



# Turners.

LIMITED



**INTERIM REPORT**  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

## TURNERS LIMITED IS AN INTEGRATED FINANCIAL SERVICES GROUP, PRIMARILY OPERATING IN THE AUTOMOTIVE SECTOR.

### Automotive and Retail

A growing group of vehicle retailers including Turners Group, the largest second hand vehicle retailer in New Zealand, and Buy Right Cars. This retail presence allows us direct access to vehicle buyers and sellers and the opportunity to cross sell our finance and insurance offer.

### Finance and Insurance

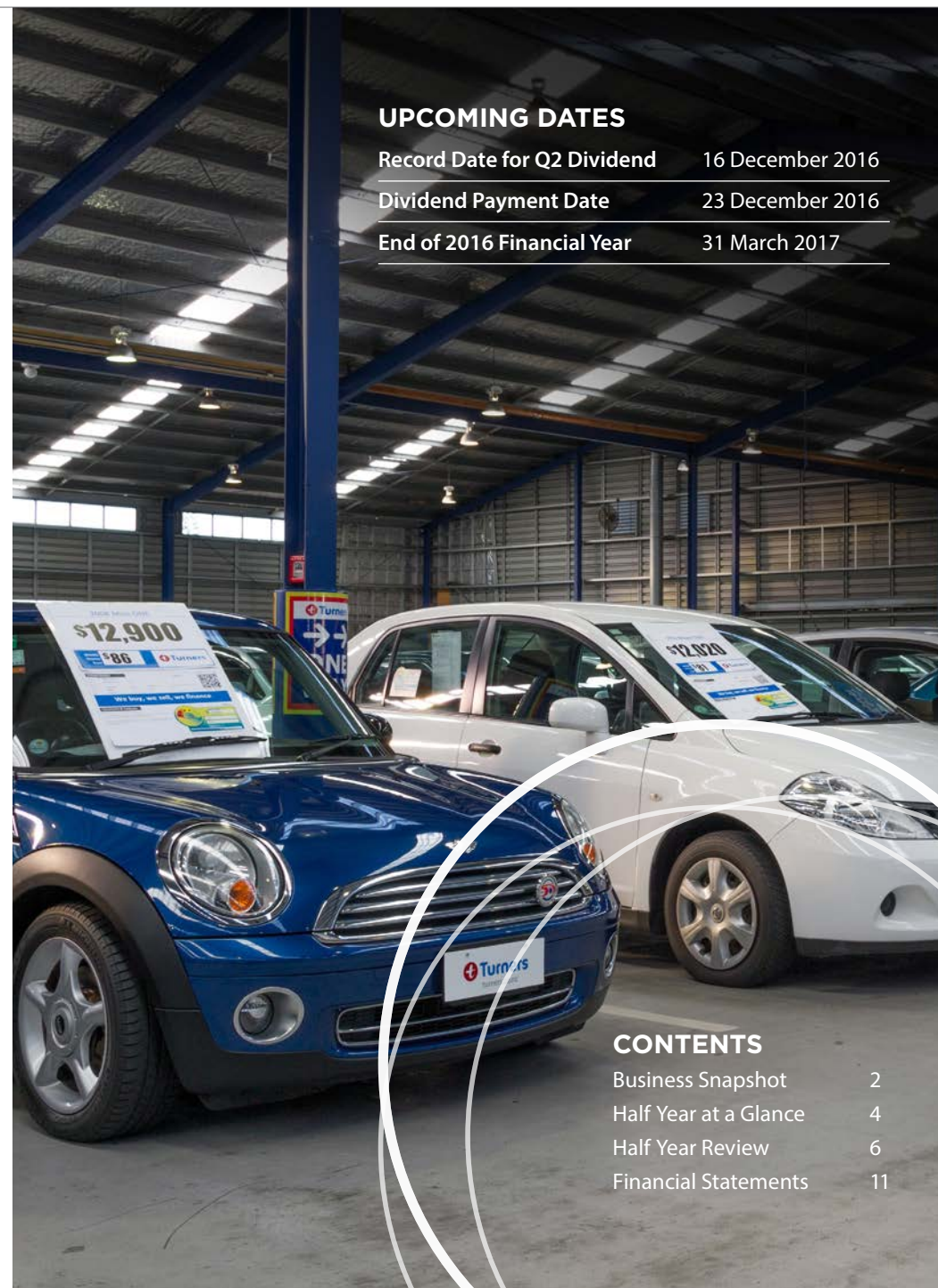
We have a portfolio of reputable businesses offering finance and insurance products to customers across New Zealand, including personal, motor vehicle and commercial loans, and insurance products such as mechanical breakdown, motor vehicle insurance and loan repayment insurance.

### Debt Management

We have a growing presence in the debt management sector in both New Zealand and Australia through our EC Credit business.

### UPCOMING DATES

Record Date for Q2 Dividend	16 December 2016
Dividend Payment Date	23 December 2016
End of 2016 Financial Year	31 March 2017



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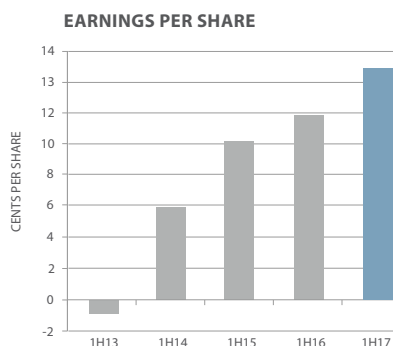
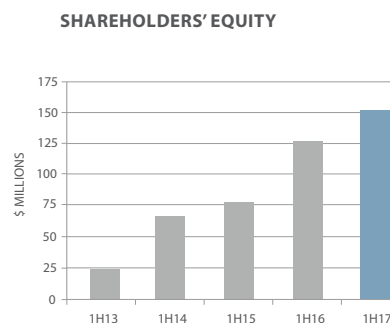
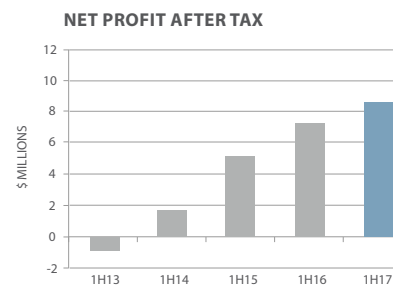
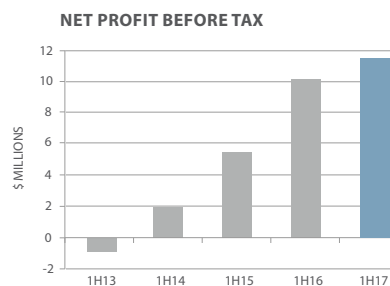
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## FY17 HALF YEAR AT A GLANCE

Six months to 30 September 2016

\$ MILLIONS	HY17	HY16	% CHANGE
Operating revenue	115.08	84.52	36%
Net Profit Before Tax	11.76	10.26	15%
Net Profit After Tax	8.53	7.44	15%
Finance Receivables	176.05	164.44	7%
Shareholder Funds	151.32	125.81	20%
Dividend* (cents per share)	0.06	0.06	

\*Turners Limited introduced quarterly dividend payments from the start of the FY17 financial year. The half year dividend is the total of dividends paid in the half year being 3 cents per share in Q1 and 3 cents per share paid in Q2.



Turners Limited delivered another positive year of results with a 15% improvement in Net Profit After Tax to \$8.53m. Net Profit Before Tax of \$11.76m was above Turners' September 2016 guidance of \$11.60m.

Directors declared a Q2 fully imputed dividend of 3 cents per share, taking total dividends for the FY17 half year to 6 cents per share, significantly ahead of the previous year.

## HALF YEAR KEY EVENTS

- April 2016** Acquisition of Pacific Life Limited
- July 2016** Acquisition of Buy Right Cars
- August 2016** Acquisition of South Auckland property and Wellington property for further expansion
- September 2016**
  - Completion of successful, fully subscribed \$25.56m Convertible Bond Issue
  - Conversion of \$17.5m of 2014 Convertible Notes into equity
  - Launch of Turners' Cartopia online-only car retail website
  - Three year renewal of agreement with Custom Fleet NZ to manage the sale of Custom Fleet's ex-lease vehicles
- POST PERIOD END**
- October 2016** Completion of \$13.5m share placement
- November 2016**
  - Acquisition of Autosure Insurance business
  - Exclusive partnership with MTF to provide a non-recourse lending product to MTF's network of franchisees and dealers



**TURNERS HAS  
ONCE AGAIN  
DELIVERED AN  
IMPROVED HALF  
YEAR RESULT  
AND UPLIFT IN  
ACTIVITY.**

## HALF YEAR REVIEW

**Turners has once again delivered an improved half year result and uplift in activity, with all our operating divisions delivering improved revenue results. The value of our M&A strategy is now becoming obvious, with additional earnings and new organic growth opportunities being generated from acquisitions and investments.**

### Financial Performance

Revenues and profit were both a pleasing improvement on the previous half year period and ahead of earlier guidance. Net Profit After Tax increased 15% to \$8.53m, while Net Profit Before Tax of \$11.76m was above Turners' September 2016 guidance of \$11.60m.

The result included two months of trading from Buy Right Cars, which was acquired in July 2016, and excluded any contribution from Autosure Insurance which settled on 1 December 2016. The benefits of the investment into an increased 8% shareholding in MTF Vehicle Finance (MTF) will start to flow through in Q4 FY17, with the full benefits realised in FY18.

Shareholder funds at 30 September 2016 were \$151.32m, up 20% on the prior first half period due primarily to the successful 75% conversion to equity from the 2014 Bond Program.

### Dividend

The Turners Board declared a Q2 fully imputed dividend of 3 cents per share, with payment in December 2016. Turners moved to quarterly dividend payments from the start of the FY17 financial year, with the Q2 dividend taking total dividends for the FY17 half year to 6 cents per share.

## SECTOR REVIEW

### Automotive and Retail

The Automotive and Retail sector delivered a 31% increase in operating profit to \$6.91m, including a two-month contribution from Buy Right Cars.

More than 60% of vehicle customers purchase finance and insurance at the point of purchase. The ownership of automotive retail businesses provides an opportunity for us to cross-sell our finance and insurance products, as well as earn a transactional margin.

Turners Group is New Zealand's largest retailer of used cars, trucks and machinery in New Zealand. During the half year period, we also acquired Buy Right Cars, a leading Auckland-based used motor vehicle importer and dealership network, which has eight sites in the large Auckland market. Buy Right Cars is expected to contribute EBIT in

excess of \$4 million in the first year under Turners' ownership, with profit increases expected thereafter. Additional synergies are also available for our existing finance and insurance businesses, with a high percentage of Buy Right Cars sales being financed at point of sale.

The acquisition significantly increases our footprint and presence in the key Auckland market where we are currently under weighted compared to our higher market share in other regions. It also achieves a number of our other strategic objectives for the group, including stepping up our imports of used vehicles and achieving better control over the motor vehicle compliance process.

Finance revenues for Turners Group and Buy Right Cars are growing strongly and delivering excellent profits for the company.

Cartopia, the online-only car purchasing website, has launched and momentum is building in this new channel. This is a new way of buying cars in New Zealand and customer feedback on the hassle-free, haggle-free buying experience and the 7 day right of return, has been very positive.

The opportunity in the second hand Trucks & Machinery market is proving attractive and we are continuing to expand our footprint in this market. We acquired a further two properties in the first half year and now have three stand alone yards for Trucks & Machinery, one in Auckland, one in Tauranga and one in Christchurch.

### **Finance and Insurance**

Turners has a portfolio of finance and insurance businesses and brands, providing thousands of New Zealanders with trusted finance and insurance solutions every year. The majority of these are on automotive related transactions and we are continuing to shift our focus towards even more consumer automotive related lending with less commercial lending.

#### **Finance**

For the half year, the Finance segment operating profit grew 7% over the same period last year. Oxford Finance continues to perform well, with operating profit 24% ahead of the previous year, partially offsetting a small decrease from Dorchester Finance as it transitions to higher quality, lower risk consumer lending.

Benefits are now being realised from Turners' 8% shareholding in MTF, with the launch of a new non-recourse lending product as part of an exclusive partnership between Turners and MTF.

The securitisation funding model remains on track to be implemented in FY17, and this will reduce our cost of funds, create further lending growth headroom and strengthen our funding base for our finance business.

#### **Insurance**

Whilst the insurance business had strong policy sales growth (60% increase) and revenue growth (21% increase) in the first half, this was overshadowed by the impact of increases in insurance reserves, resulting in an 81% decrease in operating profit for the insurance division for the first half compared to prior year. Whilst the increases in reserves have no impact on cash flow, they do highlight the sub-scale nature of Turners' insurance business, and illustrate the benefits of purchasing the Autosure Insurance business (which settled on 1 December 2016) and establishing the distribution/underwriting partnership with Vero for motor vehicle insurance.

The low and further reducing interest rate environment also caused a significant negative impact on life insurance reserves, which will unwind as interest rates increase. We also saw an increase in claims costs in the general insurance products.

The \$34 million Autosure acquisition, which occurred post-period end, gives Turners the scale needed and simplifies the insurance business from an underwriting perspective. Autosure has been a market leader in all areas of motor insurance under Suncorp New Zealand's ownership over the last 12 years, and distributes through approximately 750 dealer agencies throughout New Zealand. The acquisition includes the Autosure brand, mechanical breakdown and payment protection insurance portfolios.

We expect Autosure to contribute EBITDA of around \$5.5 million in the first full year following transfer of the in-force portfolios. Additional synergies are also expected to arise from utilisation of Autosure's repairer network by our existing insurance business and from cross selling of insurance and finance to an extended dealer network and customer base.

#### **Debt Management**

EC Credit remains a highly cash generative business in our portfolio. It delivered a 51% increase in operating profit to \$3.40m (including a release of \$597k from unredeemed debt vouchers) for the half year period. Corporate debt collection efficiency has improved and the business is continuing to focus on both the SME market, as well as the large opportunity in the banking sector in Australia.

### **FUNDING FOR GROWTH**

Turners is focused on growth and we further strengthened our funding base in the six month period, through a successful, fully subscribed \$25.56m Convertible Bond Issue in September 2016. As a result of additional demand for shares, Turners subsequently undertook a \$13.5m share placement capital raise. The funds raised, together with

the \$17.5 million of 2014 bonds which converted into fully paid shares, will maintain acquisition headroom for the company as we continue our growth strategy.

## OUTLOOK

Turners continues to deliver improving financial performance and growing shareholder value. We are well funded to continue our growth strategy and build on our leadership position in the markets in which we operate.

We remain focused on growth, both through M&A and by leveraging opportunities within each business.

The Buy Right Cars acquisition is settling in well and we will continue to look at acquisitions in the very large automotive retail sector. This sector not only delivers a transactional margin on each sale, it also provides opportunities to cross sell our automotive finance and insurance products to these customers.

We are also focused on integrating the Autosure business into the Turners family, following settlement on 1 December 2016.

Turners is well funded for continuing M&A activity, and we have a number of opportunities which we are actively pursuing.

All sectors are expected to deliver a year on year improvement in operating profit for the full year, with 10% year on year organic growth expected from existing businesses. Along with sustainable earnings expected from both Autosure and the recently acquired Buy Right Cars, we anticipate group earnings will lift significantly for the financial year to 31 March 2018.

The second half of the year looks to be another positive and exciting six month period for Turners as we continue to build scale and expand our presence.



Todd Hunter  
CEO



Grant Baker  
Chairman



## INTERIM FINANCIAL REPORTS

FOR THE SIX MONTHS ENDED  
30 SEPTEMBER 2016

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2016

		Six months ended 30/09/2016 Unaudited \$'000	Six months ended 30/09/2015 Unaudited \$'000	Year ended 31/03/2016 Audited \$'000
	<b>Note</b>			
Revenue from continuing operations	3	114,431	84,469	171,195
Other income		657	52	522
Cost of goods sold		(50,553)	(29,704)	(58,964)
Interest expense		(6,476)	(5,772)	(11,436)
Movement in impairment provisions		(739)	46	(1,041)
Subcontracted services expense		(4,110)	(3,584)	(6,960)
Employee benefits (short term)		(19,220)	(16,915)	(33,424)
Commission		(4,174)	(2,975)	(7,889)
Advertising expense		(1,476)	(982)	(2,118)
Depreciation and amortisation expense		(1,247)	(1,064)	(2,144)
Property and related expenses		(4,392)	(3,877)	(8,877)
Systems maintenance		(709)	(642)	(1,152)
Claims		(2,795)	(1,640)	(3,228)
Life fund movement		(833)	(569)	(953)
Credit legal fee service expense		(374)	(382)	(806)
Other expenses		(6,228)	(6,201)	(11,174)
<b>Profit before taxation</b>		<b>11,762</b>	<b>10,260</b>	<b>21,551</b>
Taxation expense		(3,235)	(2,820)	(5,949)
<b>Profit from continuing operations</b>		<b>8,527</b>	<b>7,440</b>	<b>15,602</b>
<b>Other comprehensive income for the year (which may subsequently be reclassified to profit/loss), net of tax</b>				
Cash flow hedges		35	-	(35)
Foreign currency translation differences		(1)	(8)	6
<b>Total comprehensive income for the year</b>		<b>8,561</b>	<b>7,432</b>	<b>15,573</b>
<b>Earnings per share (cents per share)</b>				
Basic earnings per share		13.40	11.77	24.70
Diluted earnings per share		12.95	11.55	24.13

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

	Share Capital \$'000	Translation Reserve \$'000	Cash flow reserve \$'000	Retained Earnings \$'000	Total \$'000
<b>Balance at 1 April 2015 (audited)</b>	135,294	(23)	-	(14,269)	121,002
<i>Transactions with shareholders in their capacity as owners</i>					
Capital contributions	1,161	-	-	-	
Dividend paid	-	-	-	(3,785)	(3,785)
	1,161	-	-	(3,785)	(3,785)
<i>Comprehensive income</i>					
Profit	-	-	-	7,440	7,440
Foreign currency translation differences	-	(8)	-	-	(8)
<b>Total comprehensive income for the period, net of tax</b>	<b>-</b>	<b>(8)</b>	<b>-</b>	<b>7,440</b>	<b>7,432</b>
<b>Balance at 30 September 2015</b>	<b>136,455</b>	<b>(31)</b>	<b>-</b>	<b>(10,614)</b>	<b>125,810</b>
<i>Transactions with shareholders in their capacity as owners</i>					
Share buy-back	(328)	-	-	-	(328)
Dividend paid	-	-	-	(3,811)	(3,811)
	(328)	-	-	(3,811)	(4,139)
<i>Comprehensive income</i>					
Profit	-	-	-	8,162	8,162
Foreign currency translation differences	-	14	-	-	14
Cash flow hedge	-	-	(35)	-	(35)
<b>Total comprehensive income for the period, net of tax</b>	<b>-</b>	<b>14</b>	<b>(35)</b>	<b>8,162</b>	<b>8,141</b>
<b>Balance at 31 March 2016 (audited)</b>	<b>136,127</b>	<b>(17)</b>	<b>(35)</b>	<b>(6,263)</b>	<b>129,812</b>
<i>Transactions with shareholders in their capacity as owners</i>					
Capital contributions	19,309	-	-	-	19,309
Dividend paid	-	-	-	(6,361)	(6,361)
	19,309	-	-	(6,361)	12,948
<i>Comprehensive income</i>					
Profit	-	-	-	8,527	8,527
Cash flow hedge	-	(1)	-	-	(1)
Foreign currency translation differences	-	-	35	-	35
<b>Total comprehensive income for the period, net of tax</b>	<b>-</b>	<b>(1)</b>	<b>35</b>	<b>8,527</b>	<b>8,561</b>
<b>Balance at 30 September 2016 (unaudited)</b>	<b>155,436</b>	<b>(18)</b>	<b>-</b>	<b>(4,097)</b>	<b>151,321</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the six months ended 30 September 2016

Note	30/09/2016 Unaudited \$'000	30/09/2015 Unaudited \$'000	31/03/2016 Audited \$'000
<b>Assets</b>			
Cash and cash equivalents	14,903	13,019	13,810
Financial assets at fair value through profit or loss			
- Insurance	16,058	15,545	15,813
- Other	3,206	365	2,642
Trade receivables	10,114	13,163	9,575
Inventory	44,028	7,820	14,156
Finance receivables	4	176,052	164,436
Other receivables and deferred expenses	12,028	4,553	8,505
Reverse annuity mortgages	4	9,769	11,872
Property, plant and equipment	13,856	8,663	11,108
Investment property	3,500	-	-
Tax receivables	-	18	-
Deferred tax asset	3,274	5,310	4,024
Intangible assets	119,297	105,145	105,338
<b>Total assets</b>	<b>426,085</b>	<b>349,909</b>	<b>362,303</b>
<b>Liabilities</b>			
Other payables	38,779	21,136	22,270
Deferred revenue	5,738	7,597	6,049
Tax payable	276	403	990
Derivative financial instrument	-	-	49
Borrowings	198,849	168,948	174,816
Life investment contract liabilities	15,862	15,498	15,629
Life insurance contract liabilities	15,260	10,517	12,688
<b>Total liabilities</b>	<b>274,764</b>	<b>224,099</b>	<b>232,491</b>
<b>Shareholders' equity</b>			
Share capital	155,436	136,455	136,127
Translation reserve	(18)	(31)	(52)
Retained earnings	(4,097)	(10,614)	(6,263)
<b>Total shareholders' equity</b>	<b>151,321</b>	<b>125,810</b>	<b>129,812</b>
<b>Total shareholders' equity and liabilities</b>	<b>426,085</b>	<b>349,909</b>	<b>362,303</b>

G.K. Baker  
Chairman

P.A. Byrnes  
Executive Director

Authorised for issue on 25 November 2016

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2016

	Six months ended 30/09/2016 Unaudited \$'000	Six months ended 30/09/2015 Unaudited \$'000	Year ended 31/03/2016 Audited \$'000
<b>Cash flows from operating activities</b>			
Interest received	16,096	13,083	25,303
Receipts from customers	96,386	68,485	138,586
Interest paid	(6,452)	(4,814)	(7,712)
Payment to suppliers and employees	(92,752)	(63,600)	(136,694)
Income tax paid	(3,268)	841	(659)
<b>Net cash inflow/(outflow) from operating activities before changes in operating assets and liabilities</b>	<b>10,010</b>	<b>13,995</b>	<b>18,824</b>
Net increase in finance receivables	(9,569)	(8,785)	(11,638)
Net decrease in reverse annuity mortgages	413	1,439	4,623
Sale of insurance assets at fair value through profit and loss	386	1,910	2,173
Net contribution from life investment contracts	(90)	(394)	(992)
<b>Changes in operating assets and liabilities arising from cash flow movements</b>	<b>(8,860)</b>	<b>(5,830)</b>	<b>(5,834)</b>
<b>Net cash inflow from operating activities</b>	<b>1,150</b>	<b>8,165</b>	<b>12,990</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant, equipment and intangibles	163	244	320
Purchase of fixed assets and intangible assets	(2,763)	(1,372)	(5,141)
Purchase of subsidiaries	(29,344)	(4,856)	(6,715)
<b>Net cash inflow from investing activities</b>	<b>(31,944)</b>	<b>(5,984)</b>	<b>(11,536)</b>
<b>Cash flows from financing activities</b>			
Net bank loan advances/(repayments)	18,450	1,400	7,056
Proceeds of share issue	-	466	139
Proceeds from the issue of bonds	19,784	-	-
Dividend paid	(6,361)	(3,785)	(7,596)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>31,873</b>	<b>(1,919)</b>	<b>(401)</b>
<b>Net movement in cash and cash equivalents</b>	<b>1,079</b>	<b>262</b>	<b>1,053</b>
<b>Add opening cash and cash equivalents</b>	<b>13,810</b>	<b>12,339</b>	<b>12,339</b>
Cash included with purchase of subsidiaries	-	409	409
Translation difference	14	9	9
<b>Closing cash and cash equivalents</b>	<b>14,903</b>	<b>13,019</b>	<b>13,810</b>



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2016

	Six months ended 30/09/2016 Unaudited \$'000	Six months ended 30/09/2015 Unaudited \$'000	Year ended 31/03/2016 Audited \$'000
<b>RECONCILIATION OF NET SURPLUS WITH CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit/(loss)</b>	<b>8,527</b>	7,440	15,602
<b>Adjustment for Non-cash items</b>			
Movement in impairment provisions	739	(46)	1,041
Net loss on sale of fixed assets	(24)	(20)	(40)
Depreciation and amortisation	1,247	1,064	2,144
Capitalised reverse annuity mortgage interest	(456)	(585)	(1,112)
Deferred revenues	2,508	1,790	1,468
Change in value of financial assets at fair value through profit or loss	(114)	1	(1,201)
Net annuity and premium change to policyholders accounts	(1,183)	(486)	243
Non-cash long term employee benefits	323	188	25
Non-cash adjustments to finance receivables effective interest rates	(14)	74	129
Deferred expenses	45	770	(244)
<b>Adjustment for Movements in Working Capital</b>			
Net increase receivables and pre-payments	(3,860)	(4,297)	(4,799)
Net decrease/(increase) in inventories	(2,870)	1,164	(5,172)
Net decrease/(increase) in current tax receivable	-	371	699
Net increase/(decrease) in payables	5,178	3,291	5,473
Net increase in finance receivables	(9,569)	(8,785)	(11,638)
Net decrease in reverse annuity mortgages	413	1,439	4,623
Net decrease of insurance assets at fair value through profit or loss	386	1,910	2,173
Net contributions from life investment contracts	(90)	(394)	(992)
Net decrease/(increase) in deferred tax	(33)	3,291	4,591
Net increase in provisions	(3)	(15)	(23)
<b>Net Cash inflow/(outflow) from Operating Activities</b>	<b>1,150</b>	8,165	12,990

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2016

### 1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

These unaudited consolidated condensed interim financial statements of Turners Limited formerly Dorchester Pacific Limited (the Company) and its subsidiaries (the Group) have been prepared in accordance with NZ IAS 34: Interim Financial Reporting Standard.

The Company is registered under the Companies Act 1993, listed on the New Zealand Exchange and is a FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013.

The unaudited consolidated condensed interim financial statements of the Group for the six months ended 30 September 2016 have been prepared using the same accounting policies and methods of computation as, and should be read in conjunction with the financial statements and related notes included in the Group's annual report for the year ended 31 March 2016.

The same significant judgments, estimates and assumptions (including basis of segmentation) included in the notes to the financial statements in the Group's Annual Report for the year to 31 March 2016 have been applied to these interim financial statements. The business does not experience notable seasonal variations. There has been no change to the basis of segmentation from that applied at 31 March 2016.

To ensure consistency with audited figures, 30 September 2015 comparatives have been regrouped where appropriate

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2016

### 2. SEGMENTAL INFORMATION

#### 2.1 OPERATING SEGMENTS

Revenue	Total	Inter-	Revenue	Total	Inter-	Revenue	Total	Inter-	Revenue
	segment	segment	from		segment	segment	from	segment	segment
	revenue	revenue	external	revenue	revenue	external	revenue	revenue	external
	30/09/2016	30/09/2016	customers	30/09/2015	30/09/2015	customers	31/03/2016	31/03/2016	customers
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited	Audited	Audited
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Automotive retail	87,016	(674)	86,342	60,150	(203)	59,947	118,640	(866)	117,774
Finance	12,801	(121)	12,680	10,451	(5)	10,446	24,415	(27)	24,388
Insurance	6,125	-	6,125	5,034	-	5,034	10,577	-	10,577
Collection Services - New Zealand	6,932	(1,836)	5,096	5,754	(1,709)	4,045	13,014	(3,238)	9,776
Collection Services - Australia	4,721	-	4,721	4,531	-	4,531	8,555	-	8,555
Corporate & Other	293	(169)	124	518	-	518	647	-	647
	<b>117,888</b>	<b>(2,800)</b>	<b>115,088</b>	<b>86,438</b>	<b>(1,917)</b>	<b>84,521</b>	<b>175,848</b>	<b>(4,131)</b>	<b>171,717</b>
Operating profit							<b>30/09/2016</b>	30/09/2015	31/03/2016
							<b>Unaudited</b>	Unaudited	Audited
							<b>\$'000</b>	\$'000	\$'000
Automotive retail							<b>6,918</b>	5,263	10,009
Finance							<b>4,937</b>	4,608	9,786
Insurance							<b>130</b>	678	1,398
Collection Services - New Zealand							<b>3,279</b>	2,140	5,823
Collection Services - Australia							<b>116</b>	113	213
Corporate & Other							<b>(3,618)</b>	(2,542)	(5,678)
Profit/(loss) before taxation							<b>11,762</b>	10,260	21,551
Income tax							<b>(3,235)</b>	(2,820)	(5,949)
Profit attributable to shareholders							<b>8,527</b>	7,440	15,602
		Interest revenue			Interest expense			Depreciation and	
	<b>30/09/2016</b>	30/09/2015	31/03/2016	<b>30/09/2016</b>	30/09/2015	31/03/2016	<b>30/09/2016</b>	30/09/2015	31/03/2016
	<b>Unaudited</b>	Unaudited	Audited	<b>Unaudited</b>	Unaudited	Audited	<b>Unaudited</b>	Unaudited	Audited
	<b>\$'000</b>	\$'000	\$'000	<b>\$'000</b>	\$'000	\$'000	<b>\$'000</b>	\$'000	\$'000
Automotive retail	<b>4,569</b>	3,599	7,261	<b>(2,646)</b>	(1,695)	(3,393)	<b>(1,010)</b>	(878)	(1,769)
Finance	<b>11,079</b>	8,918	21,182	<b>(1,915)</b>	(1,633)	(4,379)	<b>(122)</b>	(94)	(173)
Insurance	<b>415</b>	433	822	-	-	(161)	<b>(43)</b>	(37)	(78)
Collection Services - New Zealand	<b>4</b>	3	-	<b>1</b>	(112)	(12)	<b>(42)</b>	(30)	(68)
Collection Services - Australia	-	-	6	-	-	(2)	-	-	(2)
Corporate & Other	<b>247</b>	325	448	<b>(2,085)</b>	(2,442)	(3,577)	<b>(30)</b>	(25)	(54)
	<b>16,314</b>	13,278	29,719	<b>(6,645)</b>	(5,882)	(11,524)	<b>(1,247)</b>	(1,064)	(2,144)
Eliminations	<b>(169)</b>	(110)	(88)	<b>169</b>	110	88			-
	<b>16,145</b>	13,168	29,631	<b>(6,476)</b>	(5,772)	(11,436)	<b>(1,247)</b>	(1,064)	(2,144)

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2016

### 2. SEGMENTAL INFORMATION

#### 2.1 OPERATING SEGMENTS (continued)

	Revenue			Expenses		
	30/09/2016	30/09/2015	31/03/2016	30/09/2016	30/09/2015	31/03/2016
	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Audited
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Automotive retail - impairment provisions	-	-	-	(121)	(226)	(467)
Finance - impairment provisions	-	-	-	(601)	274	(554)
Insurance - impairment provisions	-	-	-	(14)	3	(10)
Corporate & other - impairment provisions	-	-	-	-	-	(10)
Automotive retail - revaluation of investment	523	-	200	-	-	-
Collection services - New Zealand - deferred revenue	597	-	1,811	-	-	-
Insurance - Reserves annuity mortgage interest	396	375	727	-	-	-
Corporate & other - Reverse annuity mortgage interest	60	210	385	(3)	(5)	-
	<b>1,576</b>	<b>585</b>	<b>3,123</b>	<b>(739)</b>	<b>46</b>	<b>(1,041)</b>

#### 2.2 SEGMENT ASSETS AND LIABILITIES

	Segment assets			Segment liabilities		
	30/09/2016	30/09/2015	31/03/2016	30/09/2016	30/09/2015	31/03/2016
	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Audited
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Automotive retail	119,341	88,445	83,092	95,497	70,171	62,625
Finance	143,886	131,280	152,320	99,215	95,653	113,736
Insurance	43,030	35,929	39,018	33,980	27,334	30,310
Collection Services - New Zealand	28,163	19,534	25,533	13,908	9,537	13,991
Collection Services - Australia	1,570	1,207	1,641	683	802	1,346
Corporate & Other	280,569	219,369	219,114	101,430	55,782	50,668
	<b>616,559</b>	<b>495,764</b>	<b>520,718</b>	<b>344,713</b>	<b>259,279</b>	<b>272,676</b>
Eliminations	(190,474)	(145,855)	(158,415)	(69,949)	(35,180)	(40,185)
	<b>426,085</b>	<b>349,909</b>	<b>362,303</b>	<b>274,764</b>	<b>224,099</b>	<b>232,491</b>

**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

For the six months ended 30 September 2016

**3. REVENUE****Revenue from continuing operations includes:**

	30/09/2016 Unaudited \$'000	30/09/2015 Unaudited \$'000	31/03/2016 Audited \$'000
Interest income	16,145	13,168	29,631
Sales of goods	59,532	34,775	70,457
Commission and other auction revenue	20,087	20,608	37,829
Finance related insurance commissions	1,148	709	1,666
Loan fee income	1,038	907	2,041
Life insurance and life investment contract income	5,707	4,608	9,776
Collection income	9,813	8,750	18,325
Bad debts recovered	538	600	1,199
Other revenue	423	344	271
	<b>114,431</b>	<b>84,469</b>	<b>171,195</b>
<i>Other income includes:</i>			
Revaluation gain on investments	523	-	200
Dividend income	103	14	252
Gain of sale of property, plant and equipment	31	38	70
	<b>657</b>	<b>52</b>	<b>522</b>

**4. FINANCE RECEIVABLES AND REVERSE ANNUITY MORTGAGES**

	30/09/2016 Unaudited \$'000	30/09/2015 Unaudited \$'000	31/03/2016 Audited \$'000
Gross finance receivables	183,153	172,145	175,675
Deferred fee revenue and commission expenses	(1,346)	(1,072)	(1,301)
Provision for impairment	(5,755)	(6,637)	(6,776)
	<b>176,052</b>	<b>164,436</b>	<b>167,598</b>
Reverse annuity mortgages	9,831	8,432	2,820
Reverse annuity mortgages secured by bank lending	-	3,493	6,966
Total reverse annuity mortgages	9,831	11,925	9,786
Deferred fee revenue and commission expenses	-	(10)	-
Provision for impairment	(62)	(43)	(52)
	<b>9,769</b>	<b>11,872</b>	<b>9,734</b>
<i>Fair value</i>			
Finance receivables	175,727	164,845	166,786
Reverse annuity mortgages	13,400	13,386	11,400

The fair value of finance receivables are based on cash flows discounted using a weighted average interest rate of 15.98% (30 September 2015: 15.56% and 31 March 2016: 15.41%) and the fair value for 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 INTERIM FINANCIAL STATEMENTS**

For the six months ended 30 September 2016

**5. DIVIDENDS**

	Six months ended 30/09/2016 \$'000	Six months ended 30/09/2015 \$'000	Year ended 31/03/2016 \$'000
Final dividend to the year ended 31 March 2016 of 0.7 cents (2015: \$0.006) per fully paid share, un-imputed, paid on 28 July 2016 (2015: 17 July 2015).	4,440	3,785	3,785
Interim dividend for the year ended 31 March 2017 of \$0.03 (2016: \$0.00) per fully paid share, fully imputed paid on 30 September 2016.	1,921	-	-
Interim dividend for the year ended 31 March 2016 of \$0.006 (2015: \$0.004) per fully paid share, un-imputed paid on 15 December 2015 (2015: 18 December 2014).	-	-	3,811
Total dividends provided for or paid	<b>6,361</b>	<b>3,785</b>	<b>7,596</b>

*Dividends not recognised at the end of the half year:*

In addition to the above dividends, since the end of the period the directors have recommended the payment of an interim dividend of \$0.03 per fully paid share, fully imputed, (2015: \$0.006 per fully paid share, un-imputed). The aggregate amount of the proposed dividend expected to be paid on 23 December 2016 out of retained earnings at 30 September 2016, but not recognised as a liability at the end of the period, is

<b>2,236</b>	3,811	4,440
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**6. ACQUISITION OF THE BUSINESS OF BUY RIGHT CARS LIMITED**

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.

The following summarises the provisional values attributed to the consideration transferred and the provisional amounts of assets and liabilities assumed at the acquisition date:

	29/07/2016 \$'000
<b>Fair value of consideration transferred</b>	
Cash	29,344
Ordinary shares (614,000)	1,854
Contingent consideration	5,754
	<b>36,952</b>
<b>Identified assets acquired and liabilities assumed</b>	
Inventories	27,125
Property, plant and equipment	1,958
Other assets	12
Payables	(5,511)
Identifiable net assets	<b>23,584</b>
Intangibles on acquisition	<b>13,368</b>

**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

For the six months ended 30 September 2016

**6. ACQUISITION OF BUY RIGHT CARS (continued)**

	\$'000
Consideration transferred settled in cash	29,344
Acquisition costs charged to expenses	172
Net cash paid relating to acquisition	29,516

*Identified assets acquired and liabilities assumed*

The carrying value of the assets were considered to be a fair representation of the replacement cost.

*Intangible assets*

The intangible asset of \$13.4m is primarily related to growth expectation, expected future profitability, synergistic opportunities, particularly in finance and insurance and extended foot print in the used car market and brand.

*Contribution to Group results*

In the six months to 30 September 2016 the business contributed revenue of \$11.0 million and profit before taxation of \$0.7 million to the Group's consolidated results.

**7. FAIR VALUE DISCLOSURES**

As at 30 September 2016, 30 September 2015 and 31 March 2016, the carrying value of cash and cash equivalents, other receivables and other payables approximate their fair values due to the short-term nature of the financial assets or liabilities.

<i>Fair value of borrowings</i>	<b>30/09/2016</b>	30/09/2015	31/03/2016
	<b>Unaudited</b>	Unaudited	Audited
	\$'000	\$'000	\$'000
Fair value	<b>199,254</b>	169,248	175,131
Carrying value	<b>198,849</b>	168,948	174,816

The fair value of borrowings is based on cash flows discounted using a weighted average interest rate of 5.0% (30 September 2015: 6.45% and 31 March 2016: 6.07%).

*Fair value of financial assets and liabilities carried at fair value are determined as follows:*

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.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

For the six months ended 30 September 2016

**7. FAIR VALUE DISCLOSURES (continued)**

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

<b>30 September 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Financial assets:</i>				
Financial assets at fair value through profit or loss - insurance	-	16,058	-	16,058
Financial assets at fair value through profit or loss - investment equities		2,800	-	2,800
Financial assets at fair value through profit or loss - other	406	-	-	406
	<b>406</b>	<b>18,858</b>	<b>-</b>	<b>19,264</b>
<hr/>				
30 September 2015	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
<i>Financial assets:</i>				
Financial assets at fair value through profit or loss - insurance	-	15,545	-	15,545
Financial assets at fair value through profit or loss - other	365	-	-	365
	<b>365</b>	<b>15,545</b>	<b>-</b>	<b>15,910</b>
<hr/>				
31 March 2016	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
<i>Financial assets:</i>				
Financial assets at fair value through profit or loss - insurance		15,813	-	15,813
Financial assets at fair value through profit or loss - investment equities	-	2,277	-	2,277
Financial assets at fair value through profit or loss - term deposits	365	-	-	365
	<b>365</b>	<b>18,090</b>	<b>-</b>	<b>18,455</b>
<hr/>				
<i>Financial liabilities</i>				
Derivative cash flow hedges	-	49	-	49

*Financial assets insurance*

The financial assets in this category have been designated at inception as fair value through profit or loss because they back life insurance contract liabilities or life investment contract liabilities. Purchases and sales of these securities are recorded on a trade basis. Insurance investments include:

- Shares in Listed Companies and Managed Funds - shares and managed funds are recognised at fair value based on the bid market price quoted by the stock exchange or fund manager.
- Fixed Interest Securities - fixed interest securities are recognised at fair value based on quoted bid market price.

*Financial assets other*

Financial assets trading are performance bonds deposited with high quality credit institutions at current market prices and foreign exchange derivative contracts based on quoted market prices.

**8. COMMITMENT & CONTINGENT LIABILITIES**

At 30 September 2016, the Group had capital commitments of \$4,400,000 (30 September 2015: \$0) principally relating to the purchase of the land.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2016

### 9. SUBSEQUENT EVENTS AFTER BALANCE DATE

#### 30 September 2016

##### *Autosure*

On 21 November 2016, the Group announced it had reached an agreement to purchase the Autosure business including the Autosure brand, mechanical breakdown and payment protection insurance portfolios for a consideration of \$34.0m. Settlement occurred on 1 December 2016, with the transfer of the in-force portfolio by 31 March 2017, subject to Reserve Bank approval.

##### *MTF exclusive partnership*

On 15 November 2016, the Group announced that it had signed an exclusive partnership with Motor Trade Finance (MTF) to provide a non-recourse lending product to MTF's network of franchisees and dealers.

#### 30 September 2015

##### *Motor Trade Finance*

After 30 September 2015, the Group, through its subsidiary, Turners Finance Limited, made an offer to purchase up to 20% of the ordinary shares in Motor Trade Finances (MTF). Following settlement of the offer Turners Finance, together with its existing holding in MTF, holds 7.6% of the ordinary shares of MTF.

## DIRECTORY

### DIRECTORS

Grant Baker  
Chairman  
Appointed 10 September 2009

Paul Byrnes  
Deputy chairman & executive director  
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

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Web: [www.turnerslimited.co.nz](http://www.turnerslimited.co.nz)

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Email: [enquiry@computershare.co.nz](mailto:enquiry@computershare.co.nz)  
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Staples Rodway



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