policies in force	(3,133)	(4,700)
	48,376	42,874

Life insurance contracts with a discretionary participation feature - the amount of the liabilities that relates to guarantees	250	398
Other contracts with a fixed or guaranteed termination value - current termination value	6,610	2,241

Life investment contracts at fair value through profit or loss

Opening life investment contracts at fair value through profit or loss	12,847	15,629
Increase / (decrease) in life investment contract liabilities recognised through profit or loss	340	283
Deposit premium	1,754	2,306
Withdrawals	(7,519)	(4,951)
Activity, plan, and establishment fees	(295)	(420)
Closing life investment contract liabilities	7,127	12,847

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

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

	2018 \$'000	2017 \$'000
Annuities	1,403	1,352
Endowment	266	398
Whole of Life	3,772	2,167
Provision for bonuses and future margins	1,336	1,413
Consumer Credit Protection & key person loan protection	4,948	5,789
Accidental death/redundancy	8	9
Term Life	72	72
General	35,605	32,047
General claims provisions	4,305	675
Superlife policies	7,127	7,062
Superannuation funds:		
Super Bond Retirement Plan	-	5,785
Deferred acquisition costs - life	(3,339)	(1,048)
	55,503	55,721
Life investment contract liabilities	7,127	12,847
Insurance contract liabilities	48,376	42,874
	55,503	55,721

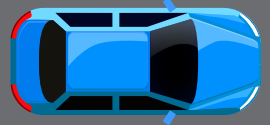
General outstandings claim provision

Gross claims	647	557
Third party recoverables	(57)	(85)
IBNR provision	2,928	84
	3,518	556

Reconciliation of movement in general gross claims liability

Opening Balance	556	693
Movement	26,645	4,415
Payments	(23,683)	(4,552)
Closing Balance	3,518	556

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 2018

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

Statement of financial position as 31 March 2018	Statutory \$'000	Shareholder \$'000	Total \$'000
Assets			
Investments backing insurance policy liabilities	25,787	61,288	87,075
Other assets	-	38,288	38,288
Total assets	25,787	99,576	125,363

Liabilities			
Life investment contract liabilities	7,127	-	7,127
Insurance contract liabilities	9,254	39,122	48,376
Deferred taxation	-	9,395	9,395
Other liabilities	512	4,262	4,774
Total liabilities	16,893	52,779	69,672

Solvency			
Actual Solvency capital	8,894	17,905	26,799
Minimum solvency capital	5,603	11,404	17,007
Solvency Margin	3,291	6,501	9,792

Statement of income for the year ended 31 March 2017	Statutory \$'000	Shareholder \$'000	Total \$'000
Insurance contract premiums	2,418	6,315	8,733
Outward reinsurance premium	(351)	(180)	(531)
Recoveries	353	552	905
Other insurance revenue	690	911	1,601
Insurance revenue	3,110	7,598	10,708
Claims expense	(978)	(4,415)	(5,393)
Movement in life insurance liabilities	(1,056)	-	(1,056)
Commission expense	(687)	(307)	(994)
Other expenses	(907)	(2,437)	(3,344)
Underwriting (loss)/profit	(518)	439	(79)
Investment income	956	51	1,007
Profit before taxation	438	490	928
Taxation	(123)	(279)	(402)
Profit after taxation	315	211	526

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

Statement of financial position as 31 March 2017	Statutory \$'000	Shareholder \$'000	Total \$'000
Assets			
Investments backing insurance policy liabilities	25,049	56,920	81,969
Other assets	175	38,869	39,044
Total assets	25,224	95,789	121,013

Liabilities			
Life investment contract liabilities	12,847	-	12,847
Insurance contract liabilities	5,104	37,770	42,874
Deferred taxation	-	9,110	9,110
Other liabilities	231	3,872	4,103
Total liabilities	18,182	50,752	68,934

Solvency			
Actual Solvency capital	6,867	14,960	21,827
Minimum solvency capital	2,998	9,315	12,313
Solvency Margin	3,869	5,645	9,514

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

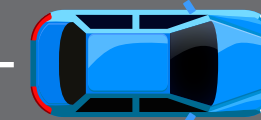
	2018 \$'000	2017 \$'000
Profit before tax	4,195	928
Add: amortisation of customer relationships (included in corporate sector)	520	-
Add: amortisation of insurance reserves - policies in force (included in corporate sector)	1,566	-
Less: revaluation of investment property disclosed as property, plant and equipment in the Group financial statements at cost	(550)	-
Operating profit (note 6)	5,731	928

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



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

	Non – investment		Total \$'000
	Investment linked \$'000	linked \$'000	
2017			
Premium income	-	8,202	8,559
Investment income	552	455	1,007
Claims expense	-	(5,393)	(5,393)
Other operating revenue	-	2,506	2,506
Other operating expenses	(126)	(4,985)	(5,111)
Investment revenues allocated to policyholders	(283)	-	(283)
Net profit before taxation	143	785	928
Net profit after taxation	103	423	526
Policy liabilities	12,847	42,874	55,721
Investment assets	12,766	59,377	72,143
Other assets	-	48,870	48,870
Other liabilities	-	13,213	13,213
Retained earnings	1,010	4,718	5,728

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 2018

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 aims 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.

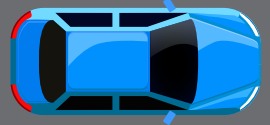
Sensitivity Analysis

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
2018		
Market risks		
Increase in interest rates of 1%	(217)	(50)
Decrease in interest rates of 1%	241	55
Insurance risks		
Increase in expenses of 10%	1	(30)
Decrease in expenses of 10%	(1)	30
Decrease in mortality by 10%	(4)	(253)
Increase in mortality by 10%	5	278
Worsening of discontinuance rate by 10%	-	77
Improvement in discontinuance rate by 10%	-	(87)
2017		
Market risks		
Increase in interest rates of 1%	(211)	(53)
Decrease in interest rates of 1%	234	57
Insurance risks		
Increase in expenses of 10%	1	(33)
Decrease in expenses of 10%	(1)	33
Decrease in mortality by 10%	(4)	(268)
Increase in mortality by 10%	4	294
Worsening of discontinuance rate by 10%	-	80
Improvement in discontinuance rate by 10%	-	(90)



STATUTORY INFORMATION

Directors' remuneration and other benefits

	Directors' fees \$
Grant Baker	110,000
Paul Byrnes	55,000
Matthew Harrison	55,000
Alistair Petrie	55,000
John Roberts	55,000
Antony Vriens	20,000

During the year ended 31 March 2018 and 31 March 2017, Mr Byrnes was an executive for Turners Automotive Group Limited and has been remunerated for his services on an arms length consultancy basis. The total fees paid for the year ended 31 March 2018 were \$396,925 GST exclusive (2017: \$750,039 GST exclusive).

During the year ended 31 March 2018 Mr Harrison received an additional \$7,500 (2017: \$7,500) in fees for services as chairman of the Credit and Lending Committee.

During the year ended 31 March 2018 Mr Roberts received an additional \$7,500 (2017: \$3,750) in fees for his services as chairman of the Audit and Risk Management Committee.

During the year ended 31 March 2018 Mr Vriens received an additional \$60,000 (2017: \$60,000) in fees for his services as chairman of DPL Insurance Limited.

Entries recorded in the interests register

There are no entries in the interests register.

Dealings in Turners Automotive Group Limited shares by Directors

	Date of transaction	Shares acquired/(disposed)	Consideration (received)/paid \$	Nature of relevant interest
Paul Byrnes	11/10/2017	4,966	14,997	Registered holder and beneficial interest
John Roberts	11/10/2017	4,966	14,997	Registered holder and beneficial interest
Alistair Petrie	11/10/2017	1,861	5,620	Beneficial interest

Directors' relevant interest in quoted shares as at 31 March 2018

	Shares
Grant Baker (The Business Bakery)	8,461,723
Grant Baker (own shareholding)	2,985,801
Paul Byrnes	3,314,860
Matthew Harrison	5,040,448
Alistair Petrie	15,011
John Roberts	32,456
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.

STATUTORY INFORMATION

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

Grant Baker

The Business Bakery LP
Baker Consultants Limited
Montezemolo Holdings Limited
GI Cancer Institute (NZ) Limited

Paul Byrnes

Bad Dog Restaurants Limited

Matthew Harrison

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

Alistair Petrie

RH Investment Trust
Dossor Trust
Bartel Holdings Ltd
Henergy Cage Free Ltd
Jellicoe St Enterprises Ltd
Avocado Export Council Inc
Avocado Industry Council Limited

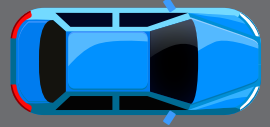
John Roberts

Apollo Foods Limited
Centrix Group Limited

Employee remuneration

During the year ended 31 March 2018, 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	
	2018	2017
100,000 - 109,999	13	13
110,000 - 119,999	11	9
120,000 - 129,999	10	9
130,000 - 139,999	8	5
140,000 - 149,999	9	4
150,000 - 159,999	7	7
160,000 - 169,999	4	2
170,000 - 179,999	-	2
180,000 - 189,999	2	-
190,000 - 199,999	3	-
200,000 - 209,999	2	-
210,000 - 219,999	2	-
220,000 - 229,999	2	-
230,000 - 239,999	2	1
240,000 - 249,999	2	2
250,000 - 259,999	1	1
260,000 - 269,999	2	-
270,000 - 279,999	3	-
320,000 - 329,999	-	1
340,000 - 349,999	1	1
390,000 - 399,999	-	1
420,000 - 429,000	-	1
430,000 - 439,999	1	-
590,000 - 599,999	-	1
630,000 - 639,000	1	1



STATUTORY INFORMATION

NZX LISTING

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

PRINCIPAL ORDINARY SHAREHOLDERS AS AT 15 JUNE 2018

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

Rank	Name	Shares	% of Issued Capital
1	National Nominees New Zealand Limited - NZCSD <NNLZ90>	10,146,942	11.97
2	Bartel Holdings Limited	6,745,624	7.95
3	Harrigens Trustees Limited	5,179,294	6.11
4	HSBC Nominees (New Zealand) Limited - NZCSD <HKBN90>	5,115,486	6.03
5	FNZ Custodians Limited	4,805,371	5.67
6	BNP Paribas Nominees (NZ) Limited -NZCSD <BPSS40>	3,282,082	3.87
7	Montezemolo Holdings Limited	2,985,801	3.52
8	BNO Paribas Nominees (NZ) Limited -NZCSD <BPSS40>	2,664,860	3.14
9	Paul Anthony Byrnes	2,473,973	2.92
10	Grant Baker + Donna Baker + Lewis Grant <Baker Investment No 2 A/C>	2,464,124	2.91
11	Geoff Ross + Justine Ross + Chris Hocquard <Ross Venture A/C>	2,464,124	2.91
12	Stephen John Sinclair + Jacquilin Margaret Sinclair + Roger Frederick Wallis <The Sinclair Investment A/C>	2,170,854	2.56
13	John Jeffers Harrison	1,588,782	1.87
14	Paul Bernard Mora	1,586,339	1.87
15	HSBC Nominees a/c NZ Superannuation Fund Nominees Limited - NZCSD <SUPR40>	1,065,576	1.26
16	Custodial Services Limited <A/C 3>	884,831	1.04
17	Custodial Services Limited <A/C 4>	856,972	1.01
18	Glenn Arthur Duncraft	750,000	0.88
19	HSBC Nominees (New Zealand) Limited A/C State Street -NZCSD <HKBN45>	619,729	0.73
20	MINT Nominees Limited - NZCSD <NZP440>	593,983	0.70

SPREAD OF ORDINARY SHAREHOLDERS AS AT 15 JUNE 2018

Range	Total Holders	Shares	% of Issued Capital
1 – 999	1,909	863,412	1.02
1,000 - 1,999	855	1,180,924	1.39
2,000 - 4,999	741	2,295,343	2.71
5,000 - 9,999	369	2,434,745	2.87
10,000 - 49,999	382	7,556,832	8.91
50,000 - 99,999	37	2,427,948	2.86
100,000 - 499,999	43	8,536,066	10.07
500,000 - 999,000	7	4,768,110	5.62
1,000,000 plus	15	54,739,232	64.55
Total	4,358	84,802,612	100.00

Domicile of Ordinary Shareholders	Shareholders		Shares	
	Number	%	Number	%
New Zealand	4,210	96.60	73,862,488	87.10
Australia	58	1.33	239,438	0.28
Other	90	2.07	10,700,686	12.62
Total	4,358	100.00	84,802,612	100.00

STATUTORY INFORMATION

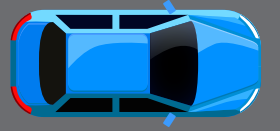
Substantial Product Holders

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

As at 31 March 2018 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	6,745,624	7.95
The Business Bakery LP	8,461,723	9.98
Salt Funds Managers Limited	7,874,254	9.29
Millford Asset Management Limited	6,777,719	7.99
Harrigens Trustees Limited	5,040,448	5.94

The total number of quoted voting products of the company on issue at 31 March 2018 was 84,802,612 paid ordinary shares.



TURNERS LIMITED FY18 GOVERNANCE REPORT

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

The Board considers that this framework and governance practices for the year ended 31 March 2018 are generally in line with the NZX Corporate Governance Code released in 2017 (NZX Code), except as stated within this report. In this regard, there are several items which Turners is progressing to ensure compliance with the NZX Code. The information in this report is current as at 27 June 2018 and has been approved by the Board of Turners.

Additionally, the Board does not have a separate remuneration committee or nomination committee as it believes these matters are the responsibility of 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 Corporate Governance Code and key policies are available on the Turners Automotive Group Limited website: www.turnersautogroup.co.nz

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

PRINCIPLE 1 – CODE OF ETHICAL BEHAVIOUR

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

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

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

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

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

A copy of the Code of Ethics is given to all new employees when they join the Group. Any changes to the Code of Ethics is communicated to staff through regular new letters. The Code of Ethics is also available on the Company's website.

Turners has a Securities Trading Code of Conduct to mitigate the risk of insider trading in Turners securities by employees and Directors. A copy of this is available on Turners' website. This was last reviewed and updated in March 2018. Additional trading restrictions apply to Restricted Persons

TURNERS LIMITED FY18 GOVERNANCE REPORT cont.

including Directors and certain employees. Details of Directors' share dealings are on page 84 of the 2018 Full Year Financial Statements.

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

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

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

Board Composition and Appointment

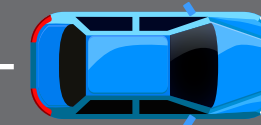
The number of elected Directors and the procedure for their retirement and re-election at Annual Shareholder Meetings is set out in the Constitution of the Company.

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

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

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

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



TURNERS LIMITED FY18 GOVERNANCE REPORT cont.

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

Information on each director is available on the Turners website and on page 16 of the 2018 Annual Report. Director's interests are disclosed on pages 84 to 85 of the 2018 Financial Statements.

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

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

Diversity

Turners Automotive Group Limited 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.

The Turners Board adopted a Diversity and Inclusion Policy in September 2017 (a copy of which is available on the Turners website). The Board is responsible for setting measurable objectives for promoting diversity and inclusion within the Company and will do so from FY19 onwards.

As at 31 March 2018, the gender balance of Turners Automotive Group Limited's directors and senior management was as follows:

	31 March 2018	31 March 2017
Directors		
Females	-	-
Males	6	6
Officers		
Females	1	1
Males	8	7

Officers are defined as being the Chief Executive Officer and specific direct reports of the CEO having key functional responsibility.

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 FY18. In total, there were 12 Board meetings; 2 Audit and Risk Management Committee meetings; and 3 Lending and Credit Committee meetings.

TURNERS LIMITED FY18 GOVERNANCE REPORT cont.

	Board	Audit and Risk Management Committee	Lending and Credit Committee
Total number of meetings held			
Grant Baker	9		
Paul Byrnes	12		
Matthew Harrison	12	1	3
Alistair Petrie	11		3
John Roberts	12	2	3
Antony Vriens	10	1	

PRINCIPLE 3 – COMMITTEES

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

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

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

The committees meet as required and have terms of reference (Charters), which are approved and reviewed by the Board. Copies of committee Charters (Audit and Risk Management Committee's is included as an appendix in the Group's Corporate Governance Code) are on the Turners' website.

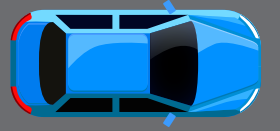
Minutes of each committee meeting are forwarded to all members of the Board, who are all entitled to attend any committee meeting. Each committee is empowered to seek any information it requires from employees in pursuing its duties and to obtain independent legal or other professional advice.

The membership and performance of each Committee is reviewed annually.

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

Audit and Risk Management Committee

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



TURNERS LIMITED FY18 GOVERNANCE REPORT cont.

A written charter outlines the Audit and Risk Management Committee's delegated authority, duties, responsibilities and relationship with the Board. The Charter is included as an appendix in the Group's Corporate Governance Code which is available on the Company's website.

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

Members as at 31 March 2018 were John Roberts (Chair), Antony Vriens and Matthew Harrison. It met twice during the financial year.

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

Lending and Credit Committee

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

The Lending and Credit Committee members as at 31 March 2018 were Matthew Harrison (Chair), Alistair Petrie and John Roberts. It met three times during the financial year.

Takeovers

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

PRINCIPLE 4 – REPORTING AND DISCLOSURE

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

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

The release of material information is guided by the Reporting and Disclosure section on the Group's Corporate Governance Code, and the Company's Continuous Disclosure Policy, which are available to view on the Company's website.

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

TURNERS LIMITED FY18 GOVERNANCE REPORT cont.

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

For the financial year ended 31 March 2018, the directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and the Group and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

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

Turners' full and half year financial statements are available on the Company's website.

Non-financial information

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

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

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

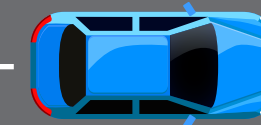
The Company is committed to providing fair and responsible products and services that includes adherence to the Responsible Lending Code, the Responsible Credit-Related Insurance Code, Insurance (Prudential Supervision) Act 2010 and various other Acts. The Board will encourage diversity and will not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

PRINCIPLE 5 – REMUNERATION

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

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

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



TURNERS LIMITED FY18 GOVERNANCE REPORT cont.

Details of directors and executives' remuneration and entitlements for the 2018 financial year are detailed on pages 72 and 84 of the Annual Report. The Remuneration Policy is included in section 10 of Group's 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 \$440,000 and was approved by shareholders at the annual meeting in September 2015.

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

Board Role	Approved Remuneration
Chairman	\$110,000
Non-executive Director*	\$55,000

*Except for Antony Vriens who is paid \$20,000 per annum in addition to fees paid in his capacity as Chairman of DPL Insurance Limited.

Details of individual Directors' remuneration are detailed on page 84 of the 2018 Annual Report.

Executive Remuneration

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

Details of executives' remuneration and entitlements are detailed under Key Management Compensation on page 72 and Remuneration of Employees information on page 85 of the 2018 Financial Statements.

Details of Group's Share Option Plan are detailed on page 69 of the 2018 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, participation in the Group's Share Option Plan.

TURNERS LIMITED FY18 GOVERNANCE REPORT cont.

The CEO's remuneration can be summarised as follows:

	Salary	Benefits	Subtotal	Pay for Performance		Total remuneration
				STI	% STI against maximum	
FY18	505,000	20,683	525,683	161,000	100%	686,683
FY17	480,000	19,933	499,933	161,000	100%	660,933

Short term incentive

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

Long term incentive

In November 2016, the Chief Executive Officer of the Company was granted 1,002,692 options at an exercise price of \$2.99195 under the Group's Share Option Plan. The grant is split into four tranches of 250,673 options with the following vesting dates; 1 June 2017, 1 June 2018, 1 June 2019 and 1 June 2020. Each tranche expires two year after the vesting date. The weighted average fair value of the options granted, using the Binomial Tree option pricing model, was \$0.75 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.

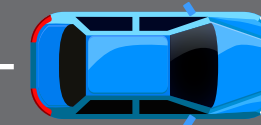
Turners Automotive Group Limited is committed to proactively managing risk. While this is the responsibility of the entire Board, the Audit and Risk Management Committee assists the Board and provides additional oversight in regards to the risk management framework and monitoring compliance with that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

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

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

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

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



TURNERS LIMITED FY18 GOVERNANCE REPORT cont.

Health and Safety

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

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

PRINCIPLE 7 – AUDITORS**The Board should ensure the quality and independence of the external audit process.**

The Board's approach to the appointment and oversight of the external auditor are outlined in Turners' External Audit Policy (recommend separating this out into stand alone policy) (section 9 of the Turners Automotive Group Limited Corporate Governance Code) and ensures that audit independence is maintained, both in fact and appearance, such that Turners Automotive Group Limited's external financial reporting is viewed as being highly reliable and credible.

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

For the financial year ended 31 March 2018, Staples Rodway was the external auditor for Turners Automotive Group Limited. Staples Rodway were first appointed as external auditor in 1999 and were automatically re-appointed under the Companies Act 1993 at the 2017 Turners Automotive Group Limited annual meeting. The last audit partner rotation was in 2016.

All audit work at Turners is fully separated from non-audit services, to ensure that appropriate independence is maintained. The amount of fees paid to Staples Rodway for audit and other services is identified on page 52 of the 2018 Annual Report.

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

Staples Rodway attends the annual meeting, and the lead audit partner is available to answer questions from shareholders at that meeting. Staples Rodway attended the 2017 annual meeting.

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

TURNERS LIMITED FY18 GOVERNANCE REPORT cont.

PRINCIPLE 8 – SHAREHOLDER RIGHTS AND RELATIONS**The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.**

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

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

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

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

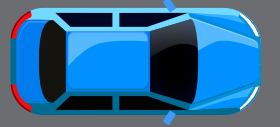
Shareholders are encouraged to attend the annual meeting and may raise matters for discussion at this event. Shareholders have the ultimate control in corporate governance by voting Directors on or off the Board. Voting is by poll, upholding the 'one share, one vote' philosophy.

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

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

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

ENDS



DIRECTORY

DIRECTORS

Grant Baker
Chairman
Appointed 10 September 2009

Paul Byrnes
Deputy chairman
Appointed 2 February 2004

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

SHAREHOLDER INFORMATION

COMPANY PUBLICATIONS

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

Financial calendar

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

ENQUIRIES

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

STOCK EXCHANGE

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

This annual report is dated 28 June 2018 and is signed on behalf of the board by:

G.K. Baker
Chairman

P.A. Byrnes
Deputy chairman

NOTES

REGISTERED OFFICE

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Telephone: +64 9 308 4950
Email enquiries: info@turnersautogroup.co.nz
Web: www.turnersautogroup.co.nz

AUDITOR

Staples Rodway

BANKERS

Bank of New Zealand and ASB Bank

LAWYERS

Chapman Tripp

SHARE REGISTER

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road, Takapuna, Auckland
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Telephone: +64 9 488 8777

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