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WE'RE READY.

Turners.
Automotive Group

ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2022



On behalf of the Board and management of
Turners Automotive Group Limited, we are pleased
to present the Annual Report for the financial year
ended 31 March 2022.


Grant Baker
Chairman


Todd Hunter
Group Chief Executive Officer



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OUR VISION IS TO BE NEW ZEALAND’S LEADING ECOSYSTEM FOR VEHICLE USERS.

AUTOMOTIVE RETAIL

- New Zealand’s largest buyer and seller of vehicles
- One car sold every 6 minutes
- Branches and sites from Whangarei to Invercargill
- Awarded New Zealand’s number 1 Most Trusted Used Vehicle Dealership in the Readers Digest Trusted Brands awards for three years in a row
- “Bricks and Clicks” retail model, combining our nationwide network with market leading online digital experience

INSURANCE

- Helping Kiwis with motor vehicle, loan protection and life insurance solutions, distributed through 721 licensed car dealers, finance companies & brokers, and life insurance advisers as well as online
- 5,200+ policies sold every month; 180,000+ active policies
- \$39.9m in new policies sold in FY22
- Average 1,400 claims paid out monthly; \$19.1m in claims paid out in FY22

FINANCE

- Targeting high quality consumer and commercial lending – primarily for automotive customers
- Loans originated through the Turners Auto Retail network and third party independent dealers and brokers
- \$423m in receivables
- More than 25,000 current consumer loans
- Average loan size \$13,500

CREDIT MANAGEMENT

- A recognised leader in the debt collection and credit management sectors, for both corporate and SME customers
- \$84m in corporate debt load in FY22; 36% average recovery rate
- \$37m-plus collected from debtors in FY22
- 2,534 SME customers loading debt in FY22

WE’RE READY.

With another record year of results, a stronger and de-risked business, a clear strategy and a near-term economic outlook that is looking more uncertain, our business has never been in better shape. We are ready for whatever comes next.



- We achieved 15% growth in profit before tax in FY22...another record year for the business, and 48% growth in profits since FY19
- Our business has been strengthened and de-risked over the last three years. We have found the right formula and will optimise further:
 1. Building out an omni-channel experience in Auto Retail
 2. Growing our retail market share through branch expansion and retail optimisation
 3. De-risking our loan book by growing in the premium borrower segment
 4. Broadening digital distribution in Insurance
- We are across the challenges in the macro environment and are working proactively to minimise their impact.
- The used car market in NZ performs well through economic cycles. Consumers are purchasing out of need, not discretion.

Looking beyond FY23, we remain very confident about further growth over the medium to longer term and we have updated our three-year rolling target to cross over \$50m of profit before tax by FY25.

OUR THREE-YEAR PLAN FOR GROWTH: FY23 TO FY25

Our plan centres on organic growth, underpinned by four key areas. These are a combination of both physical and digital investments.

RETAIL OPTIMISATION AND EXPANSION

Expansion of the physical branch network and optimisation of people, property and processes, with a focus on delivering the optimal customer experience.

VEHICLE PURCHASING DECISION-MAKING

Use of data and tools to help identify new sourcing opportunities, and leveraging our brand strength to generate local sourcing leads.

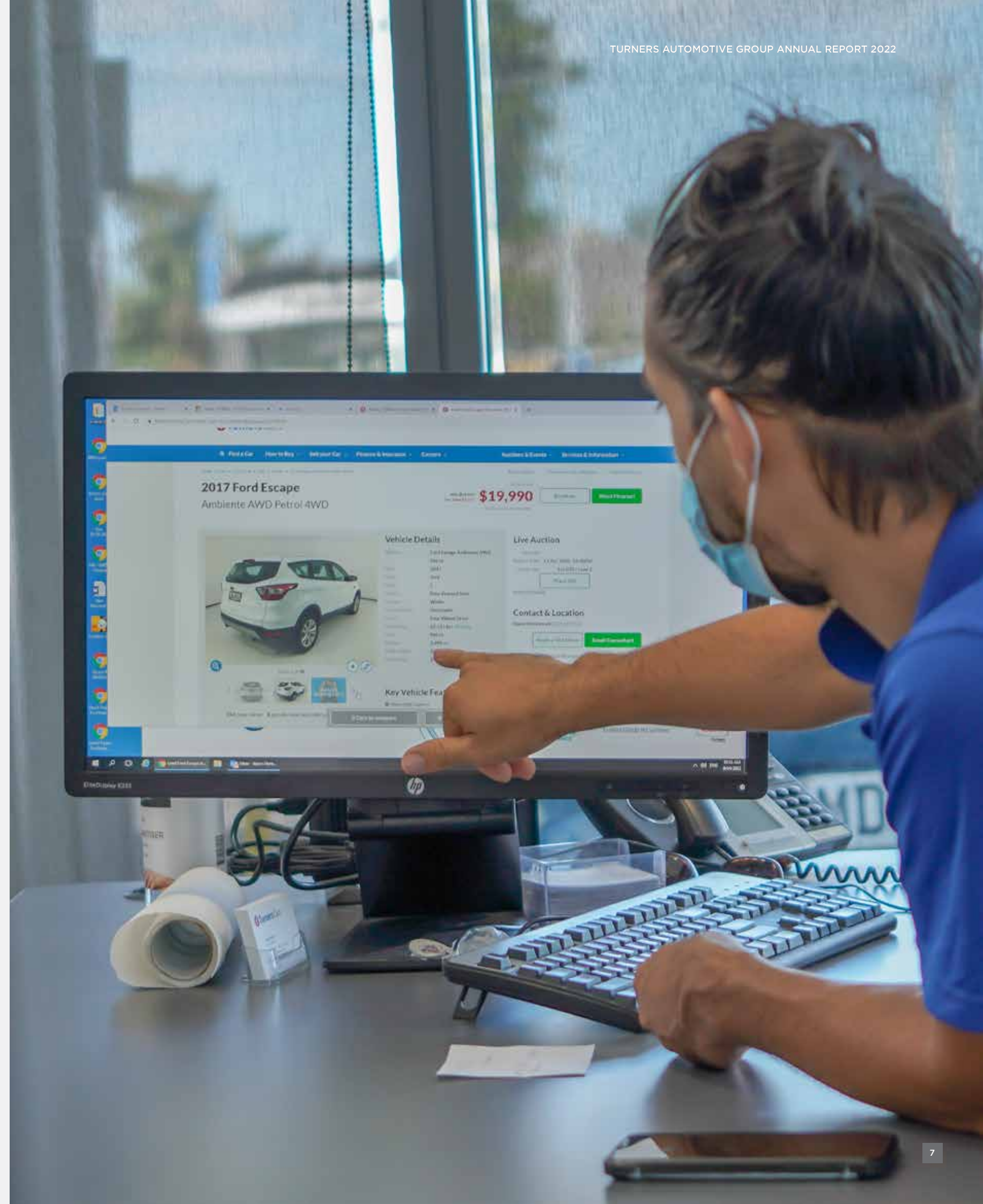
MARGIN MANAGEMENT AND PREMIUM LENDING

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

CONTINUED INVESTMENT IN DIGITAL AND OMNI-CHANNEL CUSTOMER EXPERIENCE

Continued investment in digital and improvement of our omni-channel customer experience which allows customers to engage with us however, whenever and wherever they want.

We have found the right formula and are confident our actions will deliver continuing growth over the next three years.



FY22 AT A GLANCE

- Strong consumer demand despite continued disruption from COVID-19 lockdowns and Omicron outbreak
- Employee engagement at an all-time high (top 5% of companies using Peakon tool); continued to increase at a time where retention and recruitment have been under significant pressure
- **Auto Retail:** Market share continued to grow in Auto Retail with a good pipeline of new branches
- **Finance:** Quality lending strategy resulting in arrears at record lows
- **Insurance:** Strong new policy sales with improving claims ratios
- **Credit Management:** Debt load returning slowly but environment should be more productive in FY23
- Macro headwinds (inflation and interest rates) starting to impact... speed of change biggest challenge

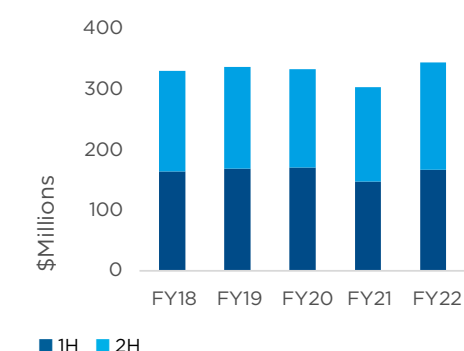


FY22 FINANCIAL SNAPSHOT

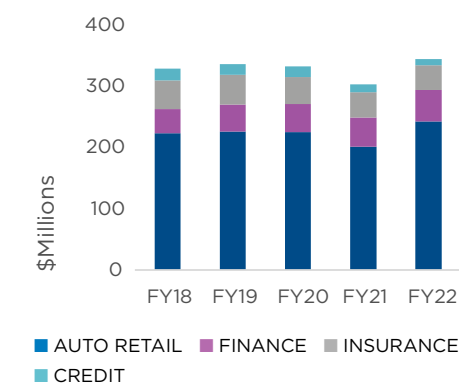
- Record earnings from divisions operating in the used car market (Auto Retail, Finance and Insurance)
- Record NPBT up 15% to \$43.1m
- NPAT up 16% to \$31.3m
- EBIT up 11% to \$47.7m¹
- Underlying NPBT up 29% to \$44.1m²
- Revenue up 14% to \$344.5m
- Dividends up 15% to 23.0 cents per share
- Earnings per share up 16% to 36.4 cents per share
- Unrealised property gains per share 22 cents per share (measured from carrying value)

More information on Turners FY22 financial results can be read on pages 26 to 27 and in the financial statements.

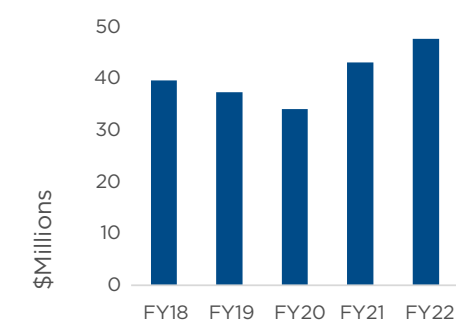
REVENUE



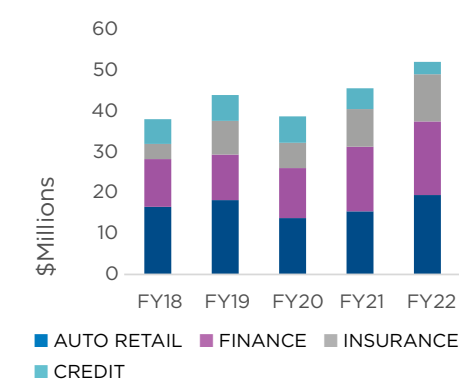
SEGMENT REVENUE



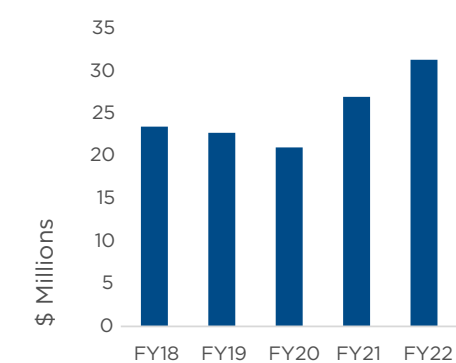
EARNINGS BEFORE INTEREST AND TAX (EBIT)



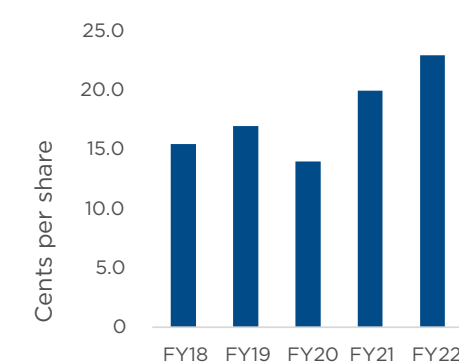
SEGMENT OPERATING PROFIT



NET PROFIT AFTER TAX



DIVIDENDS



¹Earnings Before Interest and Tax (EBIT) adjusted for interest expense in Finance (non-IFRS measure)

² Underlying Net Profit Before Tax (NPBT) is a non-GAAP measure and excludes one-off or non-cash costs including property sales and acquisitions, covid-related support and remuneration sacrifice, review and restructure costs and profit normalisation (Turners' estimated profit had the business not been shut during lockdown). In FY22, these totalled \$1.0 million. A reconciliation can be viewed on page 27.

CHAIR AND CEO’S REPORT

“Our growth plans are being realised and the work we’ve been doing over the last three years is delivering serious traction and positions us well for an uncertain economic environment. We are very pleased with our progress and proud of our track record of continuing to generate value for our shareholders.”

Dear shareholder

We are very pleased with the FY22 year, which delivered another record result for our business.

Our focus on quality is paying off and our team’s engagement levels have never been higher, at a time in the economy where staff retention and recruitment is a real challenge. Our brand value is growing across all our key business divisions but the investment we have made in the Turners brand in particular, has created real tangible value both internally and externally. Our track record is showing how robust our business model is and we are ready for what comes next.

Net profit before tax was up 15% to \$43.1m, despite the continued impact of COVID-19 restrictions and lockdowns. While consumer demand remained stronger than we anticipated in FY22, overall used car transaction levels tracked well below pre-pandemic levels. The processes put in place in FY21 have stood our business in good stead and our geographic and earnings diversification have again proved their value in this environment.

The initiatives we put in place three years ago are now paying off. Our retail momentum continues to gain traction, with increasing margins and market share. This is driving growth in our Finance and Insurance business, with a focus on quality in both these businesses lifting our returns. Debt load is returning slowly in the credit management business but we expect the environment to be more productive in FY23.

Our growing returns are driving much improved outcomes for our shareholders, with increasing Earnings Per Share and Dividends.

RECORD RESULT

Turners not only demonstrated earnings resilience during FY22 but strong growth credentials as well. Group revenue was up 14% to \$344.5m and three of the four segments grew very strongly for a second year in a row, delivering a record NPBT result of \$43.1m, up 15% on the prior comparative period (pcp).

Demonstrating the benefits of the Group’s resilience and diversified earnings, profit rose in each of the three largest business units (representing 94% of divisional operating profit). Profit grew 24% in Insurance, 14% in Finance and 26% in Automotive Retail, contributing to strong and sustainable yield. Revenue in the Credit Management business was down on last year’s result as consumer arrears tracked down and clients issued “no communication” instructions to “defaulters” during the lockdown. This resulted in a 40% year on year profit decrease in Credit Management.

Earnings Before Interest and Tax (EBIT) was up 11% to \$47.7m, with Net profit after tax (NPAT) of \$31.3m, up 16% on pcp. Underlying NPBT was up 29% to \$44.1m. The business has a strong balance sheet and supportive banking partners and our funding mix is optimised to support growth.

Earnings per share for FY22 were 36.4 cents per share (cps), up 16% on pcp. A further 7.0 cps dividend has been declared for the final payment of FY22 (payable in July 2022), taking FY22 dividends to 23.0 cps. This reflects the dividend policy to pay-out 60-70% of net profit after tax (NPAT).

OPERATING PERFORMANCE BY DIVISION

AUTO RETAIL

Revenue \$242.5m ▲21%
Operating Profit \$19.4m ▲26%

Auto Retail has been both a margin and market share growth story. Gross margins on “owned” fleet have continued to improve (up 8% over

FY21 to \$818 per vehicle) due to a number of buying improvement initiatives, more retail sales and constrained supply of used cars nationally. Our market share has grown off the back of our retail optimisation and expansion strategy with Retail (BuyNow) sales up 6% over FY21 and improving retail market share.

We launched a new branch in Rotorua during the year and are redeveloping this site and developing a new site in Nelson. We have also secured new sites in Timaru and Napier and are working on further opportunities.

Sourcing of vehicles in the local market has been a top priority and our investment in the very popular ‘Tina from Turners’ brand campaign has helped build our inventory of locally owned cars, with “owned” inventory sales up 25% on FY21.

Another goal is to increase our finance attach rate and thus further realise the synergies of our related businesses. Despite the disruption caused by the CCCFA changes in Dec-21, we have improved our finance attach rate to 32.7% (FY21 30.6%).

FINANCE

Revenue \$51.9m ▲8%
Operating Profit \$18.0m ▲14%

Our risk pricing model and focus on premium borrowers has been very successful over the last 12 months with the loan book growing 28% to \$423m. Premium borrower lending now accounts for well over 50% of monthly lending.

We were pleased with how the business navigated the Dec-21 CCCFA changes which generated further market share growth opportunities as other providers struggled to cope with the change in process.

Arrears continue to track down at historic low levels and, at year end, consumer arrears were 2.0% (4.9% Mar-21) and commercial arrears were 0.5% (1.8% Mar-21). The business is still retaining a COVID-19 arrears provision buffer to allow for any unemployment increase in future months.

INSURANCE

Revenue \$40.4m ▼4%
Operating Profit \$11.6m ▲24%

Robust market share gains and distribution agreements have helped drive strong policy sales with Gross Written Premium up 6% on FY21 to \$39.9m, despite the impact of lockdown periods. Our distribution arrangements are working well (MTF, Marac Finance and Motorcentral using Autosure API), and there is a good pipeline of these opportunities ahead.

Claims costs are slightly down on FY21, in part due to fewer repairs as a result of less vehicle movement in lockdown periods. Parts price inflation and labour rate increases are offsetting the positive benefits of our parts procurement initiatives.

Operating cost ratios are continuing a decreasing trend with FY22 down to 22% compared to 25% in the prior comparative period.

During the year, AM Best reaffirmed the Financial Strength Rating at B++ (good).

CREDIT MANAGEMENT

Revenue \$9.7m ▼24%
Operating Profit \$3.0m ▼40%

The Credit Management business continues to have lower debt load levels due to the historically low consumer arrears and corporates working back into recovery action post pandemic. Debt load in FY22 was down 54% on pre-pandemic levels and debt collected down 35%. This is a significant hit to revenues.

Although debt load is down, we are seeing positive signs in debt recovery rates due to the new resolution collections strategy that was implemented during the year (FY22 34% vs. FY19 24%). Payment arrangement commitments are also being met more often under the new strategy (FY22 76%, FY21 74%, FY20 70%).

With the economic environment expected to deteriorate, we expect debt load levels

to increase as a result. A similar pattern was experienced post GFC, prior to a busy collection period.

UNRECOGNISED PROPERTY GAINS OF \$18.8M³

We continue to see property ownership as a key strategy that will ensure the long term resilience of the business. Over the last seven years we have continued to build our property portfolio and have generated unrecognised gains on the seven developed sites of just under \$19m or 22 cents per share over this time, and 5.6 cents per share in the FY22 year alone. Combining these seven developed sites with new sites in Rotorua and Nelson and the three committed sites in Napier, Timaru and Tauranga (Tauriko), we have just under \$95m worth of property in the portfolio. We also have offers and negotiations under way in Tauranga and Christchurch.

GOVERNANCE

Turners has a strong Board who are very active and passionate about our business. Many of our directors have worked directly in the sectors we operate in and have extensive knowledge and insights which help us develop strategy and oversee management initiatives. We believe that having Directors with relevant industry, commercial and governance skills is essential for the continuing success of the Turners' group.

We were pleased to appoint Lauren Quaintance as an Emerging Director and believe the addition of this role to our Board is an excellent way to build board talent, knowledge and expertise and ensure there is a succession plan in place when required. Lauren is an award-winning journalist and media executive turned entrepreneur and marketer. Most recently, she has been the co-founder and Managing Director of Storyation, a leading digital content marketing agency with offices in Auckland and Sydney, which was sold to ASX-listed NewsCorp Australia in late 2019. Lauren was named

Entrepreneur of the Year at the B&T Women in Media Awards in Australia. Her journalistic pedigree combined with digital marketing experience and entrepreneurial skills fit well with Turners' direction and culture.

We also farewelled long-standing director, Paul Byrnes, in February this year. Paul joined the Board in February 2004 and had a huge influence on the company during that time, including acting as CEO for eight years. Paul is a highly skilled director with broad business experience, who brought considerable value to Turners. On behalf of the Board, we would like to acknowledge and thank Paul for his considerable contributions.

OUR THREE-YEAR PLAN

Our three-year plan centres on organic growth and is focused on four key areas, comprising both physical and digital investments.

- 1. Retail Optimisation and Expansion across people, property and processes.
- 2. Vehicle purchasing decision-making using data and tools to help identify new sourcing opportunities, and leveraging our brand strength to generate local sourcing leads.
- 3. Margin management and Premium lending within Finance.
- 4. Continued investment in digital and improving our omni-channel customer experience which allows customers to engage with us however, whenever and wherever they want.

OUTLOOK

Whilst the near-term economic outlook is looking much more uncertain, our business has never been in better shape and we are ready for whatever comes next.

There are clear New Zealand and global economic challenges over the next 12 to 24 months but we still see opportunities to grow our business and market share. As we head into an economic environment that will offer up different challenges and opportunities, the business has already been significantly de-risked and we are continuing to extend our competitive moat and build scale.

In Auto Retail, we expect to see upside from our new branches in the second half of the financial year. We are still anticipating a supply constrained market for the next few years due to the impact of a shortage of semi-conductors, disruption to material supply and impact of government regulation. Registered dealer numbers are at the lowest point in the last five years and we expect these to track down further due to sector challenges. One of the most attractive aspects of the used car market is that it is a needs-based purchase and therefore more resilient and less affected by changing economic conditions.

Our strong supplier relationships, high trust brand and digital platform position us well to continue to gain market share and take advantage of opportunities in the sector.

With the rapidly changing interest rate environment, our priority in Finance shifts to margin management and we expect Finance

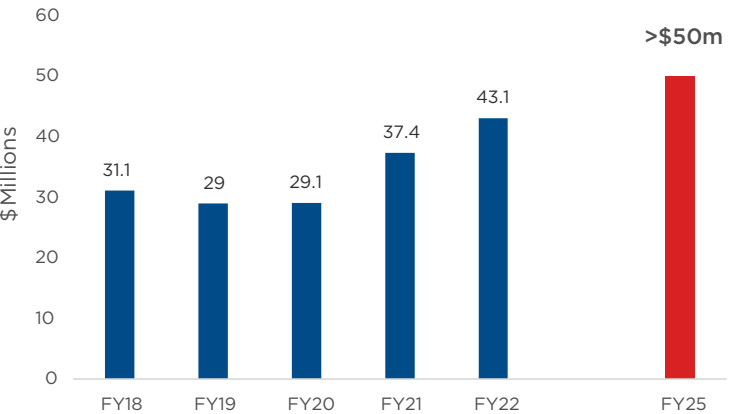
“We couldn’t be more pleased about the shape the business is in, the trajectory we’re on and the future for the Turners business.”

³ Unrecognised property gains are generated from group owned properties that are subject to annual independent valuations and the unrecognised gain is the difference between the valuation as at 31 March 2022 and the original cost of the properties.

margins will be impacted in the short term as we deal with the rapidly changing interest rate environment. In Insurance, we expect new policy sales to be buoyant based on our distribution and market share gains, and for claims ratios to stabilise. Lastly, in Credit Management, levels of bad debt recovery are slowly starting to build. The business is expected to perform better as the economic conditions worsen and the resultant impact on consumer arrears.

Looking beyond FY23, we remain very confident about further growth over the medium to longer term. We have updated our three-year rolling target to grow to more than \$50m of underlying profit before tax by FY25.

\$50M UNDERLYING PROFIT BEFORE TAX BY FY25⁴



In three years, we are targeting a profit before tax of more than \$50m. This would equate to a dividend payout of 26 cents per share.

It has been a successful year for our business despite the challenges and we are well positioned and ready for the future. On behalf of the Board and management, we would like to thank our shareholders for your continued support.

Grant Baker
Chairman

Todd Hunter
Group Chief Executive Officer

⁴ Underlying NPBT is a non-GAAP measure Reported NPBT (\$m). Reconciliations for each of the periods can be found in the respective Annual Results Presentation.

FY23 PRIORITIES

AUTO RETAIL

- Stock acquisition – Keep building domestic sourcing
- Improve speed to sale – operational cadence
- Retail optimisation and expansion – develop new sites and build retail volumes

FINANCE

- Pricing and margin management
- Improve credit decision turnaround timing
- Early settlement and loan application conversion

INSURANCE

- Expand distribution through partnership strategy
- Core insurance system replacement
- Continue to enhance risk pricing and product features

CREDIT MANAGEMENT

- Grow SME lead generation capability
- Build on “resolution” focused collections strategy
- Continue working closely with corporates to manage reputational risk



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CREATING A BETTER BUSINESS

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

Turners' sustainability strategy is underpinned by two key pillars:

- Enhancing the well-being of our staff and the communities in which we operate.
- Supporting and accelerating the transition of the New Zealand light vehicle fleet to a cleaner, lower emission future.

We have a number of initiatives already in place which you can read about on the following pages.

Turners is at the start of its sustainability reporting journey and we are working towards increased transparency and measuring of our footprint.

FY22 COMPLETED	FY23	FY24
<ul style="list-style-type: none">■ Formalised Turners' sustainability committee■ Appointed sustainability champions in each business■ Identified key sustainability pillars■ Initiatives undertaken to support Turners' long term sustainability pillars	<ul style="list-style-type: none">■ Confirm approach to Climate Related Disclosures and develop reporting framework■ Identify climate related risks and opportunities for Turners■ Define Scope 1 and 2 measures■ Commence measuring Scope 1 emissions■ Implement external assurance process■ Establish KPIs for emissions and other material issues■ Increase disclosure and reporting	<ul style="list-style-type: none">■ Commence measuring Scope 2 emissions■ Integrate management of climate related risks and opportunities into risk framework■ Continue to develop disclosure and reporting

OUR PEOPLE

Our ESG strategy in FY22 deliberately focused on the social aspect, ensuring the health and wellbeing of our people and customers during the ongoing pandemic, and creating a great environment for our people to work in. We believe in doing the right thing for our customers and our people and are committed to ethical and fair conduct.

We are also investing in training and upskilling staff, with the introduction of a new Learning Management system during the year. More than 7,000 development training hours were undertaken by employees during the year. During FY22, 64% of our leadership vacancies were filled with internal candidates, a testament to our culture of growing and developing our people.

We also supported our people by providing access to counselling sessions to discuss both work and personal issues and offered flu vaccinations, as well as supporting Mental Health Awareness Week.

- 7000+ Employee development training hours
- 27% Employee turnover
- 221 Number of employees having to isolate due to COVID-19
- 2% Employee absentee rate (excluding COVID-19 isolation period)
- 120 Number of employees accessing EAP services during the period

EMPLOYEE WELLBEING INITIATIVES

- 653 Mental health awareness week exercises
- 118 Flu vaccinations

HEALTH AND SAFETY

- 0 Employee notifiable injury/incidents
- 47 Employee health and safety reportable incidents (41 minor, 6 serious)

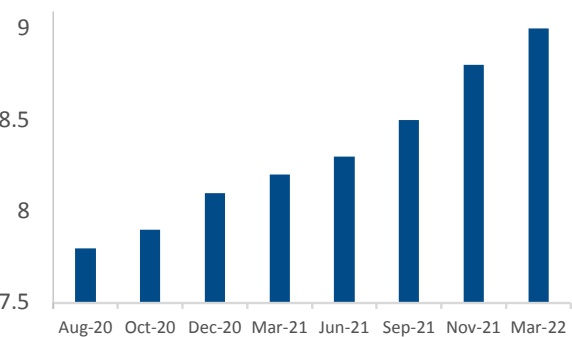
EMPLOYEE ENGAGEMENT

In the current environment of growing economic uncertainty, now more than ever companies need staff who are fully engaged, motivated and eager to contribute.

Our employee engagement score has continued to increase at a time where retention and recruitment has been under significant pressure in the wider economy and Turners ranks in the top 5% of consumer businesses⁵.

Other stand out results from the Engagement Survey support our focus on diversity, inclusion and health and safety, and demonstrate the focus of the company over the past year.

PEAKON EMPLOYEE ENGAGEMENT SCORE



Across nearly 700 employees we are averaging 9 out of 10 to the question “how likely is it that you would recommend Turners Auto Group as a place to work?”.

AS AT MARCH 2022, EMPLOYEES RATED TURNERS AS FOLLOWS:

- 9.3/10
Turners is responding appropriately to the COVID-19 pandemic
- 9.3/10
People from all backgrounds are treated fairly at Turners
- 9/10
Employee Health & Safety is a priority at Turners
- 9/10
How likely is that you would recommend Turners as a place to work

⁵Top 5% of consumer businesses using the Peakon system

HOME GROWN

TALENT IN ACTION



JEREMY ROOKE, CHIEF DIGITAL OFFICER

Over the last decade, Turners' online and digital strategy has developed into an essential platform and customer channel for the business. Overseeing this evolution for more than 10 years has been Jeremy Rooke, Turners' Chief Digital Officer.

Jeremy has worked across dozens of high-value transformative projects for Turners including the replacement of Auto Retail's core system and subsequent enhancements including mobile apps, the inception and development of AutoApp, and the development of Generator and partner integrations to name a few. Of particular note are Jeremy's contributions in the innovation space, leading the charge on Cartopia in 2016 and Turners Subscription in 2020 as exciting opportunities to explore new consumer business models.

As Chief Digital Officer, Jeremy leads a team of 40, focussed on empowering customers with innovative products and experiences.

"The customer is at the centre of everything for our team – this includes our internal Turners people, as well as external customers and partners. We're focussed on using technology to make things easier and simpler, as well as creating innovative products, services and experiences that make Turners the number one choice."



MARC WELLS, PROPERTY DEVELOPMENT MANAGER

With more than 38 branches and facilities nationwide, Marc Wells is kept busy managing Turners' ever expanding property portfolio.

Joining Turners in 2010, Marc was originally in a commercial manager role, before stepping into the newly created Property Development Manager role in 2016. He oversaw the creation of the Group Property Strategy as the business transitioned from wholesale (auction) to a retail business and has been involved in more than 30 property projects in the last six years, including acquisitions, renovations and relocations.

Marc has strong relationships with landlords, developers, commercial agents, professionals and consultants and his understanding and experience managing development projects has ensured these have come in on budget and on time. He is responsible for Turners' owned properties, as well as negotiating and managing commercial leases for the group.

"I love working in such a dynamic environment with a supportive Executive team and Board. It's great to see the value our property work brings to both the business, the work environment for our people and for our customers as we expand our retail network."

OUR CUSTOMERS

Customers are at the heart of our business and our team is committed to delivering a world class customer experience. We have introduced customer experience measures across all parts of the business as part of “good customer outcomes” focus.

In Auto Retail, our focus on customer experience is reflected in winning the Readers Digest Trusted Brands Award for the Most Trusted Used Vehicle Dealership for the third year in a row.

Every month a selection of customers are surveyed across our 19 branches using BuyerScore, an independent rating and review collection service for vehicle dealers in New Zealand. In the latest survey, 96% of reviewers said they would recommend Turners to their friends and family.

AUTO RETAIL APRIL 2022

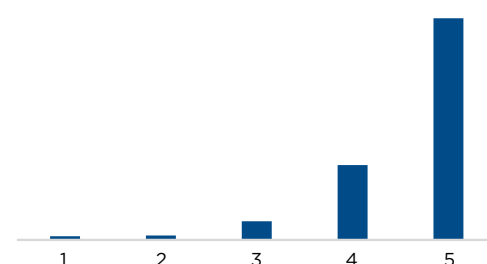
96%

of reviewers would recommend Turners to their friends and family

69%

rate the overall experience as 5 out of 5

BUYERSCORE OVERALL EXPERIENCE



Improvements in customer satisfaction and feedback reflect our efforts to promote good customer outcomes in our insurance business and to achieve positive resolution of customer hardship situations in Oxford. Since April 2020, we have dealt with over 2,000 COVID-19 hardship accounts in Oxford Finance and successfully rehabilitated 99% of these over the last 24 months. In EC Credit, we have shifted our collections approach to focus on resolution rather than consequence.



GIVING BACK TO OUR COMMUNITIES

“Turners Auto Group have been unwavering in their support over the years and their people continue to dig deep and embrace our efforts. We are very grateful to have their support right throughout the organisation.”

Liam Willis, Executive Officer, Gut Cancer Foundation

GUT CANCER FOUNDATION

The Gut Cancer Foundation is a small not-for-profit organisation which has made it their mission to improve and help save the lives of all New Zealanders affected by gut cancers. They do this through leading research and innovation, raising awareness and providing education.

Turners have supported the Gut Cancer Foundation over the last eight years and this year was no different. The wider team at Turners Automotive Group yet again got in behind this awesome cause, even at a time when people will be feeling the pinch from their own normal day-to-day living expenses.

Turners runs a matching program for this fundraising where Turners’ people and teams across the company run their fundraising efforts and the company matches the donations dollar for dollar. This year Turners Automotive Group raised over \$36,000 for the Gut Cancer Foundation.



Exercise and an active lifestyle are a great way to help prevent Gut Cancers. Jason Smith in Oxford Finance Levin took on a Daily Press Up Challenge as part of the Gut Cancer “Give it Up” Campaign, helping to improve personal health while raising vital funds for research.

A CLEANER LOWER EMISSION FUTURE

As New Zealand’s leading used car business, we recognise the role we can play to help transition New Zealand’s fleet.

EV and Hybrid sales are growing as a percentage of total cars sold in Turners. As more corporate and government fleets transition, we will see these numbers grow further.

We have continued to invest in Turners Subscription and, in partnership with EECA, we have expanded our subscription EV fleet. This allows customers to ‘try before you buy’, as well as providing an alternative form of vehicle ownership. We currently have more than 100 vehicles on subscription of which over 40% are EVs or Hybrids.

Unfortunately, used EVs continue to be difficult to source. Japan is the major source of used vehicles for NZ and there are only 303,000 EVs in the Japanese vehicle fleet out of a total of 78 million cars. New EV sales in Japan in 2021 were 20,000 against new car sales of 4.4 million.

We believe that it is a long term journey to transition New Zealand’s fleet and an integral part of this is to support people moving from older, high emission vehicles to newer, lower emission vehicles. We work with vehicle vendors, including insurance companies, to ensure that end of life vehicles are responsibly managed out of the New Zealand fleet. In FY22, Turners de-registered over 17,000 old or damaged vehicles, which were then onsold to wreckers and recyclers. A large portion of a car can be recycled, helping create a circulate economy.

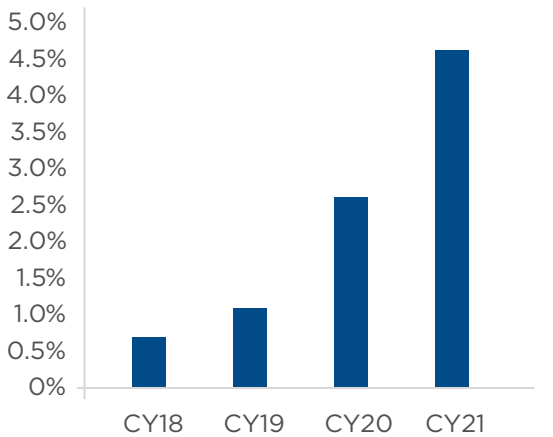
Overtime, as second hand EVs become more affordable and accessible, we will see more people switching to these vehicles. In the meantime, sourcing lower emission vehicles, particularly hybrids, to replace older vehicles continues to be a key focus for Turners.

We also expect other alternative fuel vehicles, such as hydrogen, to become more prevalent over time and will continue to monitor international and market trends in this area.

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

We are in the process of establishing and measuring emissions targets and look forward to reporting to shareholders as we move ahead with our sustainability reporting programme.

EV/HYBRID SALES AS A % OF TOTAL SALES



FY22 FINANCIAL REVIEW

This financial commentary should be read in conjunction with the full financial statements and Notes to the Financial Statements in the FY22 Annual Report.

REVENUE

The sector and the economy continued to be disrupted by COVID-19 with the Delta lockdowns in Q2 and Omicron in Q4. Despite this, the Group delivered revenue of \$344.5m, up 14% on pcp. Auto Retail and Insurance both delivered increased revenues. Auto Retail revenue grew off increased market share, new branches and more owned stock flowing through the business. Finance book revenues reflected strong loan book growth from premium borrower segment. Insurance revenues were marginally down on FY21, reflecting downward movement in used car market and CCCFA impact. Credit Management revenues dropped as a result of less market arrears and “no communication” periods with debtors.

PROFIT

Net Profit before Tax was a 15% increase on the prior year, with profit increases in each of Turners’ largest business divisions. The Auto Retail result was underpinned by better finance penetration, better margins, more owned stock and new branches. Finance was driven by loan book growth and taking market share in premium borrower segment. The Insurance result reflects improvement in claims ratios and cost base, while the lower Credit management profit was due to reduced commissions from less debt loaded.

The significant 29% year on year uplift in underlying profit before tax to \$44.1m reflects improved margins, increased market share in Auto Retail, Finance and Insurance, combined with improved Group resilience in lockdown trading conditions.

Net profit after tax rose to \$31.3m, up 16% year on year.

BALANCE SHEET

Turners has a strong balance sheet with the capacity to support growth. Inventory levels have remained stable as we improve processing times and overall turn metrics. The increase in Finance Receivables reflects the positive growth in Oxford Finance, as does the increase in borrowings to support this growth. Property, plant and equipment has increased due to acquisition of sites in Rotorua and Nelson with Turners property portfolio now valued at \$76.5m (on the balance sheet at \$57.7m).

FUNDING MIX

Turners has a mix of bank loans and securitisation to fund its business. More than 80% of funding relates to finance receivables in Oxford Finance. During the year, the Corporate Bond was repaid with a new, lower cost term loan from ASB. A process has also been commenced to “term out” the securitisation warehouse to third party funders and a transaction is expected in FY23.

RECONCILIATION NPBT TO UNDERLYING NPBT

\$MILLIONS	FY22	FY21	VAR
Reported Profit before tax	43.1	37.4	15%
Profit on sale of MTF shares	(0.5)	-	
NZ Government COVID-19 Support	(1.6)	(5.1)	
COVID-19 restriction profit normalisation	3.1	3.5	
Property exit and lease adjustments	-	(1.3)	
Staff restructuring	-	(0.2)	
Underlying profit before tax	44.1	34.3	29%

BALANCE SHEET

\$MILLIONS	FY22	FY21
Cash and cash equivalents	13	12
Financial assets at fair value	70	70
Inventory	32	30
Finance receivables	423	330
Property, plant and equipment	68	60
Right of use Assets	23	24
Intangible asset	164	166
Other assets	32	26
Total Assets	825	718
Borrowings	413	340
Other payables	50	38
Deferred tax	13	11
Insurance contract liabilities	55	53
Lease liabilities	28	29
Other Liabilities	14	14
Total Liabilities	573	485
Shareholders Equity	252	233

FUNDING MIX

\$MILLIONS	LIMIT	DRAWN
Receivables – Securitisation (BNZ)	320	302
Receivables – Banking Syndicate (ASB/BNZ)	50	39
Less Cash		(5)
Net Receivables Funding	370	336
Receivables Funding Capacity		34
Corporate and Property	90	68
Working Capital (ASB and BNZ)	30	4
Less Cash		(8)
Net Corporate Borrowings		64
Corporate and Property Funding Capacity		56



THE BOARD



GRANT BAKER
Non-executive Chairman | Appointed September 2009

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

With a 7.49% shareholding, Grant is a long term committed investor in Turners Automotive Group and has been Chairman of Turners Automotive Group since September 2009. As an avid collector of specialist vehicles and a motor racing enthusiast, both as a competitor and as a backer of young up and coming drivers. He is currently chairman of the Liam Lawson Supporters Partnership and is passionate about the strong Turners brand and its focus on cars.



MATTHEW HARRISON
Non-executive Director | Appointed December 2012

Matthew Harrison has extensive management experience and a background in finance and business administration. He is the former Managing Director of EC Credit Control, the debt recovery business acquired in 2012 and has great experience dealing with credit cycles and credit management. He joined EC Credit Control in 1998, following senior management roles in the courier industry. Matthew joined the Turners Automotive Group Board in 2012 and represents his family interests, which have a 7.57% combined holding in the company. Matthew is a self-confessed “car nut” and has collected and owned a variety of special cars over the years. He is very enthusiastic about the future of Turners and, given his large shareholding and love for automobiles, is strongly committed to seeing Turners continue its successful journey.



ALISTAIR PETRIE
Non-executive Director | Appointed February 2016

Alistair Petrie has over 15 years of senior management experience in both private and listed companies in the agribusiness sector. He has extensive knowledge in sales and marketing in both international and domestic environments, which is particularly useful for some of the challenges and opportunities Turners has importing vehicles from Japan. He has a number of directorships with companies that have a focus on growth and innovation, and he represents the interests of Bartel Holdings, which has a 11.55% shareholding in Turners Automotive Group. Alistair worked for many years at Turners & Growers, the original parent company of Turners Auctions, which provides a nice connection at Board level back to those foundational brand values of “trust and integrity”. Alistair has a BSC (hons) from Newcastle Upon Tyne University and an EMBA from Melbourne University.



JOHN ROBERTS
Independent Director | Appointed July 2015

John Roberts has extensive experience in the financial services industry, having held the role of Managing Director of credit bureau Veda International for 10 years, during which time the Veda Advantage business was successfully listed on the ASX. John previously had over 25 years in advertising, with CEO roles with Saatchi & Saatchi in New Zealand and Asia Pacific, before heading up MasterCard in New Zealand for three years. John is currently a director of Centrix, a leading credit rating agency in NZ, and this keeps him connected with the financial sector and the NZ credit cycle and a director of Apollo Foods Limited which has launched the successful Apple Press range of products and Boring Oat Milk. John’s advertising and branding experience has been invaluable across a number of projects within the business and he continues to add value and thought leadership around the use of data and analytics, drawing on his Veda NZ experience.



ANTONY VRIENS
Independent Director | Appointed January 2015

Antony Vriens has been a director and chairman of Turners’ insurance subsidiary, DPL Insurance (now Autosure), since 2012. He is a highly experienced financial services industry professional, with demonstrated success as a senior executive and consultant in insurance and wealth management businesses across Asia Australia and New Zealand. Antony currently holds the position of VP of Technical Insurance Services for Manulife Asia responsible for digital transformation. He brings a hands on, practical and commercial approach and a strong technology focus to his Board role. His relationships across the insurance industry and regulators are highly valuable to the Turners business and his collaborative approach is embraced by both the Board and management.



MARTIN BERRY
Independent Director | Appointed August 2018

Martin Berry is a seasoned global financial services executive having run large international businesses for the likes of ANZ, Citibank, Barclays and Standard Chartered. He later focused on entrepreneurial ventures where he has successfully built, acquired and exited several companies, most notably the Gong Cha Group, where he currently serves as Group Chairman. Martin also founded venture capital firm Launcho Ventures out of Singapore investing in and building early stage tech companies, with more than 100 investments globally.



LAUREN QUAINANCE
Emerging Director | Appointed October 2021

Lauren Quaintance is an award-winning journalist and media executive turned entrepreneur and marketer. She has had an extensive career in media at a senior level in both the United Kingdom and Australasia and is the co-founder and Managing Director of Storyation, a leading digital content marketing agency, which was sold to ASX-listed NewsCorp Australia in late 2019. Lauren was named Entrepreneur of the Year at the B&T Women in Media Awards in Australia. Her journalistic pedigree combined with digital marketing experience and entrepreneurial skills fit well with the Turners direction and culture.

THE EXECUTIVE TEAM



TODD HUNTER
Group Chief Executive Officer



AARON SAUNDERS
Group Chief Financial Officer



GREG HEDGEPETH
CEO Turners Automotive Retail



JAMES SEARLE
Group General Manager Insurance



JEREMY ROOKE
Group Chief Digital Officer



MATTHEW GANNAWAY
CEO EC Credit Control



MARYANNE BURNS
Group General Manager People & Culture



GUY BRYDEN
COO Oxford Finance

TODD HUNTER

Group Chief Executive Officer

Todd is a strong and experienced senior executive, with a background in marketing, sales and accounting in both large global and domestic businesses. Before joining Turners Auctions in 2006 Todd worked for Microsoft NZ and Ernst and Young. He was appointed CEO of NZX listed Turners Auctions in 2013, and took on the CEO role for the wider Turners Automotive Group in 2016. Todd is a chartered accountant and holds a Bachelor and Diploma of Commerce from Auckland University.

AARON SAUNDERS

Group Chief Financial Officer

Aaron joined Turners Group NZ in 2006. He has a strong background in financial and management accounting, at both a strategic and operating level in local and international markets. Over the last 20 years, Aaron has worked across a broad range of company sizes and industries including vehicle importation and distribution, broadcasting and the finance sector. Aaron is a full member of the New Zealand Institute of Chartered Accountants and holds a Bachelor of Commerce from Auckland University.

GREG HEDGEPETH

CEO Turners Automotive Retail

Greg joined Turners in 2017 as CEO of the Automotive Retail division, with responsibility for Turners Cars, Trucks & Machinery and the Damaged & End of Life business. He is an experienced automotive executive and has previously held a number of senior roles with BMW Group NZ and Armstrong Motor Group. With a Bachelor of Commerce majoring in marketing from Auckland University he has successfully completed numerous marketing roles, followed by a number of years working for Saatchi & Saatchi in NZ and other advertising agencies overseas. Greg brings a strong strategic sales and marketing focus to his current role.

JAMES SEARLE

Group General Manager Insurance

James is responsible for the sustainable and profitable growth of DPL Insurance and leads the company’s focus on delivering outstanding outcomes for our customers. James has over 30 years’ experience in the New Zealand insurance industry with his previous roles

encompassing all aspects of insurance; sales and marketing, intermediated distribution management and underwriting including portfolio acquisitions. James joined Turners Automotive Group in 2011 and holds a Diploma of Business (Marketing) from Auckland University.

JEREMY ROOKE

Group Chief Digital Officer

Jeremy joined Turners Automotive Group in 2009. His current role involves leading the operation of our group IT services and product functions, as well as leading the adoption of new technologies, business models, and channels to transform Turners’ digital capabilities. Jeremy brings over 20 years of IT experience having worked on several large transformational IT programmes in NZ and Australia, most notably in the insurance sector. Jeremy holds degrees in Law and Arts from Auckland University.

MATTHEW GANNAWAY

CEO EC Credit Control

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

MARYANNE BURNS

Group General Manager People & Culture

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

GUY BRYDEN

COO Oxford Finance

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

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Turners.

Automotive Group

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022



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INDEPENDENT AUDITOR’S REPORT
for the year ended 31 March 2022

Level 9, 45 Queen Street, Auckland 1010
PO Box 3899, Auckland 1140
New Zealand

T: +64 9 309 0463
F: +64 9 309 4544
E: auckland@bakertillysr.nz
W: www.bakertillysr.nz



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 40 to 92, which comprise the consolidated statement of financial position as at 31 March 2022, 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 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

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

Basis for Opinion

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

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

In addition to this, principals and employees of our firm deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. This has not impaired our independence.

INDEPENDENT AUDITOR’S REPORT cont.
for the year ended 31 March 2022



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
<p>Impairment of Goodwill and Other Indefinite Life Intangible Assets</p> <p>As disclosed in Note 22 of the Group's consolidated financial statements the Group has goodwill of \$92.5m allocated across four of the Group's cash-generating units ('CGUs') and brand assets of \$67.1m allocated across two of those CGUs.</p> <p>Goodwill and brand assets were significant to our audit due to the size of the assets and the subjectivity, complexity and uncertainty inherent in the measurement of the recoverable amount of these CGUs for the purpose of the required annual impairment test. The measurement of a CGUs recoverable amount includes the assessment and calculation of its 'value in-use'.</p> <p>Management has completed the annual impairment test for each of these four CGUs as at 31 March 2022.</p> <p>This annual impairment test involves complex and subjective estimation and judgement by Management on the future performance of the CGUs, discount rates applied to the future cash flow forecasts, the terminal growth rates, and future market and economic conditions.</p> <p>Management has also engaged an external valuation expert to assist in the annual impairment testing of the four CGUs.</p>	<p>Our audit procedures among others included:</p> <ul style="list-style-type: none">Understanding and evaluating the Group's internal controls relevant to the accounting estimates used to determine the recoverable value of the Group's CGUs.Evaluating Management's determination of the Group's four CGUs based on our understanding of the nature of the Group's business and the economic environment in which the segments operate. We also analysed the internal reporting of the Group to assess how the CGUs are monitored and reported.Evaluating the competence, capabilities, objectivity and expertise of Management's external valuation expert and the appropriateness of the expert's work as audit evidence for the relevant assertions.Challenging Management's assumptions and estimates used to determine the recoverable value of its indefinite life intangible assets, including those relating to forecasted revenue, cost, capital expenditure and discount rates, by adjusting for future events and corroborating the key market related assumptions to external data (including the consideration of the impact of the COVID-19 pandemic). <p>Procedures included:</p> <ul style="list-style-type: none">Evaluating the logic of the value-in-use calculations supporting Management's annual impairment test and testing the mathematical accuracy of these calculations;Evaluating Management's process regarding the preparation and review of forecasts;Comparing forecasts to Board approved forecasts;Evaluating the historical accuracy of the Group's forecasting to actual historical performance;Challenging and evaluating the forecast growth assumptions;Evaluating the inputs to the calculation of the discount rates applied;Engaging our own internal valuation experts to evaluate the logic of the value-in-use calculation and the inputs to the calculation of the discount rates applied;Evaluating the forecasts, inputs and any underlying assumptions with a view to identifying Management bias;Evaluating Management's sensitivity analysis for reasonably possible changes in key assumptions; andPerforming 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 22 in the Group's consolidated financial statements.

INDEPENDENT AUDITOR’S REPORT
for the year ended 31 March 2022



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 \$422.9m. Finance receivable assets were significant to our audit due to the size of the assets and the subjectivity, complexity and uncertainty inherent in the recognition of expected credit losses and the amount of those expected credit losses.</p> <p>Management has prepared expected credit losses models to complete its assessment of expected credit losses for the Group’s finance receivables as at 31 March 2022 (including a COVID-19 related overlay of \$1.7m).</p> <p>This assessment involves complex and subjective estimation and judgement by Management on credit risk and the future cash flows of the finance receivables.</p>	<p>Our audit procedures among others included:</p> <ul style="list-style-type: none">• Understanding and evaluating the Group’s internal controls relevant to the accounting estimates used to determine the recoverable value of the Group’s finance receivables.• Evaluating the design and operating effectiveness of the key controls over finance receivable origination (including changes implemented during the year as result of the changes to the Credit Contracts and Consumer Finance Act 2003 (CCCFA) that came into force from 1 December 2021), ongoing administration and expected credit losses model data and calculations.• Challenging and evaluating the logic, key assumptions, and calculation of Management’s expected credit losses provision for impairment for each finance receivable, examining those finance receivables and forming our own judgements as to whether the expected credit losses provision for impairment recognised by Management is appropriate (including the consideration of the impact of the COVID-19 pandemic). <p>Procedures included:</p> <ul style="list-style-type: none">○ Agreeing a representative sample of finance receivables to the signed loan agreement, client acceptance documents, mortgage documents, and registered valuations performed on acceptance;○ Inspecting security documentation to ensure that the Group holds a valid charge on security;○ Evaluating the logic of the discounted cash flow calculations supporting Management’s expected credit losses provision for impairment and testing the mathematical accuracy of these calculations;○ Evaluating the key assumptions and inputs into these discounted cash flow calculations (including the consideration of the impact of the COVID-19 pandemic on key assumptions);○ Evaluating and challenging Management’s sensitivity analysis for reasonably possible changes in key assumptions and inputs into the discounted cash flow calculations; and○ Inspecting the borrowers’ payment history for indicators of difficulties in the borrowers’ ability to meet the loan obligations. <ul style="list-style-type: none">• Evaluating the selection of estimation methods, inputs and any underlying assumptions with a view to identifying Management bias.• For individually assessed finance receivables, examining those finance receivables and forming our own judgements as to whether the expected credit losses provision recognised by Management was appropriate.• For the collectively assessed finance receivables, challenging and evaluating the logic of Management’s expected credit losses models and the key assumptions used with our own experience. Also, testing key inputs used in the expected credit losses models and the mathematical accuracy of the calculations within the models.• Evaluating the changes made to the provisioning model to capture the effect of the changing economic environment at 31 March 2022 compared to the economic environment at the date when the historical data used to determine the expected credit losses was collected (described in Note 4 to the Group’s consolidated financial statements).• Evaluating the related disclosures (including the accounting policies and accounting estimates) about finance receivable assets, and the risks attached to them, which are included in Note 5 and 14 in the Group’s consolidated financial statements.

INDEPENDENT AUDITOR’S REPORT cont.
for the year ended 31 March 2022



Key Audit Matter	How our audit addressed the key audit matter
<p>Valuation and completeness of Insurance Contract Liabilities</p> <p>As disclosed in Note 35 of the Group’s consolidated financial statements the Group has insurance contract liabilities of \$55.0m. 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 2022.</p>	<p>Our audit procedures among others included:</p> <ul style="list-style-type: none">• Understanding and evaluating the Group’s internal controls relevant to the accounting estimates used to determine the valuation of the Group’s insurance policyholder liabilities.• Evaluating the design and operating effectiveness of the key controls over insurance contract origination, ongoing administration, claims management and reporting and the integrity of the related data.• Evaluating the competence, capabilities, objectivity and expertise of Management’s external actuarial expert and the appropriateness of the expert’s work as audit evidence for the relevant assertions.• Agreeing the data provided to Management’s external actuarial expert to the Group’s records.• Engaging our own actuarial expert to assist in understanding and evaluating:<ul style="list-style-type: none">○ the work and findings of the Group’s external actuarial expert engaged by Management; and○ the Group’s actuarial methods and assumptions to assist us in challenging the appropriateness of actuarial methods and assumptions used by Management.• Evaluating the selection of methods and assumptions with a view to identifying Management bias.• Evaluating the related disclosures (including the accounting policies and accounting estimates) about insurance contract liabilities, and the risks attached to them, which are included in Note 35 in the Group’s consolidated financial statements.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Group’s annual report for the year ended 31 March 2022 (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

INDEPENDENT AUDITOR’S REPORT
for the year ended 31 March 2022



is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

INDEPENDENT AUDITOR’S REPORT cont.
for the year ended 31 March 2022



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

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

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Matters Relating to the Electronic Presentation of the Audited Consolidated Financial Statements

This audit report relates to the consolidated financial statements of Turners Automotive Group Limited and its subsidiaries for the year ended 31 March 2022 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 29 June 2022 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 N S de Frere.

BAKER TILLY STAPLES RODWAY AUCKLAND

Auckland, New Zealand

29 June 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2022

	Notes	2022 \$'000	2021 \$'000
Revenue	7	342,029	296,512
Other income	7	2,487	7,015
Cost of goods sold		(153,173)	(121,748)
Interest expense	7	(10,932)	(11,266)
Impairment provision expense	7	(3,024)	(3,986)
Subcontracted services expense		(10,940)	(9,176)
Employee benefits		(56,030)	(52,023)
Commission		(12,925)	(12,721)
Advertising expense		(4,140)	(2,349)
Depreciation and amortisation expense	7	(10,702)	(11,418)
Systems maintenance		(3,399)	(2,365)
Claims		(21,024)	(21,843)
Other expenses		(15,107)	(17,257)
Profit before taxation		43,120	37,375
Taxation (expense)/benefit	8	(11,839)	(10,511)
Profit for the year		31,281	26,864
Other comprehensive income for the year (which may subsequently be reclassified to profit/loss), net of tax			
Cash flow hedges		5,429	1,023
Revaluation of financial assets at fair value through OCI		(345)	(430)
Foreign currency translation differences		(6)	33
Total other comprehensive income		5,078	626
Total comprehensive income for the year		36,359	27,490
Earnings per share (cents per share)			
Basic earnings per share	9	36.39	31.40
Diluted earnings per share	9	36.45	31.54

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2022

	Notes	Share capital \$'000	Share options \$'000	Translation reserve \$'000	Revaluation of financial assets at fair value through OCI \$'000	Cash flow hedge reserve \$'000	Retained earnings \$'000	Total \$'000
Balance at 31 March 2020		204,327	-	(59)	(310)	(975)	20,072	223,055
<i>Transactions with shareholders in their capacity as owners</i>								
Capital buy-back	28	(30)	-	-	-	-	-	(30)
Employee share based payments	29	-	255	-	-	-	-	255
Dividend paid	30	-	-	-	-	-	(17,200)	(17,200)
Total transactions with shareholders in their capacity as owners		(30)	255	-	-	-	(17,200)	(16,975)
<i>Comprehensive income</i>								
Profit		-	-	-	-	-	26,864	26,864
Other comprehensive income		-	-	33	(430)	1,023	-	626
Total comprehensive income for the year, net of tax		-	-	33	(430)	1,023	26,864	27,490
Balance at 31 March 2021		204,297	255	(26)	(740)	48	29,736	233,570
<i>Transactions with shareholders in their capacity as owners</i>								
Employee share based payments	29	1,185	217	-	-	-	-	1,402
Dividend paid/payable	30	-	-	-	-	-	(18,934)	(18,934)
Total transactions with shareholders in their capacity as owners		1,185	217	-	-	-	(18,934)	(17,532)
<i>Comprehensive income</i>								
Profit		-	-	-	-	-	31,281	31,281
Other comprehensive income		-	-	(6)	(345)	5,429	-	5,078
Total comprehensive income for the year, net of tax		-	-	(6)	(345)	5,429	31,281	36,359
Balance at 31 March 2022		205,482	472	(32)	(1,085)	5,477	42,083	252,397

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2022

	Notes	2022 \$'000	2021 \$'000
Assets			
Cash and cash equivalents	10	13,373	11,867
Financial assets at fair value through profit or loss	11	70,199	70,396
Trade receivables	12	7,581	7,155
Inventories	13	31,980	30,189
Finance receivables	14	422,870	330,165
Other receivables, deferred expenses and contract assets	15	9,340	8,116
Derivative financial instruments		5,414	40
Financial assets at fair value through OCI	16	225	570
Reverse annuity mortgages	17	3,242	4,152
Property, plant and equipment	19	67,569	60,258
Right-of-use assets	20	23,497	23,559
Investment property	21	5,950	5,950
Intangible assets	22	164,453	166,034
Total assets		825,693	718,451
Liabilities			
Other payables	23	50,103	38,243
Contract liabilities	24	1,848	2,313
Deferred tax	25	13,191	11,297
Tax payables		4,016	3,453
Borrowings	26	412,761	339,611
Lease liabilities	27	28,209	28,747
Life investment contract liabilities	35	8,153	8,116
Insurance contract liabilities	35	55,015	53,101
Total liabilities		573,296	484,881
Shareholders' equity			
Share capital	28	205,482	204,297
Other reserves		4,832	(463)
Retained earnings		42,083	29,736
Total shareholders' equity		252,397	233,570
Total shareholders' equity and liabilities		825,693	718,451

For and on behalf of the Board



G.K. Baker
Chairman Director



J.A. Roberts
Director

Authorised for issue on 29 June 2022

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2022

	Notes	2022 \$'000	2021 \$'000
Cash flows from operating activities			
Interest received		44,429	41,598
Receipts from customers		297,032	256,676
Receipt of government subsidies		1,580	5,247
Interest paid - borrowings		(6,676)	(9,193)
Interest paid - lease liabilities		(1,774)	(1,461)
Payment to suppliers and employees		(274,022)	(222,063)
Income tax paid		(9,326)	(8,166)
Net cash outflow from operating activities before changes in operating assets and liabilities		51,243	62,638
Net increase in finance receivables		(93,992)	(48,654)
Net decrease in reverse annuity mortgages		1,164	1,134
Net (increase)/decrease of financial assets at fair value through profit or loss		(2,482)	(4,090)
Net (withdrawals)/contributions from life investment contracts		126	(150)
Changes in operating assets and liabilities arising from cash flow movements		(95,184)	(51,760)
Net cash (outflow)/inflow from operating activities	32	(43,941)	10,878
Cash flows from investing activities			
Proceeds from sale of property, plant, equipment and intangibles		636	563
Purchase of property, plant, equipment and intangibles		(16,121)	(8,641)
Sale of investments		3,420	234
Net cash inflow/(outflow) from investing activities		(12,065)	(7,844)
Cash flows from financing activities			
Net bank loan advances/(repayments)		100,660	(392)
Principal elements of lease payments		(5,563)	(6,346)
Bond repayments		(25,000)	-
Proceeds from the issue of shares		1,185	-
Dividend paid		(13,770)	(17,200)
Net cash inflow/(outflow) from financing activities		57,512	(23,938)
Net movement in cash and cash equivalents		1,506	(20,904)
Add opening cash and cash equivalents		11,867	32,771
Closing cash and cash equivalents		13,373	11,867
Represented By:			
Cash at bank	10	13,373	11,867
Closing cash and cash equivalents		13,373	11,867

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2022

1. REPORTING ENTITY

Turners Automotive Group Limited, ('the Company') is incorporated and domiciled in New Zealand. Turners Automotive Group Limited is registered under the Companies Act 1993.

Turners Automotive Group Limited is a FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013.

The consolidated financial statements of Turners Automotive Group Limited and its subsidiaries (together 'the Group') have been prepared in accordance with the Companies Act 1993 and the Financial Markets Conduct Act 2013.

The Group is a for profit entity.

The Group's principal activities are:

- auto retail (second hand vehicle retailer)
- finance and insurance (loans and insurance products); and
- credit management (collection services).

The financial statements were authorised for issue by the directors on 29 June 2022.

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

No new standards and amendments and interpretations to existing standards came into effect during the current accounting period beginning on 1 April 2021 that materially impacted the Group's financial statements and require retrospective adjustment.

3.2 New standards and amendments and interpretations to existing standards that are not yet effective for the current accounting period beginning on 1 April 2021

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

NZ IFRS 17 Insurance Contracts

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

The effective date is annual reporting periods beginning on or after 1 January 2023.

The Company is currently working through the process of preparing its transitional position as at 31st March 2022, which will form the starting point of the prior period comparisons reported at 31st March 2024. Opening equity is likely to be re-stated in respect of some life insurance items, but these are not expected to be material, nor are reported earnings under the new standard expected to differ materially from those reported under NZ IFRS 4, due to the dominance of the Company's non-life activities where IFRS 17 and NZ IFRS 4 produce similar net assets and reported earnings.

3.3 Basis of consolidation

Subsidiaries

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2022

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 translated to the functional currency at the exchange rate at that date. The foreign currency gains or losses on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

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

Foreign operations

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

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity.

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

3.5 Revenue and expense recognition

The principal sources of revenue are sales of goods, sales of service, interest income, fees, commissions, and insurance premium income.

3.5.1 Revenue from contracts with customers

Sales of goods

Sales of goods comprise sales of motor vehicle and commercial goods owned by the Group. Sales of goods are recognised when the customer gains control of the goods. This normally occurs on full payment or approval of financing.

Sales-related warranties associated with goods cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications and cover the standard period established by legislation. There is no material amount of variable consideration under these contracts nor is there the existence of a significant financing component.

Sales of service

Auction commission is recognised at a point in time in the accounting period in which the service is rendered. Payment for services is normally deducted from the proceeds from the sale. Other than those provided by legislation no warranties are provided by the Group. There is no material amount of variable consideration under these contracts nor is there the existence of a significant financing component.

Other sales revenue comprises services rendered preparing the asset for sale and commission earned on the sale of third party products. Services rendered while preparing the asset for sale are recognised over time in which the service is rendered, and a contract asset is recognised for amounts relating to services rendered not yet invoiced. Payment for services rendered are either deducted from the proceeds from the sale or raised as a trade receivable. Other than those provided by legislation no warranties are provided by the Group. There are no rebates or volume discounts. Commissions earned on the sale of third party products is recognised at a point in time when the sale is made. Payment is usually received when the sale is made.

Collection income, which is largely fees and commission earned for collecting debt on behalf of third parties and the sale of customised terms of trade documents, is recognised at a point in time when the service is rendered. Payment is either deducted from the monies collected or raised as trade receivable. Proceeds received are recognised as a contract liability and therefore a contract liability is recognised over the period in which the services are performed representing the Group's right to consideration for the services performed to date. If the consideration promised includes a variable amount for rebates, refunds or credit, then the Group estimates the amount of variable consideration, to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur, and recognises a contract liability. Other than those provided by legislation no warranties are provided by the Group. Costs to obtain contracts such as commissions are recognised as contract assets and incurred when the related revenue for the contract is released to profit or loss.

Voucher income

Voucher income is the proceeds from the sale of a voucher that on presentation entitles the holder to either load a debt for collection or register a security on the Personal Property Securities Register ('PPSR'). Voucher income is recognised, at a point in time, when the voucher is redeemed and the debtor's information is loaded into the collection system or a security is registered on the PPSR. Payment is normally received when the voucher is sold, and proceeds received from voucher sales are initially recognised as a contract liability. For those vouchers that are unredeemed, voucher income is recognised after a period of time based on historical non-redemption patterns. Estimates are readjusted as necessary based on movements in the actual non-redemption patterns. Other than those provided by legislation no warranties are provided by the Group. There is no material amount of variable consideration under these contracts nor is there

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2022

the existence of a significant financing component. Costs to obtain contracts such as commissions are recognised as contract assets and incurred when the related revenue for the contract is released to profit or loss.

3.5.2 Financial instruments
Interest income and expense

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

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

Lending and funding - fees and commissions

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

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

3.5.3 Insurance contracts
Premium income and acquisition costs

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

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

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

Under life investment contracts deposits are received from policyholders which are then invested on behalf of the policyholders and recognised as Financial assets at fair value through profit or loss. No premium income is recognised as revenue. Fees deducted from members' accounts are accounted for as fee income.

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

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

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

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

Claims expense

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

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

3.5.4 Government grants

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

3.5.5 Other
Other income

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

Other expense recognition

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2022

3.6 *Financial instruments*

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Financial assets that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a financial asset that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the financial asset, or, where appropriate, a shorter period, to the gross carrying amount of the financial asset on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any expected credit losses. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any expected credit losses.

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below).

For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Financial assets measured at amortised cost include cash and cash equivalents, trade receivables, finance receivables, reverse annuity mortgages and other receivables.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2022

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Financial assets that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, financial assets that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any financial assets as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). Fair value is determined in the manner described in note 5.5.

Financial assets measured at FVTPL include equity securities, unithised funds, fixed interest securities and term deposits.

(iii) Finance assets at FVTOCI

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

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

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. Homogeneous loans are assessed on a collective basis (collective impairment provision) and non-homogeneous loans are assessed individually (specific impairment provision).

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort such as:

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

The nature of the Group's finance receivables (second tier retail and commercial lending) means there is little or no updated credit risk information that is routinely obtained and monitored on an individual instrument until a customer breaches the contractual terms.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that another default criteria is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the borrower;
- a breach of contract, such as a default or past due event (see (ii) above); and
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2022

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the borrower is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the borrower has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date. No further advances are allowed against financial assets in default.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows, after collection/realisation costs, that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gains or losses in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship (see Hedge accounting policy).

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Fair value is determined in the manner described in note 5.5.

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Financial liabilities measured at FVTPL include contingent consideration.

Financial liabilities measured subsequently at amortised cost
Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Derivative financial instruments

The Group enters into derivative financial instruments (interest rate swaps and foreign exchange contracts) to manage its exposure to interest rate and foreign exchange rate risks.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both legal right and intention to offset.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The Group designates certain derivatives as hedging instruments in respect of foreign currency and interest rate risk in cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Cash flow hedges

Hedge effectiveness is determined using the critical terms method ('CTM') at the origination of the hedging relationship. Under the CTM, the critical terms of the derivative instruments must match or be closely aligned with the critical terms of the hedged item. Quantitative effectiveness tests are performed at each period end to determine the continuing effectiveness of the relationship. In instances where changes occur to the hedged item which result in the critical terms no longer matching, the hypothetical derivative method is used to assess effectiveness. This method compares the hedging instrument to a hypothetical derivative (in which the fair value is determined by the credit-risk free benchmark rate) and the ineffective portion is measured by the extent to which the cumulative change in fair value of the hedging instrument exceeds the change in fair value of the hypothetical derivative (in absolute terms).

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results

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in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss.

3.7 Right-of-use assets and lease liabilities

A lease is a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group leases various offices, warehouses, retail stores and equipment. Rental contracts are typically made for fixed periods of 3 to 8 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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3.8 Insurance contracts

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

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

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 DPL Insurance Limited's Board.

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

General insurance contract liabilities include claims provision and the provision for unearned premium. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling cost and a reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of claims, therefore the ultimate cost of these cannot be known at reporting date and are estimated based on past experience. The liability is not discounted for the time value of money and is derecognised when the obligation to pay the claim expires, is discharged or is cancelled.

The provision for unearned premiums represent the portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is recognised as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

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

3.9 Life investment contracts

Life investment contracts are those contracts with minimal insurance risk and are accounted for in accordance with NZ IFRS 15 'Revenue from Contracts with Customers' (refer note 3.5.1) and NZ IFRS 9 'Financial Instruments' (refer note 3.5.2). The life investment contracts are unit-linked and fair value of a unit linked contract is determined using the current unit values that reflect the fair value of the financial assets backing the contract, multiplied by the number of units attributable to the contract holder.

3.10 Inventories

Inventories comprise primarily motor vehicles held for sale and are stated at the lower of cost or net realisable value. Cost comprises purchase price, shipping cost, compliance cost and other sundry related costs. Estimated selling prices are based upon recent observed vehicle sales prices for comparable vehicles. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3.11 Investment property

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

Investment property is initially recognised at fair value on date of transfer or purchase and subsequently carried at fair value. The fair value of investment properties is determined by a qualified independent external valuer (refer note 21).

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

3.12 Property, plant and equipment

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

The rates for the following asset classes are:

	Diminishing value	Straight line
Buildings	-	2 - 3%
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

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3.13 Intangible assets

Intangible assets comprise goodwill, acquired separable corporate brands, acquired customer relationships and computer software. Goodwill and corporate brands are indefinite life intangibles subject to annual impairment testing.

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

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 (10 years) of the relationship and are recognised in the statement of financial position at cost less accumulated amortisation and impairment losses.

Computer software is recognised in the statement of financial position at cost less accumulated amortisation and impairment losses.

Direct costs associated with the purchase and installation of software licences and the development of software for internal use are capitalised where project success is probable and the capitalisation criteria is met. Cost associated with planning and evaluating computer software and maintaining a system after implementation are expensed. Computer software costs are amortised on a diminishing value basis (rate of 50%) or on a straight-line basis (one to five years).

3.14 Taxation

Income tax for the period comprises current and deferred tax. Current and deferred tax are recognised as an expense or income in the profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at balance date after taking advantage of all allowable deductions under current taxation legislation and any adjustment to tax liabilities in respect of previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the amount of assets and liabilities, using tax rates enacted or substantively enacted as at balance date.

Deferred taxation assets arising from temporary differences or income tax losses, are recognised only to the extent that it is probable that a future taxable profit will be available against which the asset can be utilised. Deferred taxation assets are reduced to the extent that it is no longer probable that the related tax asset will be realised. Any reduction is recognised in profit or loss.

3.15 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired. Intangible assets not yet available for use are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment losses directly reduce the carrying amount of assets and are recognised in profit or loss.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3.16 Managed funds

DPL Insurance Limited, a wholly owned subsidiary, has saving plans, which are not open to new members, with assets managed by a third party investment manager. The assets and liabilities of these funds are included in the financial statements.

3.17 Employee benefits

Wages, salaries and annual leave

Liabilities for wages, salaries and annual leave are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to future wage and salary levels, experience of employee departures and periods of service. Expected future payments

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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 are satisfied, provided that all other performance and/or service conditions are satisfied.

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

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

Superannuation plans

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

3.18 Statement of cash flows

The statement of cash flows has been prepared using the direct approach modified by netting certain cash flows in order to provide more meaningful disclosure to better reflect the activities of the Group's customers or the party providing funding to the Group than those of the Group. These include reverse annuity mortgages, finance receivables and borrowings.

3.19 Comparatives

Where necessary, comparative information has been reclassified and represented for consistency with current year.

4. USE OF ESTIMATES AND JUDGEMENTS

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

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

COVID-19

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

While actual results achieved in the 31 March 2022 financial statements have been better than expected in the COVID-19 environment, residual market uncertainty regarding the economic impact of the pandemic remains. Consequently, Management have concluded that retaining COVID-19 overlay provisions relating to the impairment provisions for loans receivables is appropriate.

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

Provision for impairment on loan receivables

Significant increase in credit risk

As explained in note 3.6, ECL are measured as an allowance equal to 12 month ECL for performing assets, or lifetime ECL for those where there has been a significant deterioration in credit quality since recognition. An asset moves to doubtful when its credit risk has increased significantly since initial recognition. The Group presumes a significant increase in credit risk subsequent to initial recognition when contractual payments are more than 30 days overdue. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

Calculation of loss allowance

When measuring ECL the Group has used reasonable and supportable forward looking information, which is based on estimates for the future movement of different economic drivers (i.e. unemployment rates and government stimulus) and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

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The COVID-19 overlay provision of \$1.4m included in the finance receivables expected credit loss provision as at 31 March 2021 has been increased to \$1.7m as at 31 March 2022.

Impairment of goodwill and corporate brands

The carrying value of goodwill and corporate brands is assessed at least annually to ensure that it is not impaired. Performing this assessment generally requires management to estimate future cash flows to be generated by the cash-generating unit, which entails making judgements, including the identification of each cash-generating unit, the expected rate of growth of revenues, margins expected to be achieved and the appropriate discount rate to apply when valuing future cash flows (refer note 22). A sensitivity analysis of the recoverable amounts of the CGU's is disclosed in note 22.

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

- for the Finance and Auto Retail CGUs, the movement in their portfolios of finance receivables and related movement in debt financing;
- for the Auto Retail CGU, the movement in inventory levels, trade payables and related movement in trade financing; and
- for the DPL Insurance CGU, the movement in deferred insurance contract premiums and acquisition costs, and solvency capital requirements.

Liabilities arising from claims made under insurance contracts

Liabilities arising from claims made under insurance contracts are estimated based on the terms of cover provided under an insurance contract.

The estimation of the ultimate liability arising from claims made under insurance contracts is based on a number of actuarial techniques that analyse experience, trends and other relevant factors. The estimate process involves using Group specific data, relevant industry data and general economic data, including but not limited to, claim frequencies, average claim sizes and historical trends (refer note 35).

Unredeemed voucher liabilities

The Group's estimate of the unredeemed voucher liability is based on historic redemption patterns. Changes in the redemption pattern of unredeemed vouchers could affect the reported value of this liability. At year end, the Group readjusted the unredeemed prepaid collection voucher liability write off methodology based on movements in the actual redemption patterns to reflect the continued decline in the redemption of historically issued prepaid collection vouchers. The change in accounting estimate resulted in a \$0.1m (2020: \$0.1m) decrease in the unredeemed voucher liability (note 24).

Determining lease term

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

Valuation of investment properties

The fair value of the investment property has been determined by an independent qualified valuer. Note 21 sets out the valuation methodology, key assumptions and sensitivity analysis. The fair value of the investment property is subjective and changes to the assumptions can have a significant impact on profit and the fair value.

The derecognition of finance receivables

The Group follows the guidance in NZ IFRS 9 'Financial Instruments', in transactions where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred. The Group derecognises the transferred asset if control over that asset is relinquished. The rights and obligations retained in the transfer, such as servicing assets and liabilities, are recognised separately as assets and liabilities, as appropriate. If control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, which is determined by the extent to which it remains exposed to changes in the value of the transferred asset. This determination of whether risks and rewards of ownership of a financial asset are neither retained nor transferred requires significant judgement (refer note 3.6). Prior to derecognition, the Group assesses whether the finance receivables qualify for derecognition using the criteria noted above.

Fair value measurement

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

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

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

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. The fair value of level 3 instruments is determined by using valuation techniques based on a range of unobservable inputs. The Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially

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the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. Investments in equity instruments that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are recognised and subsequently carried at cost.

Specific valuation techniques used to value financial instruments in each level are detailed in notes 5.5 and 21.

5. RISK MANAGEMENT

The financial condition and operating results of the Group are affected by a number of key financial and non-financial risks. Financial risks include credit risk, liquidity risk and market risk. The non-financial risks include insurance risk, which is covered in note 35, and fair value risk relating to the Group's Investment property (refer note 21).

5.1 Financial instrument by category

<i>Carrying value</i>	2022	2021
	\$'000	\$'000
Financial assets		
<i>Financial assets at fair value through profit or loss</i>		
Cash and cash equivalents	13,373	11,867
Financial assets at fair value through profit or loss	70,199	70,396
<i>Amortised cost</i>		
Trade receivables	7,581	7,155
Finance receivables	422,870	330,165
Other receivables and deferred expenses	5,726	4,146
Reverse annuity mortgages	3,242	4,152
<i>Financial assets at fair value through OCI</i>		
Derivative financial instruments	5,414	40
Financial assets at fair value through OCI	225	570
	528,630	428,491
Financial liabilities		
<i>Financial liabilities at fair value through profit or loss</i>		
Life investment contract liabilities	8,153	8,116
<i>Amortised cost</i>		
Other payables	32,295	26,945
Borrow ings	412,761	339,611
Lease liabilities	28,209	28,747
	481,418	403,419

5.2 Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents, financial assets at fair value through profit or loss (excluding equities held in unitised funds), trade receivables, finance receivables, reverse annuity mortgages, and other receivables.

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

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

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

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

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

- performing – the counterparty has a low risk of default and does not have any past due amounts greater than 30 days;
- doubtful – amount is > 30 days past due or there has been a significant increase in credit risk since initial recognition;
- in default - amount is > 90 days past due or evidence indicating the asset is credit impaired; and
- write-off – there is evidence indicating the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.

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for the year ended 31 March 2022

The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for finance receivables are:

- mortgages over properties, with the maximum loan to value rate being 75%;
- mortgages over houses for reverse annuity mortgages, with a maximum loan to value ratio of 30% at inception (no new reverse annuity mortgages have been advanced since 2009);
- charges over vehicle stock for dealer floorplans;
- chattel paper where the Group acts as a wholesale funder;
- charges over business assets such as equipment; and
- charges over motor vehicles.

For finance receivables secured by collateral, estimates of the value of collateral are assessed at the time of borrowing, and are not updated unless the receivable is being assessed for specific impairment. The allowance for impairment includes the Group's estimate of the value of collateral held.

For Life investment linked contracts the investments credit risk is appropriate for each particular product and the risk is borne by the policy holder. There is no significant risk assumed by the Group.

5.3 Liquidity risk

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

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

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

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

	0-6 months	7-12	13-24	25-60	60+ months	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2022						
<i>Contractual undiscounted cash flows:</i>						
Other payables	32,295	-	-	-	-	32,295
Borrow ings	8,741	5,023	390,470	20,296	-	424,530
Lease liabilities	3,681	3,716	6,854	13,392	10,084	37,727
	44,717	8,739	397,324	33,688	10,084	494,552
<i>Expected undiscounted cash flows:</i>						
Other payables	32,295	-	-	-	-	32,295
Borrow ings	8,741	5,023	10,040	30,118	459,233	513,155
Lease liabilities	3,681	3,716	6,854	13,392	10,084	37,727
	44,717	8,739	16,894	43,510	469,317	583,177

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for the year ended 31 March 2022

	0-6 months \$'000	7-12 months \$'000	13-24 months \$'000	25-60 months \$'000	60+ months \$'000	Total \$'000
2021						
<i>Contractual undiscounted cash flows:</i>						
Other payables	19,700	-	-	-	-	19,700
Borrowings	38,980	3,346	240,672	64,116	-	347,114
Lease liabilities	3,490	3,368	6,142	12,766	8,043	33,809
	62,170	6,714	246,814	76,882	8,043	400,623
<i>Expected undiscounted cash flows:</i>						
Other payables	19,700	-	-	-	-	19,700
Borrowings	38,980	3,346	4,982	14,810	327,391	389,509
Lease liabilities	3,490	3,368	6,142	12,766	8,043	33,809
	62,170	6,714	11,124	27,576	335,434	443,018

5.4 Market Risk

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

5.4.1 Insurance business

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

In the other insurance business, market risk arises when there is a mismatch between the insurance policy liabilities and the assets backing those liabilities. Refer to note 35K for insurance liabilities interest rate sensitivity. The insurance business has no significant currency and equity risk.

5.4.2 Interest rate risk

Interest rate risk is the risk of loss to the Group arising from adverse changes in interest rates. The Group's financing activities are exposed to interest rate risk in respect of its interest earning assets and interest bearing liabilities. Changes to interest rates can impact the Group's financial results by affecting the interest spread earned on these assets and liabilities.

Interest rates are managed by assessing the demand for funds, new lending, expected debt repayments and maintaining a portfolio of financial assets and liabilities, including derivative financial instruments, with a sufficient spread between the Group's lending and borrowing activities. Exposure to interest rates is monitored by the Board of Directors on a monthly basis.

The interest rates earned on finance receivables are fixed over the term of the contract. When approving interest rates for individual loan advances, interest rate risk is measured in accordance with the approved lending policy. The Group uses interest rate swap contracts to convert a portion of its variable rate debt to fixed rate debt. No exchange of principal takes place. The notional principal amount of interest rate swaps at 31 March 2022 was \$150m (2021: \$89m) and weighted average interest was 1.57% (2021: 0.97%). There was no hedge ineffectiveness recognised in profit or loss during the period (2021: \$nil).

Turners Finance Limited borrows at fixed rates to fund finance receivables. The terms and the amounts of the finance payables are matched to each corresponding finance receivable, for which the lending rates are also fixed at inception, thus eliminating the cash flow interest rate risk on these financial instruments.

The table below summarises the sensitivity of the Group's financial assets and liabilities to interest rate risk.

	Carrying amount \$'000	-1% Profit \$'000	-1% Equity \$'000	+1% Profit \$'000	+1% Equity \$'000
2022					
Financial Assets					
Cash and cash equivalents	13,373	(134)	(96)	134	96
Financial assets at fair value through profit or loss	70,199	(702)	(505)	702	505
Finance receivables	422,870	(4,229)	(3,045)	4,229	3,045
Derivative financial instruments	5,414	(47)	(2,311)	48	2,259
Reverse annuity mortgages	3,242	(32)	(23)	32	23
Financial Liabilities					
Borrowings	412,761	4,128	2,972	(4,128)	(2,972)
Total increase/(decrease)		(1,016)	(3,008)	1,017	2,956

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2022

	Carrying amount \$'000	-1% Profit \$'000	-1% Equity \$'000	+1% Profit \$'000	+1% Equity \$'000
2021					
Cash and cash equivalents	11,867	(119)	(86)	119	86
Financial assets at fair value through profit or loss	70,396	(704)	(507)	704	507
Finance receivables	330,165	(3,302)	(2,377)	3,302	2,377
Derivative financial instruments	40	-	(1,643)	-	1,736
Reverse annuity mortgages	4,152	(42)	(30)	42	30
Financial Liabilities					
Borrowings	339,611	3,396	2,445	(3,396)	(2,445)
Total increase/(decrease)		(771)	(2,198)	771	2,291

5.4.3 Currency risk

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

To ensure the net exposure to EC Credit Control (Aust) Pty Ltd, which has AUD as its functional currency, is kept to an acceptable level, the Group has a comprehensive transfer pricing policy and converts the AUD unredeemed voucher liability (refer note 24) into a NZD liability by selling the AUD liability to the New Zealand entity that will be providing the relevant services to settle the liability when the voucher is redeemed.

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

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

	2022 NZ\$'000	2021 NZ\$'000
in NZD'000		
Net exposure to AUD	934	1,011

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

In NZD'000	-10% Profit	-10% Equity	+10% Profit	+10% Equity
2022				
AUD	-	104	-	(85)
2021				
AUD	-	112	-	(92)

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 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2022				
Fair value assets:				
Financial assets at fair value through profit or loss - insurance	-	8,259	-	8,259
Financial assets at fair value through profit or loss - term deposits	61,940	-	-	61,940
Investment property	-	-	5,950	5,950
Derivative financial instruments	-	5,414	-	5,414
	61,940	13,673	5,950	81,563

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2022

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

Fair value insurance

The financial assets in this category back life investment contract liabilities and are investments in managed funds. The fair value of the investments in the managed funds are determined by reference to published exit prices, being the redemption price based on the market price quoted by the fund manager, ANZ New Zealand Investments Limited (refer note 5.4.1).

Fair value - term deposits and fixed interest securities

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

Fair value - investment property

The fair value of the investment property was determined by an independent registered valuer using the static hypothetical subdivision `

This is a level 3 fair value measurement and the key output used in determining the consideration is the probable sales price. A change in sales price of +/- 5% would increase/(decrease) the total fair value and profit or loss by \$0.3m/(\$0.3m).

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

Derivative financial instruments

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

Reconciliation of recurring level 3 fair value movements:

Assets	2022	2021
	\$'000	\$'000
Opening balance	5,950	5,650
Revaluation at reporting date - investment property	-	300
Closing balance	5,950	5,950

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

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for the year ended 31 March 2022

6. SEGMENTAL INFORMATION

6.1 DESCRIPTION OF SEGMENTS

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

Five reportable segments have been identified as follows:

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

OPERATING SEGMENTS

Revenue	Total segment revenue 2022 \$'000	Inter- segment revenue 2022 \$'000	Revenue from external customers 2022 \$'000	Total segment revenue 2021 \$'000	Inter- segment revenue 2021 \$'000	Revenue from external customers 2021 \$'000
Auto retail	249,236	(6,707)	242,529	204,991	(4,080)	200,911
Finance	51,898	-	51,898	47,862	-	47,862
Insurance	43,269	(2,897)	40,372	43,175	(1,262)	41,913
Credit management	9,671	-	9,671	12,762	-	12,762
Corporate & other	46	-	46	82	(3)	79
	354,120	(9,604)	344,516	308,872	(5,345)	303,527

Revenue from external customers reported to the Board of Directors is measured on the same basis as revenue reported in the profit or loss. Inter-segment transactions are done on an arms length basis. The Group has no customers representing 10% or more of the Group's revenues.

Operating profit	2022	2021
	\$'000	\$'000
Auto retail	19,447	15,415
Finance	17,987	15,816
Insurance	11,580	9,350
Credit management	3,033	5,087
Corporate & other	(8,927)	(8,293)
Profit/(loss) before taxation	43,120	37,375
Income tax	(11,839)	(10,511)
Net profit attributable to shareholders	31,281	26,864

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2022

	Interest revenue		Interest expense		Depreciation and amortisation expense	
	2022	2021	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Auto retail	199	1,208	(1,531)	(2,144)	(8,126)	(8,891)
Finance	44,782	40,466	(6,322)	(5,503)	(842)	(782)
Insurance	1,020	1,654	(72)	(82)	(1,240)	(1,286)
Credit management	1	1	(21)	(30)	(330)	(289)
Corporate & other	1	3	(2,994)	(3,510)	(164)	(170)
	46,003	43,332	(10,940)	(11,269)	(10,702)	(11,418)
Eliminations	(8)	(3)	8	3	-	-
	45,995	43,329	(10,932)	(11,266)	(10,702)	(11,418)

Other material non-cash items

	Revenue/(expenses)	
	2022	2021
	\$'000	\$'000
Auto retail - gain on modification of a lease	60	1,132
Auto retail - impairment provisions	151	229
Finance - impairment provisions	(3,135)	(4,185)
Insurance - reverse annuity mortgage interest	294	403

Segment assets and liabilities

	Assets		Liabilities	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Auto retail	116,438	110,818	66,679	67,552
Finance	451,504	351,185	353,313	271,383
Insurance	139,091	139,583	75,544	75,022
Credit management	31,514	31,151	3,476	5,298
Corporate & other	187,749	190,439	76,181	71,134
	926,296	823,176	575,193	490,389
Eliminations	(100,603)	(104,725)	(1,897)	(5,508)
	825,693	718,451	573,296	484,881

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

	Other	
	2022	2021
	\$'000	\$'000
Auto retail	15,173	12,348
Finance	469	316
Insurance	394	2,803
Credit management	83	161
Corporate & other	2	3
	16,121	15,631
Eliminations	-	(6,990)
	16,121	8,641

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2022

7. PROFIT BEFORE TAX

	2022	2021
	\$'000	\$'000

Revenue from continuing operations includes:

Interest income

Bank accounts, short term deposits and investments	761	1,272
Finance receivables	44,940	41,654
Reverse annuity mortgages	294	403
Total interest income	45,995	43,329

Operating revenue

Sales of goods	182,435	143,065
Commission and other sales revenue	58,962	54,237
Loan fee income	3,659	3,320
Insurance and life investment contract income	38,149	37,248
Collection income	9,519	12,198
Bad debts recovered	1,147	937
Other revenue	2,163	2,178
Total operating revenue	296,034	253,183
Revenue from continuing operations	342,029	296,512

Other income comprises:

Gain on sale of investments	502	10
Revaluation gain on investment property	-	300
Dividend income	45	172
Gain on sale of property, plant and equipment	270	154
Gain on modification of a lease	60	1,132
Government wage subsidies	1,580	5,247
Other	30	-
	2,487	7,015

Revenue from contracts with customers

Over time

Auto retail

Commission and other sales revenue	24,700	20,592
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At a point in time

Auto retail

Sales of goods	182,435	143,065
Auction commissions	31,116	30,624
<i>Credit management</i>		
Collection income	9,424	12,197
Voucher income	95	84
<i>Insurance</i>		
Motor vehicle insurance commissions	1,012	1,102

Interest expense

Bank borrowings and other	10,171	9,743
Bonds	761	1,523
Total interest expense	10,932	11,266

Movement in impairment provisions

Provisions for:

Specific impaired finance receivables	14	(337)	557
Collective impairment provision for finance receivables	14	2,264	2,996
Movement in COVID-19 overlay	14	271	400
Collective impairment on reverse annuity mortgages	17	40	30
Finance receivables bad debts written off		786	3
Movement		3,024	3,986

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2022

	2022 \$'000	2021 \$'000
Net operating profit includes the following specific expenses		
<i>Depreciation</i>		
- Buildings	225	293
- Plant, equipment & motor vehicles	757	610
- Leasehold improvements, furniture, fittings & office equipment	1,132	1,709
- Computer equipment	1,068	743
- Signs & flags	153	231
<i>Intangible amortisation</i>		
Amortisation of software	1,536	1,527
Amortisation of customer relationships	520	520
Amortisation of right-of-use asset	5,311	5,785
	10,702	11,418
Tax advisory fees	217	201
Donations	27	31
Directors' fees	679	632
Post-employment benefits	1,359	1,363
Loss on sale of property, plant and equipment	240	266
Fees paid to auditor		
<i>Baker Tilly Staples Rodway Auckland (auditor of the Group)</i>		
Audit of financial statements		
Audit of annual financial statements	467	434
Other services		
<i>Other assurance services</i>		
- Audit of DPL Insurance Limited solvency return	11	10
- Agreed Upon Procedures in relation to the EC Credit Control Limited trust account	7	3
Total other services	18	13
Total fees paid to Baker Tilly Staples Rodway Auckland	485	447

8. TAXATION

	2022 \$'000	2021 \$'000
Net operating profit before taxation	43,120	37,375
Income tax expense at prevailing rates (NZ: 28%; Aust: 30%)	(12,074)	(10,473)
Tax impact of income not subject to tax	492	132
Tax impact of expenses not deductible for tax purposes	(174)	(171)
(over)/under provision in prior years	(83)	1
Taxation (expense)/benefit	(11,839)	(10,511)
Comprising:		
Current	(10,534)	(9,605)
Deferred	(1,888)	(1,222)
Under provision in prior years	583	316
	(11,839)	(10,511)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2022

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:

	2022	2021
Profit for the year (\$'000)	31,281	26,864
Weighted average number of ordinary shares at 31 March	85,968,563	85,551,356
Basic earnings per share (cents per share)	36.39	31.40

	2022	2021
Weighted number of shares		
Opening balance	85,544,248	85,554,710
Shares issued for staff options	424,315	-
Cancelled from share buy back	-	(3,354)
	85,968,563	85,551,356

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:

	2022 \$'000	2021 \$'000
Continuing operations	31,281	26,864
Add: Long term incentive expense relation to options	359	255
Profit for the year	31,640	27,119

<i>Weighted number of ordinary shares (diluted)</i>		
Weighted average number of shares (basic)	85,968,563	85,551,356
Effect of the exercise of options	841,642	420,482
Weighted average number of shares (basic)	86,810,205	85,971,838

Diluted earnings per share (cents per share)	36.45	31.54
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10. CASH AND CASH EQUIVALENTS

	2022 \$'000	2021 \$'000
The carrying value of cash and cash equivalents are denominated in the following currencies:		
Australian dollars	227	265
New Zealand dollars	13,146	11,602
	13,373	11,867

The Group's insurance business is required to comply with the solvency standards for licensed insurers issued by the Reserve Bank of New Zealand. The solvency standards specify the level of assets the insurance business is required to hold in order to meet solvency requirements, consequently all cash and cash equivalents and term deposits, disclosed in financial assets through the profit or loss, held in the insurance business may not be available for use by the wider Group. DPL Insurance's cash and cash equivalents at 31 March 2022 were \$1.5m (2021: \$0.7m).

Cash and cash equivalents at 31 March 2022 of \$3.4m (2021: \$3.6m) belong to the Turners Marque Trust 1 and are not all available to the Group (refer note 14).

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for the year ended 31 March 2022

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 \$'000	2021 \$'000
Insurance:		
Investments in unithised funds	8,259	8,254
Term deposits	61,940	59,211
Other:		
Investment in equities	-	2,931
Total	70,199	70,396
Investments in unithised funds comprise:		
New Zealand and overseas equities	3,539	3,688
Fixed Interest securities	1,391	1,365
Cash - deposits	1,278	1,241
New Zealand and overseas property securities	2,051	1,960
Total	8,259	8,254
Investments with external investment managers		
ANZ New Zealand Investments Limited - Unithised Funds	8,259	8,254

The carrying amounts of the financial assets at fair value through profit or loss are denominated in NZD.

All term deposits held in the insurance business may not be available for use by the wider Group (refer note 10). DPL Insurance's term deposits at 31 March 2022 were \$61.9m (2021: \$59.2m). Investments in unithised funds, disclosed in Financial assets through the profit or loss, underwrite the Life investment policies and are not available for use by the wider Group.

Interest rate and currency risk

A summarised analysis of the sensitivity of financial assets at fair value through profit or loss, excluding investments in unithised funds (as market risk on unithised funds is transferred to the policy holder), to interest rate risk and currency risk can be found in note 5.4.

Credit risk

The maximum exposure to credit risk from financial assets at fair value through profit or loss at reporting date, excluding investments in unithised funds, is the carrying value. The financial assets in this category, excluding equity investments, are invested in term deposits with banks. For Life investment linked contracts (investment in unithised 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

	2022 \$'000	2021 \$'000
Performing	6,920	6,894
Doubtful	1,032	591
In default	107	8
	8,059	7,493
Impairment provision	(478)	(338)
Net trade receivables	7,581	7,155

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2022

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.

	2022 \$'000	2021 \$'000
The age of doubtful trade receivables is as follows:		
Past due up to 30 days	854	436
Past due 30 – 60 days	75	120
Past due 60 – 90 days	1	-
Past due 90+ days	102	35
	1,032	591
Movement in the impairment provision:		
Opening balance	338	395
Impairment charge/(release) included in other operating expenses	140	(8)
Amounts written off	-	(49)
	478	338

The Group recognises lifetime expected credit loss for trade receivables. The expected credit loss rate is 5.9% (2021: 4.5%). Amounts charged to the impairment provision are generally written off when there is no expectation of recovering additional cash.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

Australian dollars	321	661
New Zealand dollars	7,260	6,494
	7,581	7,155

Currency risk

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

Fair value and credit risk

Due to the short-term nature of trade receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk from trade receivables at the reporting date is the carrying amount of trade receivables. Credit risk is concentrated predominantly in New Zealand within the motor trade sector and private household sector, there is no concentration of credit risk on any individual customer.

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

13. INVENTORY

	2022 \$'000	2021 \$'000
Motor vehicles	33,658	31,876
Less provision for stock obsolescence	(1,678)	(1,687)
	31,980	30,189

Inventories are a current asset.

Movement in provisions for stock obsolescence

Opening balance	1,687	1,636
Movement (included in Cost of goods sold)	(9)	51
Closing balance	1,678	1,687

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2022

14. FINANCE RECEIVABLES

	2022 \$'000	2021 \$'000
Commercial loans	82,688	50,058
Consumer loans	334,455	284,301
Property development & investment loans	3,959	3,254
Gross finance receivables	421,102	337,613
Deferred fee revenue and commission expenses	12,788	9,742
Specific impairment provision	(1,632)	(2,376)
Collective impairment provision	(7,706)	(13,403)
COVID-19 impairment provision	(1,682)	(1,411)
	422,870	330,165
Current	168,329	136,931
Non-current	254,541	193,234
	422,870	330,165
Gross financial receivables are summarised as follows:		
Performing	412,482	320,368
Doubtful	1,163	1,778
In default	7,457	15,467
	421,102	337,613
Movement receivables subject to specific impairment assessment		
Opening balance	3,164	4,723
Additions	1,447	1,684
Amounts recovered	(1,241)	(1,356)
Amounts written off	(472)	(1,887)
	2,898	3,164
The aging of loans specifically assessed are as follows:		
Past due up to 30 days	1,740	1,236
Past due 30 – 60 days	94	143
Past due 60 – 90 days	-	13
In default	1,064	1,988
	2,898	3,380

The following table details the risk profile of the Group's provision matrix for finance receivables collectively assessed for impairment. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

31 March 2022	Expected loss rate %	Gross finance receivables \$'000	Collective impairment provision \$'000
Current	0.76	409,031	3,113
Past due up to 30 days	7.53	3,453	260
Past due 30 – 60 days	20.08	787	158
Past due 60 – 90 days	32.61	371	121
In default	88.86	4,562	4,054
		418,204	7,706

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2022

31 March 2021	Expected loss rate %	Gross finance receivables \$'000	Collective impairment provision \$'000
Current	0.71	315,552	2,244
Past due up to 30 days	9.97	4,653	464
Past due 30 – 60 days	22.87	984	225
Past due 60 – 90 days	35.09	684	240
In default	82.77	12,360	10,230
		334,233	13,403

If the ECL rates on performing financial receivables increased/(decreased) by 1%, the loss allowance on receivables would be \$4.1m higher/(\$3.1m lower) (2021: \$3.1m higher/(\$2.2m lower)).

If the ECL rates on doubtful or in default financial receivables increased/(decreased) by 1% as at 31 March 2022, the loss allowance on receivables would be \$0.1m higher/(lower) (2021: \$0.2m higher/(lower)).

	2022 \$'000	2021 \$'000
Movement in the impairment provisions:		
<i>Specific impairment provision</i>		
Opening balance	2,376	3,706
Impairment charge/(release) through profit or loss	(337)	557
Amounts written off	(407)	(1,887)
	1,632	2,376
<i>Collective impairment provision</i>		
Opening balance	13,403	16,988
Impairment charge/(release) through profit or loss	2,264	2,996
Amounts written off	(7,961)	(6,581)
	7,706	13,403
<i>COVID-19 impairment provision</i>		
Opening balance	1,411	1,011
Impairment charge/(release) through profit or loss	271	400
	1,682	1,411
Total impairment provision	11,020	17,190

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.

Fair value and credit risk	Carrying amount 2022 \$'000	Fair value 2022 \$'000	Carrying amount 2021 \$'000	Fair value 2021 \$'000
Finance receivables	422,870	421,403	330,165	328,675

The fair values are based on cash flows discounted using a weighted average interest rate of 11.23% (2021: 12.14%).

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2022

Securitisation

The Group has a wholesale funding facility with the Bank of New Zealand (BNZ) under which it securitises finance receivables through The Turners Marque Warehouse Trust 1 (the Trust). Under the facility, BNZ provide funding to the Trust secured by finance receivables sold to the Trust from the finance segment. The facility is for a 1 year term that will be renewed annually. The facility is for \$320m.

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

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

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

During the financial year \$247.1m finance receivables were sold to the Trust (2021: \$187.4m). As at 31 March 2022 the carrying value of finance receivables in the Trust was \$329.9m (2021: \$266.8m).

15. OTHER RECEIVABLES, DEFERRED EXPENSES AND CONTRACT ASSETS

	2022 \$'000	2021 \$'000
Other receivables and prepayments	4,088	3,126
Insurance deferred acquisition costs	2,081	2,404
Contract assets		
- Amount relating to services rendered not yet invoiced	3,072	2,326
- Contract fulfilment costs	99	260
	9,340	8,116
Current	7,988	5,789
Non-current	1,352	2,327
	9,340	8,116
Carrying amount of financial assets included in other receivables	5,726	4,146

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

Fair value and credit risk

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

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

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (OCI)

	2022 \$'000	2021 \$'000
Investment in Collaborate Corporation Limited	225	570
Movements in carrying amounts		
Opening balance	570	1,000
Net change in fair value recognised in OCI	(345)	(430)
Closing balance	225	570

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2022

17. REVERSE ANNUITY MORTGAGES

	2022 \$'000	2021 \$'000
Reverse annuity mortgages	3,392	4,262
Provision for impairment	(150)	(110)
	3,242	4,152
Current	332	488
Non-current	2,910	3,664
	3,242	4,152
Movement in provisions for impairment		
Opening balance	110	80
Impairment charge/(release) through profit or loss	40	30
Closing balance	150	110

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 2022 \$'000	Fair value 2022 \$'000	Carrying amount 2021 \$'000	Fair value 2021 \$'000
Reverse annuity mortgages	3,242	3,885	4,152	4,948

The fair value of reverse annuity mortgages is estimated using a discounted cash flow model based on a current market interest rate for similar products after making allowances for impairment.

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

18. INVESTMENT IN SUBSIDIARIES

		Ownership Interest Held 2022	2021
Subsidiary			
Buy Right Cars (2016) Limited	Vehicle trade	100.0%	100.0%
Carly NZ Limited	Vehicle subscription services	100.0%	100.0%
DPL Insurance Limited	Insurance	100.0%	100.0%
EC Credit Control (Aust) Pty Limited	Collection services	100.0%	100.0%
EC Credit Control (NZ) Limited	Collection services	100.0%	100.0%
Estate Management Services Limited	Collection services	100.0%	100.0%
Oxford Finance Limited	Finance	100.0%	100.0%
Payment Management Services Limited	Collection services	100.0%	100.0%
Turners Finance Limited	Finance	100.0%	100.0%
Turners Fleet Limited	Vehicle and commercial goods trade	100.0%	100.0%
Turners Group NZ Limited	Auctions	100.0%	100.0%
Turners Property Holdings Limited	Property	100.0%	100.0%
Turners Staff Share Plan Trustees Limited	Trustee	100.0%	100.0%

All subsidiaries have a balance date of 31 March and, with the exception of EC Credit Control (Aust) Pty Limited (incorporated in Australia), all subsidiaries are incorporated in New Zealand.

The Group has a wholesale funding facility with the Bank of New Zealand (BNZ) under which it securitises finance receivables through The Turners Marque Warehouse Trust 1 (the Trust). The Group has the power over the Trust, exposure, or rights, to variable returns from its involvement with the Trust and the ability to use its power over the Trust to affect the amount of the Group's returns from the Trust. Consequently the Group controls the Trust and has consolidated the Trusts into the Group financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2022

19. PROPERTY, PLANT AND EQUIPMENT

	Land & buildings	Plant, equipment & motor vehicles	Leasehold improvements, furniture, fittings & office equipment	Computer equipment	Signs & flags	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2022						
At cost	51,347	4,601	7,544	4,888	1,085	69,465
Accumulated depreciation	(313)	(2,470)	(3,237)	(2,611)	(576)	(9,207)
Opening carrying amount	51,034	2,131	4,307	2,277	509	60,258
Additions	6,917	1,928	822	1,383	156	11,206
Disposals	19	(212)	(170)	(179)	(18)	(560)
Depreciation	(225)	(757)	(1,132)	(1,068)	(153)	(3,335)
Closing carrying amount	57,745	3,090	3,827	2,413	494	67,569
At cost	58,283	5,635	7,387	4,935	983	77,223
Accumulated depreciation	(538)	(2,545)	(3,560)	(2,522)	(489)	(9,654)
Closing carrying amount	57,745	3,090	3,827	2,413	494	67,569
WIP included above	432	51	244	386	-	1,113
2021						
At cost	28,391	5,494	26,413	3,766	1,205	65,269
Accumulated depreciation	-	(2,902)	(5,795)	(3,067)	(717)	(12,481)
Opening carrying amount	28,391	2,592	20,618	699	488	52,788
Reclassifications*	15,961	-	(15,961)	-	-	-
Additions	6,968	738	1,359	2,321	254	11,640
Disposals	7	(589)	-	-	(2)	(584)
Depreciation	(293)	(610)	(1,709)	(743)	(231)	(3,586)
Closing carrying amount	51,034	2,131	4,307	2,277	509	60,258
At cost	51,347	4,601	7,544	4,888	1,085	69,465
Accumulated depreciation	(313)	(2,470)	(3,237)	(2,611)	(576)	(9,207)
Closing carrying amount	51,034	2,131	4,307	2,277	509	60,258
WIP included above	-	62	13	31	-	106

* On 1 April 2020, the value of leasehold improvements relating to properties owned by the Group were classified to Land & buildings.

20. RIGHT-OF-USE ASSETS

	2022 \$'000	2021 \$'000
Properties	23,492	23,492
Equipment	5	67
	23,497	23,559
Opening balance	23,559	24,850
Additions	3,706	8,082
Modifications and reassessments	1,543	(3,588)
Depreciation	(5,311)	(5,785)
Closing carrying amount	23,497	23,559

During the year Group had a gain on modification of a lease of \$0.06m (2021: \$1.1m).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2022

21. INVESTMENT PROPERTY

	2022 \$'000	2021 \$'000
Investment property	5,950	5,950
Movements in carrying amounts		
Opening balance	5,950	5,650
Net change in fair value	-	300
Closing balance	5,950	5,950

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 the static hypothetical subdivision approach. This approach considers comparable sales within the locality, the cost of undertaking the development of the property, and interest incurred on the capital outlay over the development and realisation period. A further deduction is taken for the developers profit and risk to arrive at a residual value that a potential purchaser would be prepared to pay. Subjective adjustments have been applied where necessary to account for variations in comparable data.

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

22. INTANGIBLE ASSETS

	2022 \$'000	2021 \$'000
Brand		
Carrying amount	67,100	67,100
Goodwill		
Opening carrying amount at cost	92,509	92,541
Foreign exchange adjustment	8	(32)
Closing carrying amount	92,517	92,509
Software		
At cost	6,857	10,204
Accumulated amortisation	(3,938)	(7,028)
Opening carrying amount	2,919	3,176
Additions	701	1,460
Disposals	(234)	(190)
Amortisation	(1,536)	(1,527)
Closing carrying amount	1,850	2,919
At cost	6,430	6,857
Accumulated amortisation	(4,580)	(3,938)
Closing carrying amount	1,850	2,919

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2022

	2022 \$'000	2021 \$'000
Corporate relationships		
At cost	6,510	6,510
Accumulated amortisation	(3,004)	(2,484)
Opening carrying amount	3,506	4,026
Amortisation	(520)	(520)
Closing carrying amount	2,986	3,506
At cost	6,510	6,510
Accumulated amortisation and impairment provision	(3,524)	(3,004)
Closing carrying amount	2,986	3,506
Total intangible assets carrying amount	164,453	166,034
WIP included in software	186	886

The amortisation and impairment charges are 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.

	2022 \$'000	2021 \$'000
Goodwill		
Allocated to the insurance CGU/segment	12,777	12,777
Allocated to collection services CGU/segment	23,981	23,973
Allocated to the finance CGU/segment	9,272	9,272
Allocated to the auto retail CGU/segment	46,487	46,487
	92,517	92,509
Brand		
Allocated to the insurance CGU/segment	21,500	21,500
Allocated to the auto retail CGU/segment	45,600	45,600
	67,100	67,100

The recoverable amount of all CGUs has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the Board covering at least a five-year period. Cash flows beyond the projected period are extrapolated using the estimated long term growth rates stated below. The cash flows for the Auto retail and Collection services CGUs are free cash flows to the firm, while the Insurance (2021: free cash flow to the firm) and Finance CGU is free cash flows to equity. For each of the CGUs with goodwill and brand the key assumptions, long term growth rate and discount rate used in the value-in-use calculations are as follows:

Key assumptions:

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

2022 Forecast cash flow growth rates (%)	Year 2	Year 3	Year 4	Year 5
Auto retail CGU (weighted average cost of capital)	12.8	10.0	9.2	8.8
Insurance CGU (cost of equity)	(4.5)	5.8	14.7	24.8
Finance CGU (cost of equity)	(30.4)	11.7	5.1	3.3
Collection services CGU (weighted average cost of capital)	32.0	21.3	14.8	11.9
2021 Forecast cash flow growth rates (%)	Year 2	Year 3	Year 4	Year 5
Auto retail CGU (weighted average cost of capital)	30.5	24.6	11.9	8.6
Insurance CGU (weighted average cost of capital)	(15.4)	3.5	1.2	1.9
Finance CGU (cost of equity)	16.3	5.0	5.0	5.0
Collection services CGU (weighted average cost of capital)	12.7	8.2	8.7	7.3

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2022

	2022 2.25%	2021 1.80%
Long-term growth rate		
Pre-tax discount rate		
Auto retail CGU (weighted average cost of capital)	13.10%	12.80%
Insurance CGU (2022: cost of equity; 2021: weighted average cost of capital)	13.80%	14.10%
Finance CGU (cost of equity)	18.70%	18.70%
Collection services CGU (weighted average cost of capital)	15.60%	14.90%

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

In assessing the impairment of the goodwill and brand value in the CGUs, a sensitivity analysis for reasonably possible changes in key assumptions was performed. This included increasing and reducing the terminal growth rate by 0.25% (2021: 0.20% and 0.30% respectively) and increasing and decreasing the discount rate as follows:

	2022 1.10%	2021 1.00%
Auto retail CGU		
Insurance CGU	1.10%	1.00%
Finance CGU	1.20%	1.00%
Collection services CGU	1.10%	1.00%

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

23. OTHER PAYABLES

	2022 \$'000	2021 \$'000
Accounts payable	23,559	21,676
Employee entitlements (short term)	5,408	3,513
Employee entitlements (long term)	348	227
Dividend payable	5,192	-
Other payables and accruals	15,596	12,827
	50,103	38,243

Carrying value of financial liabilities in other payables	32,295	26,945
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The carrying amounts of the Group's financial liabilities in other payables are denominated in the following currencies:		
Japanese Yen	1,644	1,181
Australian dollars	61	99
New Zealand dollars	30,590	25,665
	32,295	26,945

Currency risk

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

Fair value

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2022

24. CONTRACT LIABILITIES

	2022 \$'000	2021 \$'000
Unredeemed debt and PPSR voucher liability	1,635	2,110
Motor vehicle insurance rebate liability	213	203
	1,848	2,313
Movement in contract liabilities		
Unredeemed debt and PPSR voucher liability		
Opening balance	2,110	1,886
Charge/(release) to profit or loss	(475)	224
	1,635	2,110
<i>(Charge)/release to profit or loss</i>		
(Expense)/income relating to prior years	475	(224)
Motor vehicle insurance rebate liability		
Opening balance	203	199
Additions	10	4
	213	203

25. DEFERRED TAXATION

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

	2022 \$'000	2021 \$'000
Opening balance	11,297	10,080
Translation difference	6	(5)
Charge to profit or loss	1,888	1,222
Closing balance	13,191	11,297
	2022 \$'000	2021 \$'000
The charge to profit or loss is attributable to the following items:		
Corporate relationships	(37)	(146)
Loan impairment provision	1,515	1,052
Insurance deductible reserves	73	(111)
Property, plant and equipment	555	287
Lease liability	151	1,054
Right of use asset	(17)	(361)
Provisions and accruals	(352)	(553)
	1,888	1,222
Deferred tax (assets)/liabilities to be recovered after more than 12 months	14,665	13,053
Deferred tax (assets)/liabilities to be recovered within 12 months	(1,474)	(1,756)
Closing balance	13,191	11,297
The deferred tax asset/liabilities have been recognised at 28%, the tax rate at which it is expected to reverse.		
Deferred tax relates to the following:		
<i>Deferred tax assets:</i>		
Loan impairment provision	3,642	5,157
Lease liability	7,898	8,049
Provisions and accruals	2,379	1,982
Insurance reserves	440	513
Total deferred tax asset	14,359	15,701

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2022

	2022 \$'000	2021 \$'000
<i>Deferred tax liabilities:</i>		
Brand	18,788	18,788
Customer relationships	837	874
Right of use asset	6,580	6,597
Deferred expenses and accruals	1,345	739
	27,550	26,998
Net deferred tax liabilities	13,191	11,297
Imputation credit memorandum account		
Opening balance	20,033	19,248
Income tax payments/(refunds received)	9,472	8,712
Imputation credits utilised	(7,858)	(7,927)
Closing balance	21,647	20,033

Policy holder tax losses

The policy holder tax losses carried forward at 31 March 2022 are \$4,723,000 (2021: \$5,276,000). The policy holder tax losses are only available to be offset against future policy holder income.

26. BORROWINGS

	2022 \$'000	2021 \$'000
Secured bank borrowings	412,588	311,928
Deferred borrowing costs	-	(4)
	412,588	311,924
Non-bank borrowings		
Motor Trade Finance	173	2,761
Bonds	-	25,000
Deferred issue costs	-	(74)
	-	24,926
Total borrowings	412,761	339,611
Current	3,724	36,702
Non-current	409,037	302,909
	412,761	339,611

Secured bank borrowings

In March 2022 the Group has a syndicated funding facility, including a 1 year working capital facility, with the Bank of New Zealand and ASB Bank, a self liquidating trade finance facility and three year term facility with ASB Bank and a securitisation facility with the Bank of New Zealand.

The bank borrowings (2021: bank borrowings and a lease premise guarantee of \$0.6 million), are secured by a first-ranking general security agreement over the assets of the Company and its subsidiaries, excluding DPL Insurance Limited, Turners Finance Limited and EC Credit (Aust.) Limited. Current interest rates on the bank borrowings are variable and average 2.74% (2021: 2.07%). The Group's securitisation financing arrangement with the Bank of New Zealand as described in note 14.

Motor Trade Finance

Motor Trade Finance Limited (MTF) provides the services of a finance company, including funding, on a full recourse basis to Turners Finance Limited. The MTF funding is secured by a chattel security over the Turners Finance Limited's customer's asset securing the finance receivable and by a general security over the assets of Turners Finance Limited.

Turners Finance Limited has also given undertakings to MTF as the nature and conduct of its business, and overall quality of the finance receivables and aggregate. Turners Finance has complied with these undertakings in the current and prior financial year.

Bonds

On 1 October 2018 Turners Automotive Group issued secured subordinated fixed rate bonds with a fixed maturity on 30 September 2021. Interest was fixed at 5.5% and paid quarterly in arrears in equal amounts. The bonds were repaid on maturity date.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2022

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.

<i>Fair value</i>	Carrying amount 2022 \$'000	Fair value 2022 \$'000	Carrying amount 2021 \$'000	Fair value 2021 \$'000
Borrowings	412,761	407,347	339,611	339,700

The fair values are based on cash flows discounted using a weighted average borrowing rate of 2.74% (2021: 2.38%). The fair value of borrowings considers the impact of interest rate swaps as referred to in note 5.4.2.

	2022 \$'000	2021 \$'000
Contractual repricing dates		
1 year or less	3,724	36,702
Over 1 to 2 years	389,037	302,987
Over 2 to 5 years	20,000	-
	412,761	339,689

27. LEASE LIABILITIES

	2022 \$'000	2021 \$'000
Lease liabilities	28,209	28,747
Current	2,358	5,560
Non-current	25,851	23,187
	28,209	28,747

Lease liabilities have incremental borrowing rates of 2.87% to 7.07% (2021: 2.87% to 6.94%), with maturities up to 11 years (2021: up to 12 years). 3 new leases were entered into during the year (2021:3) and 4 leases were modified or cancelled during the year (2021: 7).

During the year the Group received COVID-19 rent concession of \$92,000 (2021: \$780,000).

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

	2022 \$'000	2021 \$'000
Australian dollars	95	163
New Zealand dollars	28,114	28,584
	28,209	28,747

Interest expense in profit or loss	1,774	1,640
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28. SHARE CAPITAL

	2022	2021
Number of ordinary shares		
Opening balance	85,544,248	85,554,710
Shares issued for staff options	525,000	-
Cancelled from share buy back	-	(10,462)
Total issued and authorised capital	86,069,248	85,544,248

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2022

	2022 \$'000	2021 \$'000
Dollar value of ordinary shares		
Opening balance	204,297	204,327
Shares issued for staff options	1,192	-
Shares purchased and cancelled under share buy back	-	(30)
Share issue costs	(7)	-
Total issued capital	205,482	204,297

Ordinary shares are fully paid with no par value. All ordinary shares have equal voting rights and share equally in dividends and surplus on winding up.

Capital management

The Group's capital consists of share capital, share option reserve, translation reserve, cash flow reserve and retained earnings. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position. The allocation of capital between its specific business operations and activities is, to a large extent, driven by optimisation of the return on the capital allocated. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation. The Group's strategies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

The Group's funding covenants include minimum equity ratios. There have been no breaches of covenants. In addition to the above, the life insurance company is required to retain equity for solvency purposes, refer note 35G.

29. SHARE OPTIONS

In July 2020, the Board approved the grant of 2,300,000 options to Senior Executives of the Group at an exercise price of \$2.00 under the Group's Share Option Plan. The grant is split into four tranches of 575,000 options with the following vesting dates; 1 June 2021, 1 June 2022, 1 June 2023 and 1 June 2024. Each tranche expires two year after the vesting date. During the year ended 31 March 2021, 200,000 options were cancelled and in June 2021 525,000 options were exercised.

The weighted average fair value of the options granted, using the Binomial Tree option pricing model, is \$0.31 per option. The significant inputs in the model were, the share price at grant date of \$2.19, the exercise price of \$2.00, volatility of 27.5%, an expected exercise date for all tranches of, 80% at vesting date and 20% at expiration date and an annual risk free rate between 0.24% - 0.63%. Volatility is measured as the standard deviation of changes in the Company's share price over a 12 month period. During the year ended 31 March 2021, 200,000 options were cancelled and 525,000 options were exercised.

In December 2021, the Board approved the grant of 1,390,000 options to Senior Executives of the Group at an exercise price of \$4.20 under the Group's Share Option Plan. The grant is split into four tranches of 347,500 options with the following vesting dates; 30 November 2022, 30 November 2023, 30 November 2024 and 30 November 2025. 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, is \$0.67 per option. The significant inputs in the model were, the share price at grant date of \$4.44, the exercise price of \$4.20, volatility of 30.0%, an expected exercise date for all tranches of, 80% at vesting date and 20% at expiration date and an annual risk free rate between 1.06% - 1.72%. Volatility is measured as the standard deviation of changes in the Company's share price over a 12 month period.

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 share based payment for the current financial year is \$359,000 (2021: \$255,000).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2022

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

	Weighted average exercise price 2022 \$	Options 2022 000's	Weighted average exercise price 2021 \$	Options 2021 000's
Opening balance	2.00	2,100	-	-
Granted	4.20	1,390	2.00	2,300
Exercised	2.00	(525)	-	-
Cancelled	-	-	2.00	(200)
Closing balance	3.03	2,965	2.00	2,100

The weighted-average share price at the date of exercise for share options exercised in the year ending 31 March 2022 was \$4.14 (2021: no options exercised).

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

Expiry date	Exercise price \$	Options 2022 000's	Options 2021 000's
31 May 2023	2.00	-	525.0
31 May 2024	2.00	525.0	525.0
30 November 2024	4.20	347.5	-
31 May 2025	2.00	525.0	525.0
30 November 2025	4.20	347.5	-
31 May 2026	2.00	525.0	525.0
30 November 2026	4.20	347.5	-
30 November 2027	4.20	347.5	-

30. DIVIDENDS

	2022 \$'000	2021 \$'000
Final dividend for the year ended 31 March 2021 of \$0.06 (31 March 2020: \$0.06) per fully paid ordinary share, imputed paid on 28 July 2021 (2020: 24 July 2020)	5,164	5,162
Quarterly dividend for the year ended 31 March 2022 of \$0.05 (31 March 2021: \$0.04) per fully paid ordinary share, imputed, paid on 28 October 2021 (2020: 22 October 2020).	4,303	3,440
Quarterly dividend for the year ended 31 March 2022 of \$0.05 (31 March 2021: \$0.04) per fully paid ordinary share, imputed, paid on 27 January 2022 (2021: 28 January 2021).	4,303	3,438
Quarterly dividend for the year ended 31 March 2022 of \$0.06 (31 March 2021: \$0.06) per fully paid ordinary share, imputed, paid on 20 April 2022 (31 March 2021: 30 March 2021)	5,164	5,160
	18,934	17,200

Dividends not recognised at year end

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

Final dividend of \$0.07 (31 March 2021: \$0.06) per fully paid ordinary share, imputed, payable on 28 July 2022 (2021: 28 July 2021).	6,025	5,164
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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2022

31. TRANSACTIONS WITH RELATED PARTIES

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

Key management personnel compensation

The key management personnel are all the Directors of the Company and the Leadership team. Compensation paid to the Leadership team in the years ended 31 March 2022 and 31 March 2021 were as follows:

(\$'000)	Short-term benefits \$'000	Other long-term benefits \$'000	Share-based payments \$'000	Total \$'000
Year ended 31 March 2022	2,628	81	241	2,950
Year ended 31 March 2021	3,453	102	255	3,810

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 93 to 96. Directors fees are detailed in note 7 and in the shareholder and statutory information section. The details of the director share purchases are included in the statutory and shareholder information section.

32. CASH FLOW RECONCILIATIONS

Reconciliation of net surplus with cash flows from operating activities	2022 \$'000	2021 \$'000
Profit for the year	31,281	26,864
Adjustment for non-cash and other items		
Impairment charge on finance receivables, reverse annuity mortgages and other receivables	3,108	3,986
Net loss/(profit) on sale fixed assets	(306)	(689)
Depreciation and amortisation	10,702	11,418
Capitalised reverse annuity mortgage interest	(294)	(403)
Deferred revenues	1,500	52
Fair value adjustments on assets/liabilities at fair value through profit and loss	(297)	(1,582)
Net annuity and premium change to policyholders accounts	(89)	1,194
Non-cash adjustments to finance receivables effective interest rates	(14)	(86)
Deferred expenses	(4,136)	(1,850)
Revaluation gain on investment property	-	(300)
Gain on modification of a lease	(60)	(1,132)
COVID-19 rent concessions	(92)	(780)
Adjustment for movements in working capital		
Net decrease/(increase) receivables and pre-payments	(1,506)	1,515
Net decrease/(increase) in inventories	(1,792)	14,182
Net increase/(decrease) in payables	11,190	6,955
Net increase/(decrease) in contract liabilities	(465)	1,365
Net increase in finance receivables	(93,992)	(48,654)
Net decrease in reverse annuity mortgages	1,164	1,134
Net (increase)/decrease of financial assets at fair value through profit or loss	(2,482)	(4,090)
Net contributions/(withdrawals) from life investment contracts	126	(150)
Net increase/(decrease) in deferred tax liability	1,952	1,248
Net increase/(decrease) in tax payable	561	681
Cash flows from operating activities	(43,941)	10,878

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2022

Reconciliation of liabilities 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.

	Borrowings \$'000	Lease liabilities \$'000	Share capital \$'000	Retained earnings \$'000
Balance as at 31 March 2020	350,364	32,511	204,327	20,072
Changes from financing cash flows	(392)	(6,346)	-	(17,200)
<i>Other changes</i>				
Capital buy-back	-	-	(30)	-
Profit	-	-	-	26,864
Amortisation of deferred issue costs	260	-	-	-
Netted off finance receivables	(10,621)	-	-	-
Interest paid	(9,193)	(1,641)	-	-
Interest expense (excl. accrued interest)	9,193	1,640	-	-
Non-cash lease movements	-	2,583	-	-
	(10,361)	2,582	(30)	26,864
Balance at 31 March 2021	339,611	28,747	204,297	29,736
Changes from financing cash flows	75,660	(5,563)	1,185	(13,770)
<i>Other changes</i>				
Profit	-	-	-	31,281
Dividend payable	-	-	-	(5,164)
Amortisation of deferred issue costs	78	-	-	-
Netted off finance receivables	(2,588)	-	-	-
Interest paid	(6,676)	(1,774)	-	-
Interest expense (excl. accrued interest)	6,676	1,774	-	-
Non-cash lease movements	-	5,025	-	-
	(2,510)	5,025	-	26,117
Balance at 31 March 2022	412,761	28,209	205,482	42,083

33. COMMITMENTS AND CONTINGENT LIABILITIES

Capital Expenditure:

At balance date, the Group has committed to the purchase of three properties along with developments for two existing sites. This has resulted in capital commitments of \$18,900,000 (2021: \$nil).

Future Lease Commitments:

The Group has committed to one property lease with a commencement date of 1 September 2022 (2021: nil).

Loan Commitments:

The Group has no material undrawn credit commitments at reporting date (2021: nil).

Contingent Liabilities:

The Group has no other material contingent liabilities at reporting date (2021: nil).

34. SUBSEQUENT EVENTS AFTER BALANCE DATE

The Group paid the dividend accrued at balance date of \$5,164,000 on 20 April 2022 (refer note 30). There were no other material events subsequent to balance date.

31 March 2021

The first tranche of options in the Group's Share Option Plan vested on 1 June 2021, 525,000 options were exercised and the Group committed to purchase an Auto retail site in Rotorua for \$5.5m.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2022

35. Insurance related disclosures

A. Actuarial policies and the methods

The actuarial report on insurance contract liabilities and prudential reserves for the current reporting period was prepared as at 31 March 2022 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 (2021: 28%). The net discount rates assumed were as follows:

	2022	2021
Whole of Life and Endowment Policies (including Funeral Plan)*	Treasury risk-free rates	Treasury risk-free rates
Quick Cover term life plan*	Treasury risk-free rates	Treasury risk-free rates
Term Insurance Policies	Not applicable	Not applicable
Caring Plan Funeral Benefit Policies	Not applicable	Not applicable
Annuity Policies	Treasury risk-free rates	Treasury risk-free rates
Consumer Credit and Key Person Loan Protection	Not applicable	Not applicable

* These rates are provided by Treasury as at 31 January, and are then adjusted to 31 March based on the movement in swap rates, as quoted by the Reserve Bank, between January and March. Illustrative forward rates for the respective valuations are as follows:

Cash-flows in year 10:	March 2021:	1.98% per annum net of tax
	March 2022:	2.42% 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 (2021: 2.0%).

c) Mortality Rates

Rates of mortality were assumed as follows:

For underwritten whole of life, endowment and term insurance policies: NZ97 (2021: NZ97).

For guaranteed issue regular premium funeral plans: NZ97 (DPL plans), NZ04 (ex-Greenwich plans) multiplied by a factor to reflect higher mortality at younger ages, and the impact of guaranteed issue anti-selection (DPL – reduction of 20% on previous assumption, ex-Greenwich no change from 2021).

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

For annuities the assumed mortality table is 90% of the NZ12-14 population tables. For the Cook Islands Annuity Pension Plan the assumed mortality table is the PA(90) table without adjustment (2021: no change).

d) Profit Carriers

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

Major Product Groups	Carrier
Participating Whole of Life and Endowment Policies	Premiums
Non Participating Whole of Life and Endowment Policies	Premiums
Lump Sum Funeral Benefit Policies (Caring Plan)	Not Applicable
Term Insurance Policies	Premiums
Funeral Plan Policies (Regular premium guaranteed issue)	Gross claims
Quick Cover term life plan	Gross claims
Annuities	Annuity payments
Consumer Credit / Lifestyle	Not Applicable
Motor business	Not Applicable
Accidental death & redundancy – Stop Gap	Not Applicable
Accidental death regular & single premium	Not Applicable

e) Investment and Maintenance Expenses

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2022

Endowments	\$158 per policy per annum (2021: \$155)
Funeral plans	\$9.58 per policy per annum (2021: \$9.38)
Term life plans (for loss recognition)	\$9.58 per policy per annum (2021: \$9.38)
Consumer credit plans (for loss recognition):	\$9.58 per policy per annum (2021: \$9.38)
Annuity plans	\$158 per policy per annum (2021: \$155)

Investment management expenses were assumed to be 1.0% (2021: 1.0%) of policy liabilities.

f) *Inflation and Automatic Indexation of Benefits*

Maintenance expenses are assumed to increase 2.0% per annum (2021: 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 (2021: 5.0%), and nil for annuity pension plan business (2021: nil).

For the DPL Funeral plan the rates of discontinuance are based on company experience, beginning at 15% in year 1 and reducing ultimately to 3% per annum (2021: 15% reducing to 8%).

For the Funeral plan (ex Greenwich) product the rates of discontinuance are based on the pricing assumption for this product, beginning at 20% in year 1, and reducing ultimately to 3% per annum (2021: 40% to 3%).

For Quick Cover the rates of discontinuance are based on the pricing assumption for this product, beginning at 15% in year 1, and reducing ultimately to 10% per annum (2021: 20% reducing to 10%).

i) *Surrender Values*

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

j) *Rates of Future Supportable Participating Benefits*

Rates of bonus supported by the participating fund are simple annual bonuses of \$0.00 (2021: \$0.00) per \$1,000 of sum assured on endowment policies, the reduction arising because of persistently low interest rates.

k) *Impact of changes in assumptions*

The impact of the change in the discount rate is a reduction in policy liabilities of \$614,000 (2021: reduction of \$185,000).

The policy liabilities are not affected by the revised expense assumptions (2021: no change).

l) *Crediting Policy Adopted for Future Supportable Participating Benefits*

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

Non-life insurance liabilities

The value of non-life outstanding claims and the Liability Adequacy Test of the non-life business, have been carried out in accordance with Professional Standard no. 30. After making appropriate checks, the actuary was satisfied as to the accuracy of the data from which the amount of policy liabilities has been determined.

B. Financial strength rating

The Insurance (Prudential Supervision) Act 2010 requires all licensed insurers to have a current Financial Strength Rating, given by an approved rating entity. DPL Insurance Limited has been issued a Financial Strength Rating of B++ (Good) and an Issuer Credit Rating of bbb (Good), with the outlook assigned to both ratings as 'Stable' by A.M. Best. The rating was issued by A.M. Best on 19 August 2021.

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 2022

C. Surplus after taxation from insurance activities arose from:

	2022	2021
	\$'000	\$'000
Insurance Contracts		
Planned margin of revenues over expenses	581	435
Change in discount rate: Treasury yield curve shift	614	185
Difference between actual and assumed experience	10,129	10,720
Life investments contracts		
Difference between actual and assumed experience	311	211
Investment returns on assets in excess of insurance contract and investment contract liabilities	427	733
Surplus after taxation attributable to insurance activities	12,062	12,284

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

	2022	2021
	\$'000	\$'000
Insurance contract premiums	38,150	36,898
Investment revenue	295	1,582
Less: investment revenue paid to life insurance investment contracts	(171)	(1,473)
Other Revenues	187	241
Total insurance and investment contract income	38,461	37,248

Investment Income

Equity securities	104	1,126
Fixed interest securities	(44)	5
Property investments	235	451
	295	1,582

Included within equity securities is dividend income of \$Nil (2021: \$Nil) and included within fixed interest securities is interest income of \$Nil (2021: \$Nil). Included within total Investment Income is net realised and unrealised gains/(losses) on securities at fair value through profit or loss of \$295,000 (2021: \$1,582,000).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2022

E. Insurance related expenses

	2022 \$'000	2021 \$'000
Insurance contract claims	20,980	21,566
Reinsurance expenses	565	570
Insurance contracts		
Policy acquisition expenses - commission costs	2,158	2,256
Deferred acquisition cost amortisation	324	989
Total insurance contract related expenses	2,482	3,245
Life investment contracts		
Investment management expenses	45	43
Movement in life insurance liabilities	(583)	143
<i>Net operating profit includes the following specific expenses</i>		
Audit fees for the audit of financial statements	125	122
Amortisation of customer relationships	520	520
Amortisation of other intangible assets	264	252
Depreciation	366	346
Employee benefits	4,824	5,322
F. Taxation		
Net operating profit before taxation	15,325	14,943
Income tax expense at prevailing rates	4,291	4,184
Tax impact of expenses not deductible for tax purposes	(1,026)	(1,524)
Prior year adjustment	(3)	(1)
Taxation expense	3,262	2,659
Comprising:		
Current	3,529	3,264
Deferred	(248)	(514)
Prior year adjustment	(19)	(91)
	3,262	2,659
<i>Deferred tax</i>		
Opening balance	6,667	7,181
Charge to profit or loss	(248)	(514)
Closing balance	6,419	6,667
The charge to profit or loss is attributable to the following items:		
Insurance deductible reserves	73	(111)
Provisions and accruals	(269)	(503)
Prior year adjustment	(52)	100
	(248)	(514)

Income tax losses on policyholder base

The policy holder tax losses carried forward at 31 March 2022 are \$4,723,000 (2022: \$5,276,000).

Imputation credit memorandum account

The policyholder imputation credit account has a closing balance at 31 March 2022 of \$Nil (2021: \$Nil).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2022

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.

	2022 \$'000	2021 \$'000
Actual solvency capital	36,738	41,382
Calculated minimum solvency capital	20,199	19,151
Coverage ratio on calculated margin (times)	1.82	2.16
Overall minimum capital requirement	20,199	19,151
Solvency margin on overall minimum requirement	16,539	22,231
Coverage ratio on overall minimum requirement (times)	1.82	2.16
<i>Non-life insurance</i>		
Actual solvency capital	32,234	34,805
Calculated minimum solvency capital	17,759	16,315
Solvency margin on calculated minimum requirement	14,475	18,490
<i>Life insurance</i>		
Actual solvency capital	4,504	6,577
Calculated minimum solvency capital	2,440	2,836
Solvency margin on calculated minimum requirement	2,064	3,741

H. Policyholder liabilities

	2022 \$'000	2021 \$'000
Insurance contract liabilities		
Opening insurance contract liabilities	53,101	51,420
Increase in insurance contract liabilities	1,897	1,434
Amortisation Intangible asset - policies in force	-	-
Increase in deferred acquisition costs	17	247
Closing insurance contract liabilities	55,015	53,101
Policyholder liabilities contain the following components:		
Future policy benefits	59,177	57,927
Future expenses	6,265	5,748
Future profit margins	5,997	5,066
Balance of future premiums	(21,760)	(21,537)
Re-insurance	5,338	5,916
Life deferred acquisition costs	(2)	(19)
	55,015	53,101

Life insurance contracts with a discretionary participation feature - the amount of the liabilities that relates to guarantees	199	218
Other contracts with a fixed or guaranteed termination value - current termination value	6,668	7,377

Life investment contracts at fair value through profit or loss

Opening life investment contracts at fair value through profit or loss	8,116	7,072
Increase / (decrease) in life investment contract liabilities recognised through profit or loss	98	1,405
Deposit premium	1,279	1,410
Withdrawals	(1,153)	(1,560)
Activity, plan, and establishment fees	(187)	(211)
Closing life investment contract liabilities	8,153	8,116

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2022

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

	2022 \$'000	2021 \$'000
Annuities	1,011	1,150
Endowment	198	201
Whole of life, provision for bonus and future margins	4,433	4,800
Consumer Credit Protection & key person loan protection	5,501	5,866
Accidental death/redundancy	6	6
Term Life	54	77
General	39,314	37,193
General claims provisions	4,500	3,827
Saving plans	8,153	8,116
Deferred acquisition costs - life	(2)	(19)
	63,168	61,217
Life investment contract liabilities	8,153	8,116
Insurance contract liabilities	55,015	53,101
	63,168	61,217
<i>General outstandings claim provision</i>		
Gross claims	118	118
IBNR provision	3,257	2,756
	3,375	2,874
<i>Reconciliation of movement in general gross claims liability</i>		
Opening Balance	2,874	2,591
Movement	16,662	16,613
Payments	(16,161)	(16,330)
Closing Balance	3,375	2,874

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 2022

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 2022	Statutory \$'000	Shareholder \$'000	Total \$'000
Insurance contract premiums	6,532	31,617	38,149
Outward reinsurance premium	(565)	-	(565)
Recoveries	1,067	3	1,070
Other insurance revenue	311	1,222	1,533
Insurance revenue	7,345	32,842	40,187
Claims expense	(3,115)	(17,865)	(20,980)
Movement in life insurance liabilities	583	-	583
Commission expense	(477)	(1,681)	(2,158)
Other expenses	(714)	(7,613)	(8,327)
Underwriting (loss)/profit	3,622	5,683	9,305
Fair value gain on revaluation of investment properties	-	3,603	3,603
Investment income	443	1,974	2,417
Profit before taxation	4,065	11,260	15,325
Taxation	(1,138)	(2,124)	(3,262)
Profit after taxation	2,927	9,136	12,063
Statement of financial position as 31 March 2022	Statutory \$'000	Shareholder \$'000	Total \$'000
Assets			
Investments backing insurance policy liabilities	28,710	85,888	114,598
Other assets	-	36,128	36,128
Total assets	28,710	122,016	150,726
Liabilities			
Life investment contract liabilities	8,153	-	8,153
Insurance contract liabilities	12,326	42,689	55,015
Deferred taxation	-	6,419	6,419
Other liabilities	727	4,965	5,692
Total liabilities	21,206	54,073	75,279
Solvency			
Actual Solvency capital	4,504	32,234	36,738
Minimum solvency capital	2,440	17,759	20,199
Solvency Margin	2,064	14,475	16,539

Statement of income for the year ended 31 March 2021	Statutory \$'000	Shareholder \$'000	Total \$'000
Insurance contract premiums	6,555	30,343	36,898
Outward reinsurance premium	(570)	-	(570)
Recoveries	1,515	12	1,527
Other insurance revenue	352	1,664	2,016
Insurance revenue	7,852	32,019	39,871
Claims expense	(3,924)	(17,642)	(21,566)
Movement in life insurance liabilities	(143)	-	(143)
Commission expense	(592)	(1,664)	(2,256)
Other expenses	(1,195)	(7,931)	(9,126)
Underwriting (loss)/profit	1,998	4,782	6,780
Fair value gain on revaluation of investment properties	-	5,425	5,425
Investment income	753	1,985	2,738
Profit before taxation	2,751	12,192	14,943
Taxation	(770)	(1,889)	(2,659)
Profit after taxation	1,981	10,303	12,284

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2022

Statement of financial position as 31 March 2021	Statutory \$'000	Shareholder \$'000	Total \$'000
Assets			
Investments backing insurance policy liabilities	28,571	80,987	109,558
Other assets	-	36,670	36,670
Total assets	28,571	117,657	146,228
Liabilities			
Life investment contract liabilities	8,116	-	8,116
Insurance contract liabilities	13,034	40,067	53,101
Deferred taxation	-	6,667	6,667
Other liabilities	844	6,115	6,959
Total liabilities	21,994	52,849	74,843
Solvency			
Actual Solvency capital	6,577	34,805	41,382
Minimum solvency capital	2,836	16,315	19,151
Solvency Margin	3,741	18,490	22,231
Reconciliation of Profit before tax to Operating profit (note 6)		2022	2021
		\$'000	\$'000
Profit before tax		15,325	14,943
Less: revaluation of investment property disclosed as property, plant and equipment in the Group financial statements at cost		(3,603)	(5,425)
Less: depreciation on investment property disclosed as property, plant and equipment		(142)	(168)
Operating profit (note 6)		11,580	9,350

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
2022			
Premium income	-	37,585	37,585
Investment income	-	6,019	6,019
Claims expense	-	(20,980)	(20,980)
Other operating revenue	222	2,480	2,702
Other operating expenses	-	(9,903)	(9,903)
Investment revenues allocated to policyholders	(98)	-	(98)
Net profit before taxation	124	15,201	15,325
Net profit after taxation	89	11,973	12,062
Policy liabilities	8,153	55,015	63,168
Investment assets	8,259	106,340	114,599
Other assets	-	36,128	36,128
Other liabilities	-	12,111	12,111
Retained earnings	1,418	27,679	29,097

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2022

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

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 2022

Non-life insurance

The risk management activities include prudent underwriting, pricing, and management of risk, together with claims management, reserving and investment management. The objective of these disciplines is to enhance the financial performance of the insurance operations and to ensure sound business practices are in place for underwriting risks and claims management.

Claims

Variations in claim levels will affect reported profit and equity. The impact may be magnified if the variation leads to a change in actuarial assumptions which cannot be absorbed within the present value of planned margins for a group of related products. Insurance risk may arise through the reassessment of the incidence of claims, the trend of future claims and the effect of unforeseen diseases or epidemics. Insurance risk is controlled by ensuring underwriting standards adequately identify potential risk, retaining the right to amend premiums on risk policies where appropriate. The experience of the Group's life insurance business is reviewed regularly.

Concentration of insurance risk

The Group does not believe it has any major geographic concentration of insurance risk. The Group's policies aim to reduce concentration risk by maintaining a portfolio of policyholders with a broad spread of insurance risk types, ages, sexes, occupation classes and geographic locations. The group uses reinsurance to limit the insurance risk exposure for any one individual.

Sensitivity Analysis

The liabilities included in the reported results are calculated using certain assumptions about key variables as disclosed above. Sensitivity analysis is conducted to assess the impact of actual experience being different to that assumed in the calculation of liabilities. Movements in any variable will impact the profit and net assets of the Group. The tables below describe how a change in actual experience relative to that expected will affect next financial year's expected shareholder profit.

Variable	Impact of movement in underlying variable
Expense risk	An increase in the level or inflationary growth of expenses over assumed levels will decrease profit and shareholders' equity
Interest rate risk	Depending on the profile of the investment portfolio, the investment income of the Group will decrease as interest rates decrease. This may be offset to an extent by changes in the market value of fixed interest investments. The impact on profit and shareholder equity depends on the relative profiles of assets and liabilities, to the extent that these are not matched
Mortality rates	For insurance contracts providing death benefits, greater mortality rates would lead to higher levels of claims, increasing associated claims cost and therefore reducing profit and shareholder equity
Discontinuance	The impact of discontinuance rate assumption depends on a range of factors including the type of contract, the surrender value basis (where applicable) and the duration in force. For example, an increase in discontinuance rates at earlier durations of life insurance contracts usually has a negative effect on profit and shareholder equity. However, due to the interplay between the factors, there is not always an adverse outcome from an increase in discontinuance rates
Market Risk	For benefits which are not contractually linked to the underlying assets, the Group is exposed to Market Risk

The table below illustrates how changes in key assumptions would impact the reported profit and liabilities of the Group.

Change in key assumptions (\$'000)	Effect on policy liabilities	Effect on future profit
2022		
Market risks		
Increase in interest rates of 1%	(294)	(300)
Decrease in interest rates of 1%	334	333
Insurance risks		
Increase in expenses of 10%	1	(57)
Decrease in expenses of 10%	(1)	57
Decrease in mortality by 10%	(4)	(554)
Increase in mortality by 10%	5	585
Worsening of discontinuance rate by 10%	-	-
Improvement in discontinuance rate by 10%	-	-
2021		
Market risks		
Increase in interest rates of 1%	(239)	(20)
Decrease in interest rates of 1%	265	22
Insurance risks		
Increase in expenses of 10%	1	(13)
Decrease in expenses of 10%	(1)	13
Decrease in mortality by 10%	(5)	(103)
Increase in mortality by 10%	6	113
Worsening of discontinuance rate by 10%	-	32
Improvement in discontinuance rate by 10%	-	(36)

STATUTORY INFORMATION

Directors' remuneration and other benefits for the financial year ended 31 March 2022

	Directors' fees \$
Grant Baker	150,000
Paul Byrnes (resigned 18 February 2022)	68,750
Martin Berry	75,000
Matthew Harrison (1)	75,000
Alistair Petrie	75,000
John Roberts (2)	75,000
Antony Vriens (3)	75,000

- During the year ended 31 March 2022 Mr Harrison received an additional \$15,000 (2021: \$14,250) in fees for services as chairman of the Credit and Lending Committee.
- During the year ended 31 March 2022 Mr Roberts received an additional \$15,000 (2021: \$14,250) in fees for his services as chairman of the Audit and Risk Management Committee.
- During the year ended 31 March 2022 Mr Vriens received an additional \$35,000 (2021: \$33,250) in fees for his services as chairman of DPL Insurance Limited.

Disclosure of interests recorded in the interest's register

There were no new specific disclosures of interests entered in the interests' register in the accounting period ending 31 March 2022.

Dealings in Turners Automotive Group Limited shares by Directors

	Date of transaction	Shares (disposed)/acquired	Consideration (received)/ paid \$	Nature of relevant interest
Paul Byrnes	05/07/ – 15/07/2021	(273,649)	(1,220,249)	Registered holder and beneficial interest
Paul Byrnes	08/12/2021	(390,000)	(1,654,769)	Registered holder and beneficial interest
Alistair Petrie	08/12/2021	390,000	1,654,769	Controller of shares held by Bartel Holdings Limited. Alistair Petrie is the legal owner of 100% of the shares in Bartel Holdings Limited in a trustee capacity, so does not have beneficial ownership of those shares.

Directors' relevant interest in quoted shares as at 31 March 2022

	Shares
Grant Baker	6,450,000
Martin Berry	500,000
Matthew Harrison	5,179,294
Alistair Petrie*	9,967,653
John Roberts	71,900
Antony Vriens	-

* Mr Petrie controls 9,942,642 shares held by Bartel Holdings Limited in a trustee capacity (so does not have beneficial ownership of those shares) and 25,011 shares as beneficial owner.

Other Directorships

Mr Baker and Mr Harrison are directors of Turners Staff Share Plan Trustees Limited which acts as Trustee of the Employee Share Purchase Scheme Trust.

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

Grant Baker	
Baker Consultants Limited	Velocity Capital LP
Montezemolo Holdings Limited	Liam Lawson Supporters Partnership LP (Chairman)
Me Today Limited (Chairman)	The Home Bakery Limited

STATUTORY INFORMATION

Martin Berry
Launcho Ventures Pte. Ltd
Gong Cha Global Ltd

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

Antony Vriens
Me Today Limited
Institute for Strategic Leadership Pty Limited

John Roberts
Apollo Foods Limited
Centrix Group Limited

Alistair Petrie
RH Investment Trust
Trustee of Dossor Trust
Bartel Holdings Ltd
Darling Group Holdings
Jellicoe St Enterprises Ltd
Zeafruit Limited

Employee remuneration

During the financial year ended 31 March 2022, 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	
	2022	2021
100,000 - 109,999	19	16
110,000 - 119,999	21	13
120,000 - 129,999	13	13
130,000 - 139,999	11	8
140,000 - 149,999	11	4
150,000 - 159,999	7	8
160,000 - 169,999	6	3
170,000 - 179,999	3	6
180,000 - 189,999	1	6
190,000 - 199,999	4	2
200,000 – 209,999	3	2
220,000 - 229,999	3	2
230,000 - 239,999	3	1
240,000 - 249,999	1	2
250,000 - 259,999	1	2
260,000 - 269,999	-	1
270,000 - 279,999	1	1
280,000 - 289,000	-	1
300,000 - 309,999	1	-
310,000 - 319,999	-	1
340,000 - 349,999	-	1
360,000 - 369,999	-	1
370,000 - 379,999	1	-
430,000 - 439,999	-	1
460,000 - 469,999	-	1
480,000 - 489,999	1	-
510,000 - 519,999	-	1
670,000 - 679,000	1	
830,000 - 839,999	-	1
1,120,000 - 1 129,999	1	-

STATUTORY INFORMATION

STOCK EXCHANGE LISTINGS

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

PRINCIPAL ORDINARY SHAREHOLDERS AS AT 31 MAY 2022

The following table shows the names and holdings of the 20 largest holdings of quoted ordinary shares (TRA) of the Company as at 31 May 2022.

Rank	Name	Shares	% of Issued Capital
1	Bartel Holdings Limited	9,942,642	11.55
2	Montezemolo Holdings Limited	6,450,000	7.49
3	Harrigens Trustees Limited	5,179,294	6.02
4	Custodial Services Limited <A/C 4>	4,804,135	5.58
5	FNZ Custodians Limited	4,198,153	4.88
6	JBWere (NZ) Nominees Limited <NZ Resident A/C>	2,503,529	2.91
7	National Nominees Limited - NZCSD <NNLZ90>	2,281,005	2.65
8	Stephen John Sinclair + Jacqueline Margaret Sinclair + Roger Frederick Wallis <The Sinclair Investment A/C>	2,171,461	2.52
9	Paul Bernard Mora	1,950,312	2.27
10	HSBC Nominees (New Zealand) Limited - NZCSD <HKBN90>	1,541,222	1.79
11	John Jeffers Harrison	1,333,782	1.55
12	Glenn Arthur Duncraft	1,200,000	1.39
13	Accident Compensation Corporation - NZCSD <ACCI40>	1,172,943	1.36
14	BNP Paribas Nominees (NZ) Limited - NZCSD <BPSS40>	1,018,944	1.18
15	New Zealand Depository Nominee Limited <A/C 1 Cash Account>	983,186	1.14
16	Paul Anthony Byrnes	821,211	0.95
17	Public Trust - NZCSD <The Aspiring Fund>	620,638	0.72
18	Cushla Mary Smithies	542,841	0.63
19	Todd William Hunter + Elizabeth Hunter + Graham Rodney Leaming <Stanmore A/C>	541,819	0.63
20	Forsyth Barr Custodians Limited <1-Custody>	532,496	0.62

SPREAD OF ORDINARY SHAREHOLDERS AS AT 31 MAY 2022

Range	Total Holders	Shares	% of Issued Capital
1 – 999	1,737	778,527	0.91
1,000 - 1,999	816	1,106,375	1.29
2,000 - 4,999	921	2,822,484	3.28
5,000 - 9,999	523	3,452,513	4.01
10,000 - 49,999	713	13,680,445	15.89
50,000 - 99,999	62	3,976,438	4.62
100,000 - 499,999	43	8,144,316	9.46
500,000 - 999,000	7	4,469,041	5.19
1,000,000 plus	11	47,639,109	55.35
Total	4,833	86,069,248	100.00

DOMICILE OF ORDINARY SHAREHOLDERS AS AT 31 MAY 2022	Shareholders		Shares	
	Number	%	Number	%
New Zealand	4,665	96.52	85,220,269	99.02
Australia	81	1.68	380,257	0.44
Other	87	1.80	468,722	0.54
Total	4,833	100.00	86,069,248	100.00

STATUTORY INFORMATION

SUBSTANTIAL PRODUCT HOLDERS

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

As at 31 March 2022 the following shareholders are registered by the company as Substantial Product Holders in the Company, having disclosed a relevant interest in quoted voting products under the Financial Markets Conduct Act 2013.

	Number of Shares	%
Bartel Holdings Limited	9,942,642	11.55
Montezemolo Holdings Limited	6,450,000	7.49
Harrigens Trustees Limited	5,179,294	6.02

The total number of quoted voting products of the company on issue at 31 March 2022 was 86,069,248 paid ordinary shares.

CORPORATE GOVERNANCE REPORT

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

The Board considers that this framework and governance practices for the year ended 31 March 2022 are generally in line with the NZX Corporate Governance Code, except as stated below:

Recommendation 2.8: A majority of the Board should be independent directors. Following the retirement of Paul Byrnes as an independent director in February 2022, the Board consists of three independent and three non-independent, non-executive directors. The non-executive directors are not involved in the day to day operations of the company and do not have significant influence over operational decisions. The Board has determined that each director provides considerable value to Turners through their individual skills and expertise. The company is in compliance with the relevant NZX Listing Rules regarding Board composition.

• Recommendation 2.9: An issuer should have an independent chairperson of the board. The chairperson of the board is Grant Baker, a non-executive director. Grant has a 7.49% shareholding in Turners and therefore the Board has determined that he is not an independent director. The chair is not the CEO of Turners, is not involved in the day to day running of the business and does not have significant influence over operational decisions.

• Recommendation 3.3 and 3.4: An issuer should have a remuneration committee and a nomination committee. Due to the size of the Company's Board, matters normally dealt with by a remuneration committee or nominations committee are dealt with by the full Board.

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

The information in this report is current as at 29 June 2022 and has been approved by the Board of Turners.

The Turners' Corporate Governance Code and other key policies are available on the Turners Automotive Group Limited website:

<https://www.turnersautogroup.co.nz/About+Us/Corporate+Governance.html>.

PRINCIPLE 1 – CODE OF ETHICAL BEHAVIOUR

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

The Board recognises that high ethical standards and behaviours are central to good corporate governance and it is committed to the observance of a written Code of Ethics for Turners. The Code of Ethics is the framework of standards by which directors, employees, contractors for personal services and advisers to Turners and its related companies are expected to conduct their professional lives. It was last reviewed by the Board in April 2021.

The Code of Ethics is intended to facilitate decisions that are consistent with Turners values, business goals and legal and policy obligations, thereby enhancing performance outcomes. In particular, it covers conflicts of interest, gifts, confidentiality, corporate opportunities, behaviour, proper use of assets and information and compliance with laws and policies.

No donations have been made to any political parties in FY22.

The Code of Ethics is available on the Company's website. Employees are expected to report any breaches in line with the processes outlined in the Code of Ethics.

Turners has a Whistle Blower Policy to allow employees to raise the alarm on concerns they may have over malpractice without fear of retribution from their colleagues or employer. The Board believes that all directors conformed to the Code of Ethics during the 2022 financial year.

Turners has a Quoted Financial Product Trading Code of Conduct to mitigate the risk of insider trading in Turners financial products by employees and directors. A copy of this is available on Turners' website. Additional trading restrictions apply to Restricted Persons including directors and certain employees. Details of directors' share dealings are on page 93 of the 2022 Financial Statements.

CORPORATE GOVERNANCE REPORT cont.

PRINCIPLE 2 – BOARD COMPOSITION AND PERFORMANCE

To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives.

The Turners Board is responsible for setting the strategic direction of the Company, overseeing the financial and operational controls of the business, putting in place appropriate risk management strategies and policies and enhancing its value for shareholders in accordance with good corporate governance principles.

In addition to the Turners Corporate Governance Code, the Turners Board also operates under a written charter which sets out:

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

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

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

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

Board Composition and Appointment

The number of elected directors and the procedure for their retirement and re-election at Annual Shareholder Meetings is set out in Turners Constitution. Turners considers that the nomination process for new Director appointments is the responsibility of the whole Board and it does not have a separate nomination committee. The Board takes into consideration tenure, capability, diversity and skills when reviewing Board composition and new appointments.

Directors will retire and may stand for re-election by shareholders every three years, in accordance with the NZX Listing Rules. A director appointed since the previous annual meeting holds office only until the next annual meeting, but is eligible for re-election at that meeting. At the Annual Shareholders' Meeting on 9 September 2021, Martin Berry and Antony Vriens were re-elected as directors and Paul Byrnes was re-elected as a director until 18 February 2022.

When a director is newly appointed, Turners will enter into a written agreement with them setting out the terms of their employment. The Company has arranged policies of directors' and officers' liability insurance which, with a Deed of Indemnity entered into with all directors, ensure that generally directors will incur no monetary loss as a result of actions undertaken by them as directors. Certain actions are specifically excluded, for example, the incurring of penalties and fines which may be imposed in respect of breaches of the law.

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

As at 31 March 2022, Board members were:

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

CORPORATE GOVERNANCE REPORT cont.

In order for a Director to be an independent director, the Board has determined that the relevant director must not be an executive of Turners and must have no disqualifying relationships. The Board follows the guidelines of the NZX Corporate Governance Code. Information on each director is available on the Turners website and on page 28 and 29 of the 2022 Annual Report.

Director's interests are disclosed on pages 93 to 96 of the 2022 Financial Statements.

The table below summarises the current key skills and experience of the Board.

Industry knowledge/experience	Highly skilled	Moderately skilled
Industry & sector knowledge		
- Auto retail	●●●	○○○
- Finance	●●●●	○○
- Insurance	●●	○○○○
- Credit management	●●	○○○○
Technology/digital	●●●	○○○
Entrepreneurial growth and transformation	●●●●●	○
Sales, marketing and brand experience	●●●●●	○
People, culture and employee relations	●●●●●●	
Finance and capital markets	●●●●	○○
Risk management and regulatory	●●●●●	○
Governance	●●●●●	○
ESG	●●●	○○○

Emerging Director

Turners' supports the Emerging Directors programme and views it as an excellent way of building board talent, knowledge and expertise and ensuring there is a succession plan in place when required. The Board appointed Lauren Quaintance as an Emerging Director in October 2021.

Board Training and Performance

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

The Board regularly considers individual and collective performance, together with the skill sets, training and development and succession planning required to govern the business. An external review was conducted in FY20, and a self-evaluation was conducted in FY22.

Diversity

Turners believes that diversity and inclusion of background, experiences, thoughts and ways of working lead to greater creative and innovative solutions which ultimately lead to a superior outcome for its stakeholders socially, economically and environmentally. Diversity in Turners includes (but is not limited to) the following: gender, race, ethnicity and cultural background, thinking, physical capability, age, sexual orientation, and religious or political belief.

Turners Diversity and Inclusion Policy is available on the Turners website. The Board requires management to provide regular reporting and monitoring on diversity and wellbeing within the Turners workforce. The quarterly staff survey includes questions on equality with respondents rating Turners 9.3 out of 10.

As at 31 March 2022 the gender balance of Turners directors and people was as follows:

	31 March 2022		31 March 2021	
	Female	Male	Female	Male
Directors	-	6	-	7
Emerging Director	1	-	-	-
Senior Leadership	7	31	7	26
Management	42	50	38	54
Other Employees	250	288	223	274

CORPORATE GOVERNANCE REPORT cont.

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 FY22. In total, there were 14 Board meetings; 3 Audit, Risk Management & Sustainability Committee meetings; and 11 Lending and Credit Committee meetings.

	Board	Audit, Risk Management & Sustainability committee	Lending & Credit committee
Total Number of Meetings Held	14	3	11
Grant Baker	13		
Paul Byrnes ¹	12		
Martin Berry	12		
Matthew Harrison	14		11
Alistair Petrie	14	3	11
John Roberts	13	3	11
Antony Vriens	11	2	
Lauren Quaintance ²	5		

PRINCIPLE 3 – COMMITTEES

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

The Board has constituted two standing Committees being the Audit, Risk Management and Sustainability Committee and the Lending and Credit Committee. Turners will continue to monitor best practice in the governance area and update its policies to ensure it maintains the most appropriate standards.

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

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

Each Committee is empowered to seek any information it requires from employees in pursuing its duties and to obtain independent legal or other professional advice. The membership and performance of each Committee is reviewed annually. From time to time, special purpose committees may be formed to review and monitor specific projects with senior management.

Audit, Risk Management & Sustainability Committee (ARMS Committee)

The role of the ARMS Committee is to assist the Board in carrying out its responsibilities relating to the company's risk management and internal control framework, the integrity of its financial reporting, and the company's internal and external auditing processes and activities. This responsibility includes providing the Board with additional assurance about the quality and reliability of the financial information issued publicly by Turners. All matters required to be addressed and for which the Committee has responsibility were addressed during the reporting period. In addition the Committee oversees the strategies, activities and performance regarding sustainability, corporate social responsibility and the environment.

The Committee is comprised solely of non-executive Directors of Turners, has three members, has a majority of independent Directors and has at least one director with an accounting or financial background. The Chair of the committee is not the Chair of the Board and does not have a long-standing association with Turners' external audit firm as a current, or retired, audit partner or senior manager at that firm. Management and employees may only attend meetings at the invitation of the Committee and the Committee routinely has Committee-only time with the external and internal auditors without management present. The Committee Charter is available as Appendix B in the Turners Corporate Governance Code.

Members as at 31 March 2022 were John Roberts (Chair), Antony Vriens and Alistair Petrie. It met three times during the financial year.

Lending and Credit Committee

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

¹ Paul Byrnes retired from the Board on 18 February 2022

² The Board appointed Lauren Quaintance as an Emerging Director in October 2021

CORPORATE GOVERNANCE REPORT cont.

The Lending and Credit Committee members as at 31 March 2022 were Matthew Harrison (Chair), Alistair Petrie and John Roberts. It met 11 times during the financial year.

Takeovers

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

PRINCIPLE 4 – REPORTING AND DISCLOSURE

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

Turners' directors are committed to keeping investors and the market informed of all material information about Turners and its performance, and ensuring compliance with applicable legislative and the NZX Listing Rules. The release of material information is guided by the Reporting and Disclosure section in Turners Corporate Governance Code, and the Turners Continuous Disclosure Policy, which are available to view on Turners' website.

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

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

Financial information

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

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

For the financial year ended 31 March 2022, the directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of Turners and facilitate compliance with Part 7 of the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013. The Chief Executive and Chief Financial Officer have confirmed in writing to the Board that Turners' external financial reports present a true and fair view in all material aspects.

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

Non-financial information

The Board recognises the importance of non-financial disclosure and in particular, environmental, social and governance (ESG) matters. Turners has an Environmental, Social and Governance Policy in section 14 of Turners Corporate Governance Code. A number of initiatives detail on pages 17 to 25 are underway which support Turners' focus in these areas.

Turners is committed to using its resources responsibly and will look for opportunities to reduce any negative environmental risk or impact from business operations, products and services. Turners is committed to providing fair and responsible products and services that includes adherence to the Responsible Lending Code, the Responsible Credit-Related Insurance Code, Insurance (Prudential Supervision) Act 2010 and various other Acts.

The Board will encourage diversity and will not knowingly participate in business situations where Turners' could be complicit in human rights and labour standard abuses.

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

PRINCIPLE 5 – REMUNERATION

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

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

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

CORPORATE GOVERNANCE REPORT cont.

Details of directors and executives' remuneration and entitlements for the 2022 financial year are detailed on pages 81 and 93 of the Annual Report.

The Remuneration Policy is included in section 10 of Turners Corporate Governance Code. Turners does not have a Remuneration Committee and matters pertaining to remuneration are dealt with by the full Board.

Director Remuneration

The total remuneration pool available for Directors is fixed by shareholders. The Board determines the level of remuneration paid to Directors from the approved collective pool. Directors also receive reimbursement for reasonable travelling, accommodation and other expenses incurred in the course of performing their duties. The annual fee pool limit is \$665,000 and was approved by shareholders at the annual meeting in September 2018. Any proposed increases in non-executive Director fees and remuneration will be put to shareholders for approval. If independent advice is sought by the Board, it will be disclosed to shareholders as part of the approval process. Board policy is that no sum is paid to a director upon retirement or cessation of office.

While there is no formal requirement, all of Turners' directors either directly or indirectly own shares in the company. Details of shareholdings are on page 93 of the 2022 Financial Statements.

Board Remuneration

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

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

Details of individual Directors' remuneration are detailed on page 93 of the 2022 Annual Report. Turners does not pay fees upon retirement of directors.

Executive Remuneration

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

Details of executives' remuneration and entitlements are detailed under Key Management Compensation on page 81 and Remuneration of Employees information on page 94 of the 2022 Financial Statements. Details of the Group's Share Option Plan are detailed on page 79 and 80 of the 2022 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 incentive payable annually and a long term incentive, being participation in the Group's Share Option Plan. The CEO's remuneration can be summarised as follows:

	Salary	Benefits	Subtotal	Pay for Performance		Total Remuneration
				Cash STI	Share LTI	
FY22	659,000	50,325	709,325	375,000 ³	535,000 ⁴	1,619,325
FY21	539,117	56,434	595,552	300,000 ⁵	-	895,552

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

Long term incentive: 750,000 options, with an exercise price of \$2.00, granted under the Group's Share Option Plan. The grant is split into 3 tranches of 250,000 options with the following vesting dates; 1 June 2022, 1 June 2023 and 1 June 2024. Each tranche expires two years after the vesting date.

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

If a participant in the Group Share Option Plan leaves (by any means and for any reason) the employment of the Company or any applicable subsidiary, the participant's options which have reached their vesting date, together with any other options as may

³ STI for FY22, paid in FY23, 100% of target achieved
⁴ Taxable value of 250,000 options, with an exercise price of \$2.00, exercised in FY22
⁵ STI for FY21, paid in FY21, 100% of target achieved

CORPORATE GOVERNANCE REPORT cont.

be nominated at the discretion of the Board of Directors of the Company in extraordinary circumstances (such as the redundancy, permanent disablement or death of a Participant), may be exercised within a period of 60 days (following which they will lapse) and the participant's other Options will lapse immediately.

PRINCIPLE 6 – RISK MANAGEMENT

Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.

Turners is committed to proactively managing risk. While this is the responsibility of the entire Board, the ARMS Committee assists the Board and provides additional oversight in regards to the risk management framework and monitoring compliance with that framework.

The Board's approach to risk management is incorporated into ARMS Committee Charter which is included as Appendix B in Turners Corporate Governance Code. The Board delegates day to day management of the risk to the Chief Executive. The executive team and senior management are required to regularly identify the major risks affecting the business and develop structures, practices and processes to manage and monitor these risks. Individual risks are discussed with the Board in detail as required.

Key financial and non-financial risks are included in note 5 of the 2022 Financial Statements. The Board is satisfied that Turners has in place a risk management process to effectively identify, manage and monitor Turners' principal risks. Turners maintains insurance policies that it considers adequate to meet its insurable risks.

Health and Safety

The Board recognises that effective management of health and safety is essential for the operation of a successful business, and its intent is to prevent harm and promote wellbeing for employees, contractors and customers.

The Board is responsible for ensuring that the systems used to identify and manage health and safety risks are fit for purpose, being effectively implemented, regularly reviewed and continuously improved.

Turners has a Health and Safety Policy which is monitored by a Health and Safety Committee assisted by Health and Safety coordinators in each business unit. Health and Safety reports for all business units are included in the compliance section of Board papers.

PRINCIPLE 7 – AUDITORS

The Board should ensure the quality and independence of the external audit process.

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

The ARMS Committee provides additional oversight of the external auditor, reviews the quality and cost of the audit undertaken by the Company's external auditors and provides a formal channel of communication between the Board, senior management and external auditors. The Committee also assesses the auditor's independence on an annual basis. Procedures are detailed in the ARMS Committee Charter (Appendix B of the Turners Corporate Governance Code).

For the financial year ended 31 March 2022, Baker Tilly Staples Rodway was the external auditor for Turners Automotive Group Limited. Baker Tilly Staples Rodway were first appointed as external auditor in 1999 and were automatically re-appointed under the Companies Act 1993 at the 2021 Annual Shareholder Meeting. The last audit partner rotation was in the 2020 calendar year. All audit work at Turners is fully separated from non-audit services, to ensure that appropriate independence is maintained. The amount of fees paid to Baker Tilly Staples Rodway for audit and other services is identified on page 64 of the 2022 Annual Report. Baker Tilly Staples Rodway has provided the Turners' Board with written confirmation that, in their view, they were able to operate independently during the year. Baker Tilly Staples Rodway attends the Annual Shareholder Meeting, and the lead audit partner is available to answer questions from shareholders at that meeting.

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

CORPORATE 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.

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

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

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

Turners maintains a comprehensive investor relations website which provides access to key corporate governance documents, copies of all major announcements, company reports and presentations.

Shareholders are encouraged to attend the Annual Shareholders' Meeting and may raise matters for discussion at this event. The company live streams the annual meeting, which is accessible worldwide. In 2021, due to COVID-related disruption, the meeting was changed to be online only.

In accordance with the NZX Corporate Governance Code, the Board ensured that the notice of the 2021 Annual Shareholder Meeting was posted to Turners' website as soon as possible, and at least 20 working days prior to that meeting.

Shareholders have the ultimate control in corporate governance by voting directors on or off the Board. Voting is by poll, upholding the 'one share, one vote' philosophy. In accordance with the Companies Act 1993, Turners' constitution and the NZX Listing Rules, Turners refers major decisions which may change the nature of Turners' to shareholders for approval.

All shareholders are given the option to elect to receive shareholder communications in electronic form (by email).

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

DIRECTORY

CORPORATE DIRECTORY

DIRECTORS

Grant Baker
Chairman
Appointed 10 September 2009

Martin Berry
Independent Director
Appointed 17 August 2018

Matthew Harrison
Non-executive director
Appointed 12 December 2012

Alistair Petrie
Non-executive director
Appointed 24 February 2016

John Roberts
Independent Director
Appointed 1 July 2015

Antony Vriens
Independent Director
Appointed 12 January 2015

REGISTERED OFFICE

Level 5, 70 Shortland Street, Auckland, New Zealand
PO Box 1232, Shortland Street, Auckland, 1140, New Zealand
Freephone: 0800 100 601
Email enquiries: info@turnersautogroup.co.nz
Web: www.turnersautogroup.co.nz

AUDITOR

Baker Tilly Staples Rodway

BANKERS

Bank of New Zealand and ASB Bank

LAWYERS

Chapman Tripp

SHAREHOLDER INFORMATION

COMPANY PUBLICATIONS

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

Financial calendar

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

SHARE REGISTER

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road, Takapuna, Auckland
Private Bag 92119, Auckland 1142, New Zealand
Telephone: +64 9 488 8777

ENQUIRIES

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

STOCK EXCHANGE

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

This annual report is dated 29 June 2022 and is signed on behalf of the board by:

G.K. Baker
Chairman

J.A Roberts
Director

Notes

For personal use only

Notes

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Turners Automotive Group Limited
Level 5, 70 Shortland Street
PO Box 1232, Auckland 1140
T: 0800 100 601
E: info@turnersautogroup.co.nz
www.turnersautogroup.co.nz