WE'RE GETTING STRONGER.

Turners.
Automotive Group

ANNUAL REPORT
FOR THE YEAR ENDED 31 MARCH 2023

Management commentary
(no financial statements)

WE ARE NEW ZEALAND’S LEADING ECOSYSTEM FOR VEHICLE USERS

Turners’ automotive ecosystem makes it easy for our customers, allowing them to buy, sell, finance and insure their vehicle through our trusted brands and businesses. With more than 900,000 used cars transacted every year in New Zealand, this provides a large and highly targeted group of customers. While primarily focused on the automotive industry, our businesses also offer services outside of the automotive industry, providing diversification of earnings and consistent growth and yield for our shareholders.

AUTOMOTIVE RETAIL

- New Zealand’s largest buyer and seller of vehicles
- One car sold every 5 minutes
- Branches and sites from Whangarei to Invercargill
- “Bricks and Clicks” retail model, combining our nationwide network with market leading online digital experience
- Awarded New Zealand’s number 1 Most Trusted Used Vehicle Dealership in the Readers Digest Trusted Brands awards for fourth year in a row

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
- $425m in receivables
- Circa. 25,000 current consumer loans
- Average loan size $13,600

INSURANCE

- Helping Kiwis with motor vehicle, loan protection and life insurance solutions, distributed through more than 700 licensed car dealers, finance companies & brokers, and life insurance advisers as well as online
- 5,200+ policies sold every month; 180,000+ active policies
- $39.7m in new policies sold in FY23
- Average 1,275 claims paid out monthly; $21.2m in claims paid out in FY23

Management commentary
(no financial statements)

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 2023.

Grant Baker
Chairman

Todd Hunter
Group Chief Executive Officer

CREDIT MANAGEMENT

- A recognised leader in the debt collection and credit management sectors, for both corporate and SME customers
- Provides income diversification for the Turners' group
- $98m in corporate debt load in FY23; 22% average recovery rate
- $34m-plus collected from debtors in FY23
- 2,840 SME customers loading debt in FY23

Management commentary
(no financial statements)

FY23 AT A GLANCE

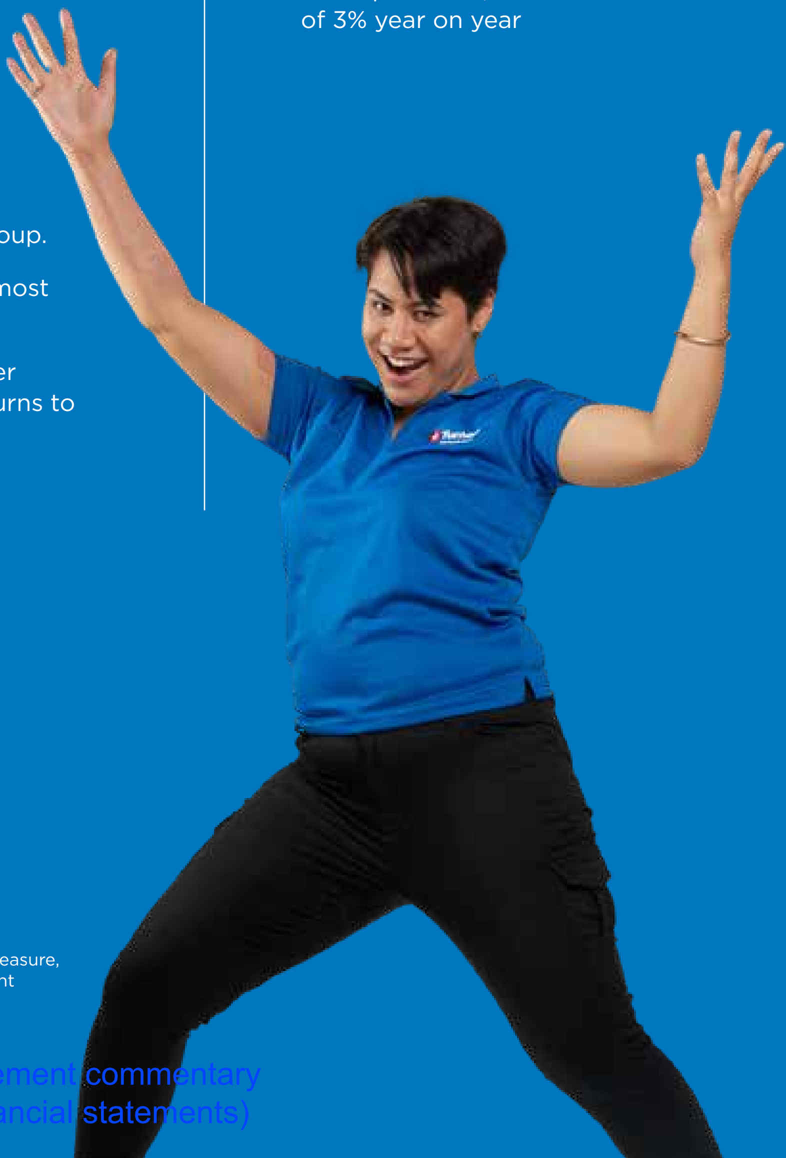
Turners continues to achieve strong results in challenging conditions and to strengthen its position for the next upcycle.

- Record earnings demonstrating sustainable earnings platform and strategic value of diversification and de-risking strategies over recent years.
- Strong performance despite challenging economic trends and changes in market conditions.
- **Auto Retail:** Market share gains and margin improvement driving record earnings. Expecting further market share gains as branch network expands.
- **Insurance:** Strong policy sales in a declining market and improved claims ratios. Distribution and market share gains expected to drive buoyant sales.
- **Finance:** Solid revenue growth, however, impacted by rapid interest rate rises driving a near term drag on earnings. Well placed to grow again once interest rates stabilise.
- **Credit management:** Debt load increased albeit from lower quality debt. Well positioned for the next stage of the credit cycle.
- Employee engagement levels remain at record levels and are a core part of the competitive advantage of Turners Auto Group.
- Employee Share Scheme launched with almost 50% take up.
- Diversified business is well-placed to deliver further growth as well as offering solid returns to shareholders.

KEY FINANCIAL HIGHLIGHTS

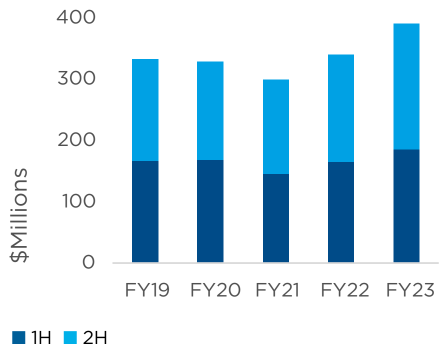
PECENTAGE INCREASES FY22:FY23

- Revenue up 13% to $389.6m
- EBIT[1] increased 9% to $52.2m
- Net profit before tax up 6% to $45.5m
- Net profit after tax increased 4% to $32.6m
- Full year dividend 23.0 cps, equating to a gross yield of 8.5% per annum based on a share price of $3.75
- Earnings per share 37.6 cents per share, an increase of 3% year on year

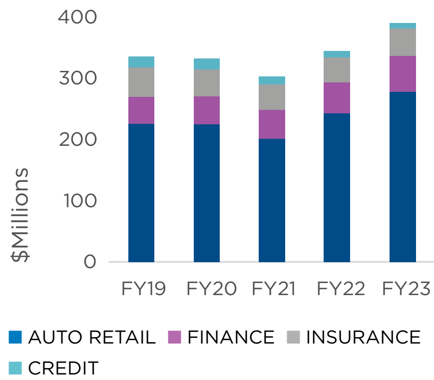


[1] EBIT adjusted for interest expense in Finance (non-IFRS measure, NPBT $45.5m add interest paid $19.9m less Finance segment interest $13.2m).

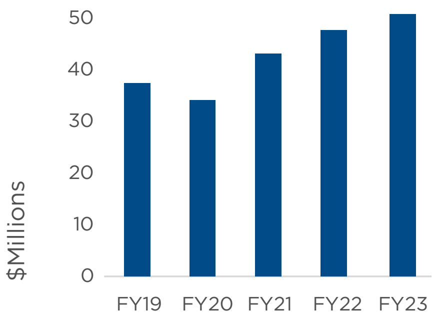
REVENUE



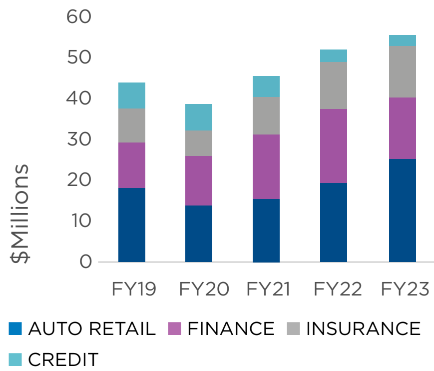
SEGMENT REVENUE



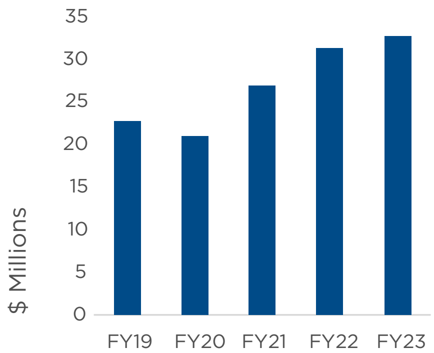
EARNINGS BEFORE INTEREST AND TAX (EBIT)



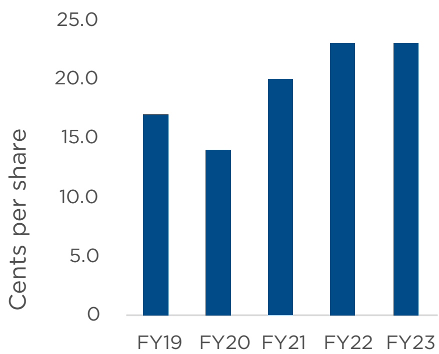
SEGMENT OPERATING PROFIT



NET PROFIT AFTER TAX



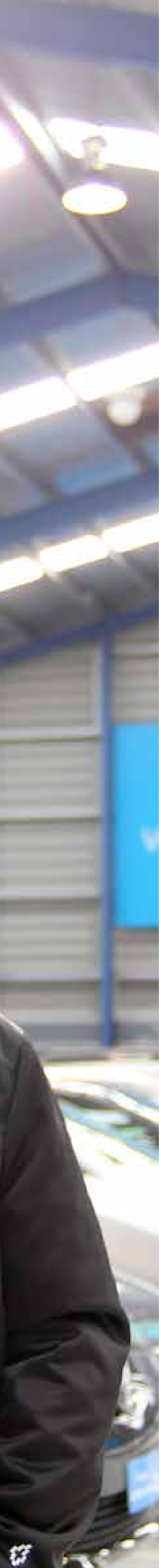
DIVIDENDS



Management commentary
(no financial statements)

Todd Hunter & Grant Baker

Management commentary
(no financial statements)



CHAIR AND CEO'S REPORT

"This year's strong performance is very pleasing and reflects the success of our diversification strategy, our de-risking initiatives as well as the quality of our team."

Dear shareholder

When we presented our annual report last year, we said that our business had never been in better shape and we were ready for whatever came next.

This sentiment has been proven true over the FY23 financial year. Despite challenging economic and market conditions, Turners has reported record earnings, market share gains and margin improvements.

This result is particularly pleasing in an environment where costs are up significantly due to inflation, interest rates have never increased faster, there has been more government regulation in finance and vehicle markets than ever before, and market demand is down....Turners business has continued to perform.

Our Auto Retail business is without doubt the hero with 28% profit growth off a strong prior year, and reflects the investment and effort put into this part of the business. The used car market is needs-based and stable through downturns, as we envisaged. Insurance has also had a stellar year with just under 10% profit growth. Our third core business, Finance, is well positioned as market conditions change.

Perhaps our single biggest challenge and risk to manage this year has been our exposure to increasing interest rates. Whilst we led the auto loan market in price increases, we have not been able to completely price in all the OCR movements. Interest expense is up 110% within the Finance division and, unsurprisingly, this had a material impact on profitability within this business.

The used car market has remained relatively stable through the economic downturn, as has been proven historically. Overall used car transaction levels have tracked below pre-pandemic levels and were down 10% on the prior year. Government regulation with the introduction of the Clean Car Program has had the most material impact on supply during the last 12 months, resulting in fewer used imports

Management commentary
(no financial statements)

coming into New Zealand. With economic conditions becoming more challenging, we are continuing to see demand shift into the lower price point segments.

The Turners brand grows from strength to strength with evidence of this being that google searches for Turners Cars has overtaken searches for Used Cars. The combined effect of branch expansion, improved customer experience, digital marketing and brand investment are helping us reach and connect with more and more customers. We have also just won for the fourth year in a row the Most Trusted Used Car Dealership Award.

Having a strong culture and an engaged team is very important to us, particularly at a time when recruitment and retention is challenging. We continue to invest in training, remuneration and other benefits, and are particularly proud of the launch of our Employee Share Scheme, which has had just under 50% take up. We think shareholders should be very pleased that half our team have skin in the game as owners and employees of the business.

We would like to acknowledge the efforts of our people, who deliver day in day out for our customers and for our shareholders. We are very lucky to have such a talented and hard working team, who are totally committed and prepared to go above and beyond.

PROGRESS UNDER OUR THREE YEAR PLAN FOR GROWTH

Every year, we review and refresh our plan for growth, taking into account our progress and achievements as we look forward to the next three years. You can view our updated growth plan for the next three years on page 14.

Over the FY23 year, we made excellent progress on the four key areas and the business priorities we had set for ourselves.

RETAIL OPTIMISATION AND EXPANSION

Our pipeline of branch expansion projects is building really well. We completed new branches in Rotorua and Nelson and acquired additional sites in Tauranga, Napier and Christchurch. Branch expansion consists of either upsizing existing operations or developing completely new branches in new geographies.

Committed Development Pipeline

Location	Size	Timing	Expected additional profit contribution
Timaru	4,000m2	Q4 FY24	$500k
Napier (site expansion)	8,000m2	Q4 FY24	$500k
Christchurch - Hornby	15,500m2	Q4 FY25	$400k
Christchurch – Burnside (Airport precinct)	8,000m2	Q4 FY25	$300k
Christchurch – City Centre	6,000m2	Q1 FY26	$500k

Management commentary
(no financial statements)

VEHICLE PURCHASING DECISION-MAKING

Through the use of data, our branch network, lead generation, customer experience and conversion, we have seen strong growth in both our locally owned sourcing and consignment sourcing. We still sell a significant number of consignment vehicles down our wholesale auction channel and are focused on moving these to retail. This helps us achieve a better selling price for the seller and provides a better margin for our business as well as the opportunity to attach finance and insurance. Local sourcing also allows us to move faster and direct purchasing to those vehicles which are in high demand.

MARGIN MANAGEMENT AND PREMIUM LENDING

Quality and margin have become even more of a priority in the past year. As well as the 12 price increases we have implemented since October 2021 as interest rates have increased, we have consistently been reviewing and tightening our credit policy. As a result, the average credit scores of new customers is increasing, reflecting the higher proportion of premium borrower business. We have now had three years of writing new business at credit scores higher than the market average. With our focus on bringing better quality borrowers into the loan book, our arrears level has outperformed the broader market.

CONTINUED INVESTMENT IN DIGITAL AND OMNI-CHANNEL CUSTOMER EXPERIENCE

Turners will continue to invest in digital initiatives. We know that 99% of our customers' interaction with Turners starts online. We are continually improving our online customer experience, building automated digital marketing follow up and adding more data into our customer data platform to help us better meet customer needs.

Turners Subscription broke through the milestone of 300 live subscriptions in February 2023 taking advantage of the short term summer demand spike. We now have around 250 vehicles concurrently on subscription. Pleasingly, the last four months of the financial year saw the Subscription service move into profitability.

"The Turners brand grows from strength to strength with evidence of this being that google searches for Turners Cars has overtaken searches for Used Cars."

Management commentary
(no financial statements)

RESULTS SUPPORTING STRONG AND SUSTAINABLE SHAREHOLDER VALUE

This year's record earnings result underscores our well-founded confidence in the resilience of the used car market through the cycle but also the formula we operate the business to. Great employee experience gives us the best chance of providing a great customer experience and these two things combined should deliver great shareholder value.

Group revenue was up 13% year on year, to $389.6m. Auto Retail delivered a $35.6m increase, with revenue growth also from the Finance and Insurance businesses. Credit Management revenues dropped slightly as a result of less debt load and lower levels of payment arrangements.

Net profit before tax was a record result at $45.5m, with Auto Retail again leading the way with a $5.5m profit increase year on year. Insurance profits also grew and were up by 9% to $12.6m. The impact of increased interest rates as well as our strategy to prioritise credit quality and management was felt in the Finance business, with profit down $3.0m. Profit for Credit Management was largely unchanged at $2.9m. However, there are signs of improvement that should support an improved result for FY24.

Given the strong profit performance over the year, Directors declared a final dividend of 7 cps (payable in July 2023), taking FY23 dividends to 23.0 cps, matching last year's strong result. This reflects the dividend policy payout of 60-70% of net profit after tax (NPAT) and represents a gross yield of 8.5% per annum based on a $3.75 share price.

A dividend reinvestment plan (DRP) will be a feature of the final dividend with a 2% discount applied for those taking up the DRP.

Turner's balance sheet remains strong, with capacity to support growth. We are very comfortable with debt levels and capacity in the business.

OPERATING PERFORMANCE BY BUSINESS

AUTO RETAIL

Revenue $278.2M ▲15%

NPBT $25.0M ▲28%

Turners market share continued to grow throughout FY23. Retail and auction sales grew to around 38,000 units, with Fleet Partners ex-lease consignment vehicles adding a boost to auction sales. Sales and margins on 'owned' vehicles (those purchased by Turners for sale) both rose during the year.

Improving the time from receiving a car onsite to having it ready for sale and advertised has been critical to improving our stock turn and making our business more efficient. By measuring the process more accurately and using the data to re-engineer our vehicle prep process, we have been able to address a number of operational bottlenecks. These improvements plus upweighting the proportion of local sourcing has resulted in more sales with less investment in inventory.

Our Nelson and Rotorua branches are now both fully operational and performing above expectations. Our committed development pipeline for retail expansion in Christchurch, Napier and Timaru offers additional profit contributions from FY24 to FY26.

Management commentary
(no financial statements)

Our Tina campaign continues to deliver record levels of sourcing leads. The success of Turners domestic sourcing strategy is evident in faster stock turn and the business continues to operate off lower inventory levels. Increasing local sourcing versus used imports has been beneficial. The government's clean car program has reduced the number of imported cars coming into the country which has increased the value of used car units and increased our margins.

The team continues to work on improving overall Finance attachment rates, to realise synergies from other divisions. For FY23, our Finance attach rates were 31%, a slight fall on FY22's 32.7%.

Turners Subscription has broken through 300 concurrent subscriptions (in February 2023), and the service moved into profit in Q4 FY23. Around 80% of subscription owned cars are low emission vehicles (LEVs).

FINANCE

Revenue $58.6M ▲13%

NPBT $15.0M ▼17%

Solid revenue growth during FY23 was set against an additional $7m in interest expense due to the rapid rise in OCR. While the Finance division proactively reviewed pricing to mitigate OCR rises, Oxford's 12 base rate rises, lifting 4.10%, since October 2021, compares to an OCR movement of 5.0%. This meant that growth moderated as credit quality, regulatory compliance and margin became higher priorities. That additional $7m in interest expense represents a 110% increase which has had a material impact on profits.

Credit policy continually tightened throughout FY23 with average credit score continuing to improve. Premium Tier business accounts for more than 50% of our new business per month. Oxford loan arrears continue to track at half the levels of the wider market (as per Centrix data).

The quality of Turners Finance book continues to improve and the strategy adopted in FY23 will ensure it is well placed to grow again once interest rates stabilise.

INSURANCE

Revenue $43.6M ▲8%

NPBT $12.6M ▲9%

Further gains in market share were a feature of FY23. Despite challenging market conditions, Turners Insurance division achieved robust sales growth. Digital distribution arrangements, where we integrate our insurance products directly into finance company application platforms (for example, Marac Finance, MTF, Motorcentral), are continuing to work well with further opportunities in the pipeline.

Inflation in the cost of claims was offset by frequency of claims reducing due to changes in consumer behaviour, including working from home and cost of living increases impacting mobility and vehicle use. The pandemic alongside recent weather events have confirmed no catastrophic risk in the portfolio, and Insurance's de-risking strategy is working effectively.

Management commentary
(no financial statements)

"Our company continues to demonstrate resilience no matter what the operating conditions. As we head into an economic environment that will offer up different challenges and opportunities, the business has already been significantly de-risked."

CREDIT MANAGEMENT

Revenue $9.2M ▼5%

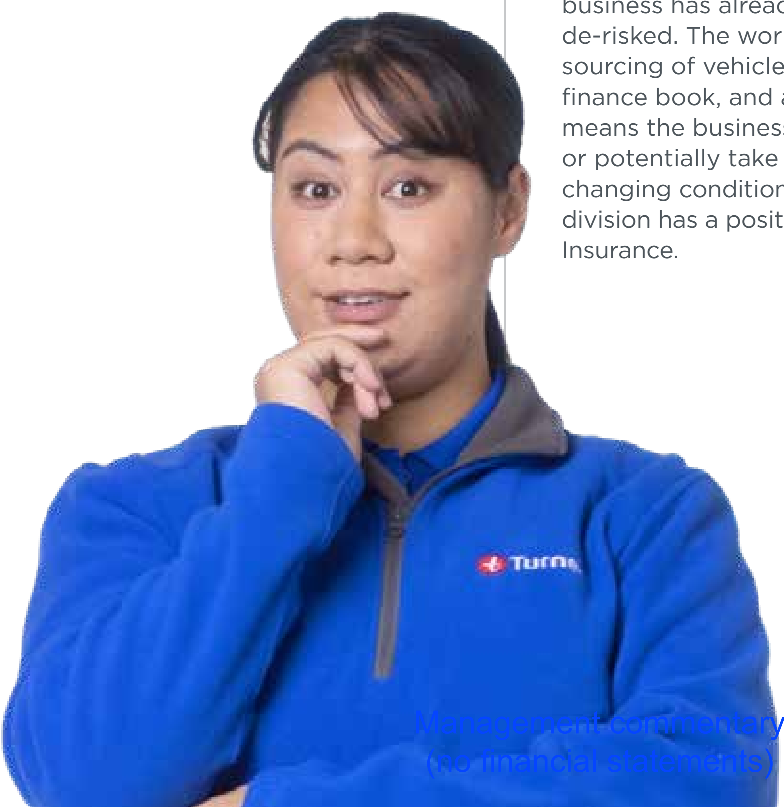
NPBT $2.9M ▼6%

The Credit Management business saw debt value loaded increase by 20% compared to FY22. However, 80% of this was from harder to contact and collect second placement debt. Debt value collected was down 9% due to reduced customer payment capacity requiring lower repayment amounts to be accepted. Our "kept rate" of payment arrangements was stable through the year at more than 75%.

Positive signs include credit card demand up 20% coupled with Buy Now, Pay Later demand dropping 15% year on year, flowing through to increased arrears levels, but still lower than pre-pandemic levels. By year end and into the start of the current year there were indications that the economic downturn was producing conditions that may support improved results for Credit Management.

ROADMAP TO $50 MILLION

Our company continues to demonstrate resilience no matter what the operating conditions. As we head into an economic environment that will offer up different challenges and opportunities, the business has already been significantly de-risked. The work we have done on local sourcing of vehicles, building quality into the finance book, and adding distribution to insurance, means the business is positioned to withstand or potentially take advantage of some of these changing conditions. Also a growing Auto Retail division has a positive halo effect for Finance and Insurance.



We achieved the FY24 profit target of $45m, which we set in FY21, 12 months' ahead of time and are now focused on our FY25 target of $50m profit before tax. We remain confident about our growth, however, are very mindful of the macro challenges still in the market, particularly the headwinds in Finance. If interest rates start to cycle down by the second half of this calendar year, then our modelling shows we will remain on track to achieve our target by FY25. If interest rates continue to rise, then it is likely our timing will push out to FY26.

OUTLOOK

While the impacts of the COVID-19 pandemic have diminished, economic and market uncertainty continues to rise. We see macro headwinds likely to intensify in the short term.

However, we are focussed on what we can control. In Auto Retail, we expect to see upside from our new branches in the second half and expect those to follow the success of our branch expansion strategy over the last couple of years. Domestic supply continues to be an advantage for Turners, and the transition of wholesale auction units into retail sales channel will underpin further market share and margin growth.

In our Finance business, quality and margin management remain key priorities in the near term, with a drag on earnings, especially until peak OCR is reached. After the OCR peak, we will again focus on growth initiatives and expect net interest margin to start expanding again. We expect sales in our Insurance division to be buoyant based on our distribution and market share gains, and claims ratios to be stable. Credit Management is expected to perform better in the coming year as consumer arrears worsen and bad debts begin to be called in.

Looking beyond FY24 we remain confident that our growth model is broadly on track. On behalf of the Board and management, we would like to thank shareholders for your continued support.

Grant Baker
Chairman

Todd Hunter
Group Chief Executive Officer

Management commentary
(no financial statements)

OUR THREE-YEAR PLAN
FOR GROWTH: FY23 TO FY25

Our growth plan gives us confidence in higher earnings growth through the cycle. Five key areas underpin our plan. These centre on our three core businesses.

AUTO RETAIL: BRANCH NETWORK EXPANSION

Expanding our physical presence in existing markets and new locations that allow us to offer our services and cars to new groups of customers, while continuing to invest in digital and our omni-channel customer experience. This hybrid model allows customers to engage with us however, whenever and wherever they want.

AUTO RETAIL: 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.

AUTO RETAIL: OPTIMISATION OF SALES FROM AUCTION TO RETAIL

Continue to shift sales from auction to retail which delivers higher margins and opportunity to sell our finance and insurance products.

FINANCE: GROWTH IN 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.

INSURANCE: EXPANSION OF DIGITAL DISTRIBUTION NETWORK

Continue to build out integration into other finance company application systems to broaden our distribution of insurance products and make it easier for dealers and brokers to sell our products and easier for consumers to purchase them.

Our leadership position for quality, technology, national coverage, branding and customer service has created a robust growth platform that continues to deliver.

Management commentary
(no financial statements)

FY24 PRIORITIES

AUTO RETAIL

- Stock acquisition – keep building domestic sourcing
- Retail optimisation and expansion – develop new sites and build retail volumes
- Transition wholesale auction transactions to retail

FINANCE

- Pricing and margin management
- Focus on credit quality
- Growth focus will return when interest rates stabilise

INSURANCE

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

CREDIT MANAGEMENT

- Rebuild payment bank by building on “resolution” focused collections strategy
- Continue working closely with corporates to manage reputational risk
- Well positioned for the next stage of the NZ credit cycle.

Management commentary
(no financial statements)

CREATING A BETTER BUSINESS.

Management commentary
(no financial statements)

CREATING A BETTER BUSINESS

OUR SUSTAINABILITY STRATEGY IS UNDERPINNED BY TWO KEY PILLARS:

Supporting the transition of the New Zealand light vehicle fleet to a cleaner, lower emission future

Enhancing the wellbeing of our staff, customers, stakeholders and the communities in which we operate

Our drive is to create a better business that not only delivers sustainable value to our shareholders, but also supports our people, our communities and our environment.

We are acutely aware that the transport sector is a significant contributor to New Zealand's overall greenhouse gas emissions. As the largest reseller of both used and end-of-life vehicles in New Zealand, we believe we have an important role and responsibility to support the transition of the New Zealand light vehicle fleet to a cleaner, lower emission future.

We believe this is a long term journey, an integral part of which is to support people moving from older, high emission vehicles to newer, lower emission vehicles. Over 90% of the vehicles sold by Turners come from the existing vehicle fleet in NZ and we assist in helping a substantial number of older vehicles leave the fleet through our damaged and end-of-life business. A large portion of a car can be recycled, helping create a circular economy.

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

Reflecting on where we can deliver the most impact, our objective is to ensure that sustainability initiatives are directed to the most emission heavy part of our end-to-end operations. We know that in doing so we will not only deliver better returns to our shareholders but support our people, our communities and the environment.

Management commentary
(no financial statements)

We acknowledge that Turners is at the start of its sustainability reporting journey and we are working towards increased transparency and measuring of our footprint. Environmental, Social and Governance principles are important to us and we have a number of initiatives as well as targets in place for each of these. We are planning for and will report against the mandatory climate-related disclosures regime from FY24, with significant work already in progress.

The following pages outline our progress towards the targets we have set for our company.

OUR JOURNEY

COMPLETED	2023 INITIATIVES	2024 GOALS
■ Identified Turners Group's key sustainability pillars ■ Initiated projects to support Turners long term sustainability pillars ■ Centralised management of ESG issues through an ESG Steering Committee ■ Developed data warehouse to measure and report vehicle related emissions	■ Confirm approach to CRD and reporting framework ■ Identify climate related risks and opportunities for Turners ■ Ongoing measurement and reduction of Scope 1 and 2 emissions ■ Implement external assurance process ■ Report progress towards emission reduction targets and other ESG initiatives	■ **Reduction** in aggregate emissions from vehicles imported and sold by Turners (10.2% target) ■ **Increase** proportion of low emitting vehicles in Turners Subscription Fleet to 50% ■ **Target** 5% reduction in average CO2 emissions of vehicles financed (vs prior year) ■ **Achieve** a further 5% reduction in operational (Scope 1 and 2) emissions from prior year

Management commentary
(no financial statements)

SUPPORTING THE TRANSITION OF THE NEW ZEALAND LIGHT VEHICLE FLEET TO A CLEANER, LOWER EMISSION FUTURE

1. Reduction in total aggregate emissions from vehicles imported by Turners.

In 2019, Turners imported and sold approximately 7,000 “first time import” (FTI) vehicles from Japan. The carbon emissions of these vehicles, based on a normal or average usage pattern (14,000km per annum), are estimated to be in aggregate 20,127 tonnes per annum.

After significant pandemic related drops in 2020 and 2021, our target is to reduce the annual aggregate emissions of Turners FTIs by a further 28% to below 7,000 tonnes of CO_2 in 2025. This represents a 65% reduction on 2019 levels.

2. Increase the proportion of Low Emitting Vehicles in the Turners Subscription fleet.

In 2020, we launched Turners Subscription, and in partnership with EECA, we have expanded our subscription EV fleet. We currently have around 250 vehicles on subscription of which 44 are EVs or Hybrids. There is high demand for these subscription cars...helped by the “try before you buy” philosophy. Used EVs continue to be difficult to source. Japan is the major source of used vehicles for New Zealand, and EVs make up less than 1% of the vehicle fleet. Our target is to have 50% of our Subscription fleet to be low emitting vehicles by 2025.

3. Reduce the emissions from vehicles financed.

Our data warehouse provides us with the ability to measure and report vehicle related emissions, including those financed by Turners. By assisting people to buy newer, lower emitting cars, we are supporting a reduction in vehicle related emissions. Since 2019, this measure has reduced year on year. Our target is a 25% emissions reduction from financed vehicles in 2025 (from 2019 levels).

4. Reducing operational emissions across our business.

Our target is to reduce Scope 1 and 2 emissions by 20% in 2025 (from 2022 levels). Primarily this will be driven by transitioning our company vehicle fleet to lower emitting vehicles and identifying opportunities to transition to renewable generation at our premises, for example, through installation of solar power.

Management commentary
(no financial statements)

ENHANCING THE WELLBEING OF OUR PEOPLE, CUSTOMERS, STAKEHOLDERS AND THE COMMUNITIES IN WHICH WE OPERATE

9.1/10

How likely is it that you would recommend Turners as a place to work

9.4/10

"I am satisfied with Turners' efforts to support diversity & inclusion."

1. Maintain employee engagement ranking in top 5% category.

Turners' staff engagement level ranks in the top 5% of consumer businesses who use the Peakon system and our goal is to maintain this ranking. It is important to us that we support our people, both at work through career development and training opportunities, as well as their mental and physical wellbeing. In the current tight labour market, our business success is dependent on staff who are fully engaged, motivated and eager to contribute. We are very proud of our high scores during a time when retention and recruitment has been under pressure in the wider economy.

2. Promote a diverse and inclusive culture across the organisation.

Our team of ~700 people encompasses different ethnicities, gender, age, experiences and ways of thinking. We firmly believe this diversity adds value to our business, leads to better decision making and contributes to our collective success. We actively promote an inclusive environment where individuals are valued, respected and empowered to bring their authentic selves to work. We strive to create a safe space where everyone feels heard, appreciated and included.

Employee development training hours	**15,000-plus**
Employee turnover	**29%**
Employee absentee rate	**2.8%**
Number of sessions employees have accessed through EAP services	**90**
Flu vaccinations	**130**
Employee notifiable injury/incidents	**1**
Employee health and safety reportable injury incidents	**42**

Management commentary
(no financial statements)

SNAPSHOT
DEVELOPING TALENT

At Turners Automotive Group, we love to provide people with opportunities to further develop skills they can apply to their professional and personal lives. These opportunities are not spoon-fed to people…they need to demonstrate an appetite and attitude for it.

Over four months, a group of future stars grabbed the opportunity with both hands, undertaking a pilot programme focused on business fundamentals and leadership. Thirty of the Turners team from all over the network and at all different levels participated in the two courses over 14 weeks. This represented a huge commitment from the individuals involved and was fantastic to see.

Management commentary
(no financial statements)

HOME GROWN TALENT

SHARON HUTTON

EC CREDIT, RESOLUTIONS SUPPORT MANAGER

EC Credit Control provides an essential business support service with a focus on debt resolution.

Playing a key role in our resolution-based strategy, Sharon joined EC Credit Control in 2011 after working in the automotive sector. Initially working on the phone, Sharon demonstrated strong leadership qualities and was quickly promoted to a supervisor position. Less than two years later, a further promotion elevated Sharon to responsibility in leading the teams for our largest clients. Fast forward to 2017 and Sharon became our Collections Support Manager. This role has then transitioned to our Resolutions Support Manager with responsibility for the entire Resolutions team of 40 people. Sharon is the champion of our Voice of Customer survey feedback and takes a keen interest in maintaining EC Credit's high score.

Sharon has strong relationships with key clients, great rapport with people, understands the importance of our customer experience and how it reflects upon our clients' brands.

"Our purpose is to improve the financial wellbeing of our customers. This includes our clients and their customers. By showing care, respect and understanding we are able to provide an engaging customer experience facilitating a positive resolution for all parties."

WAYNE HYNES

AUTOSURE, NATIONAL CLAIMS MANAGER

It's often said that the true test of an insurance company is in how they manage claims. As the National Claims Manager at Autosure, Wayne Hynes oversees the claims team, ensuring we provide a high level of aftersales support to our customers.

Wayne has been in the motoring industry for 48 years, starting as a mechanic, then setting up his own workshop and automotive assessing company. Joining Autosure in 2006 as the Technical Claims Specialist, for the next 14 years Wayne looked after escalated claims and ran the mobile assessing team. He's played a core role in establishing many of the great relationships we have with our agents and repairers.

In 2020 he was promoted to lead our claims team of 18, who are passionate about settling claims quickly and to customer's satisfaction.

"I'm pretty happy to be part of what is arguably the most experienced Mechanical Breakdown Insurance claims team in the country. Our dedication to offering a professional service is one of the things that has helped position us as one of the leading automotive insurance companies in New Zealand."

Management commentary
(no financial statements)

SHANEEL SHANKAR

OXFORD FINANCE, HEAD OF LENDING & PAYOUTS

With over 17 years with Oxford Finance, Shaneel has tackled just about every role in the company. Starting part time as 'jack of all trades' while studying accounting and finance at University, Oxford Finance jumped at the chance to offer him a full time role once he graduated.

Shaneel moved quickly up the ranks, from junior to senior credit controller and then into scheme lending, building the HRV consumer lending account into one of the largest in the company. Consumer and commercial lending portfolios followed, until in 2017 Shaneel moved into management, taking on the role of Lending Manager for the Auckland team. Not long after, he was promoted to Head of Lending & Payouts for the entire business, a role he has held for the last five years, working with a team that has grown from eight people to 33-plus.

Shaneel is a much-liked and collaborative leader with the ability to lead highly engaged and diverse teams of professionals to deliver exceptional customer service in a fast paced environment. Of note, he has successfully overseen the team during major lending regulation reform (CCCFA) and systematic digitalisation of Lending and Payouts platforms, providing a complete online solution for Oxford Finance customers and leading to significant receivables growth and market share.

"The tremendous support and mentoring I've received from Oxford Finance, exposure to the wider group and different management styles, as well as the training opportunities that have been provided (such as the recent 'mini-MBA'), have been instrumental in my career pathway. This is a fantastic company to work for and I'm passionate about Oxford Finance and its future as a market leader."

Management commentary
(no financial statements)

OUR CUSTOMERS

WOOHOO! We've done it again.... voted the most Trusted Brand in used vehicle dealerships for the fourth year in a row.

CUSTOMERS ARE AT THE HEART OF OUR BUSINESS AND OUR TEAM IS COMMITTED TO DELIVERING A WORLD CLASS CUSTOMER EXPERIENCE.

Here at Turners, we understand that good people, good service and satisfied customers are the mainstays of a successful business and creating trust. Thank you again, New Zealand for voting for us in this highly competitive category.

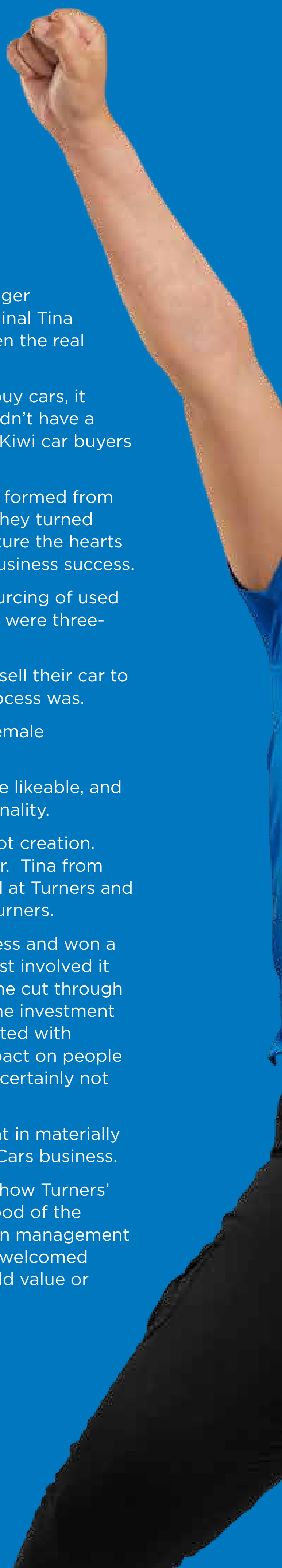
Our hit advertising campaign has also been in the lights. Tina from Turners scooped big time at the 2022 NZ Marketing Awards, winning the Supreme Award, Excellence in Brand Transformation Strategy and Excellence in Consumer Products & Services Strategy.

The judges said Turners "delivered an outstanding marketing strategy that touched every aspect of the Turners business and delivered a truly significant transformation" and the brand "aligned to the strategy throughout the customer experience and became a key part of the organisation's DNA".

Shortly after, Tina picked up two gold awards at the Advertising Effectiveness "Effie" Awards for Best Strategic Thinking and Retail/Etail categories.

Not only that, we also cracked the top 10 favourite ads list in November with Tina from Turners campaign. There's a few legends on the list – fair to say, we're stoked to be amongst them.

THE STORY OF TINA FROM TURNERS



A 2020 lockdown collaboration between an entrepreneurial Board, smart thinking executives and some expert outsiders was the origin of what has become one of New Zealand's most iconic marketing campaigns.

Tina from Turners is now so well known that younger generations have even confused her with the original Tina Turner, sending condolences to the company when the real Tina passed away recently.

In 2020, whilst Turners was known as a place to buy cars, it wasn't known as a place to sell cars. The brand didn't have a personality or the likeability that connected with Kiwi car buyers and sellers.

A small working group of innovative thinkers was formed from board members, management and advisers and they turned their minds to creating a solution that would capture the hearts and minds of potential customers and enhance business success.

Turners Cars is like any retail business and the sourcing of used cars is critical to its long term success. The needs were three-fold:

- We needed people to understand they could sell their car to Turners and how easy and convenient this process was.
- We needed to connect in a better way with female customers.
- We needed the Turners Cars brand to be more likeable, and take on a slightly cheeky but car loving personality.

Creative whiz, Kim Thorp, was tasked with concept creation. In late October 2020, he returned with the answer. Tina from Turners ... a car-loving young woman who worked at Turners and was as passionate about cars as she was about Turners.

Tina from Turners has been an unbelievable success and won a number of prestigious marketing awards ...for most involved it has been a "unicorn" of a marketing campaign. The cut through the campaign has achieved has far outweighed the investment put into it. It has not only galvanised and connected with customers but it has had a massively positive impact on people who work at Turners as well, an outcome we had certainly not anticipated.

Tina has been a phenomenon and a key ingredient in materially improving the sourcing capability of the Turners Cars business.

The small working group was a great example of how Turners' management and board work together for the good of the business. We have always viewed the line between management and the board as being flexible and directors are welcomed into the business to contribute where they can add value or specialist insight.

THE TINA TEAM

GRANT BAKER
Chairman and 42 Below Vodka fame

JOHN ROBERTS
Director and ex-Saatchi and Saatchi NZ CEO

KIM THORP
Mate of John Roberts and previously Saatchi and Saatchi worldwide creative director

DAVID THOMASON
Strategic planner

DARRYL PARSONS
Creative freelancer

TODD HUNTER
Turners Group CEO

GREG HEDGEPETH
CEO Auto Retail Division

SEAN WIGGANS
GM Marketing Auto Retail

SNAPSHOT

LIAM LAWSON. WE BELIEVE.

Over the past five years, Turners has been proud to have supported Liam Lawson as he has risen to become one of the most exciting young motor racing stars in the world.

From the moment he first drove a kart at his local Mt Wellington kart track in Auckland, Liam has desired nothing else but to race fast and win. This winning mentality strikes a chord with us at Turners.

Right from the start, we felt a strong alignment to Liam's down to earth mentality and his steely drive to succeed. We're proud to be supporting a young Kiwi in one of the most fiercely competitive arenas on the planet, as he races towards his goal of being in Formula 1. And we firmly believe in him and his dream.

Management commentary
(no financial statements)

FY23 FINANCIAL REVIEW

MANAGEMENT COMMENTARY

This financial commentary should be read in conjunction with the full financial statements and Notes to the Financial Statements in the FY23 Annual Report.

REVENUE

The sector and the economy faced increasing economic headwinds and the lingering effects of the COVID-19 pandemic in the first half. Despite this, Group revenue rose 13% to $390m with Auto Retail and Insurance divisions growing strongly for a third year in succession. Revenue rose strongly in each of the three largest businesses.

Auto Retail was up 15% to $278.2m, off the back of increased car and damaged vehicle unit sales, new branches and more owned stock flowing through the business which has helped grow our cars market share. Finance book revenues of $58.6m, an increase of 13%, reflect a higher average loan book over FY23 with growth in premium borrower segment. Insurance revenues were up 8% to $43.6m, off strong policy sales and improved investment returns. Credit Management revenues have dropped as a result of less debt load and lower levels of payment arrangements.

PROFIT

Net profit before tax of $45.5m, up 6% on FY22, was a record for the company.

Profit grew 28% in Automotive Retail to $25.0m, and 9% in Insurance to $12.6m. Finance Division's profit was down 17% to $15m due to rapid OCR increases that saw credit quality, regulatory compliance and margin management become the priority during the year. In H2, we added an additional $0.5m to our provision buffer. Profit for Credit Management was largely unchanged at $2.9m.

Net profit after tax (NPAT) of $32.6m was up 4% on the same period last year.

BALANCE SHEET

Turners balance sheet has the capacity to support growth. Inventory levels have reduced further as processing times and overall stock turn metrics improve. Finance Receivables remain flat year on year due to prioritising margin and credit quality over growth in Oxford. Property, plant and equipment increase due to development of sites in Rotorua, Nelson, and acquisition of sites in Tauranga, Napier, and Christchurch. Borrowings have remained flat despite investing in $35m of property over FY23. $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, with capacity to support lending over the next 12 to 24 months. Inventory Funding has been broadened to provide flexibility for local purchasing as well as imports. In our Securitisation warehouse, the BNZ now hold Class 1 notes only as Turners refinanced the Class 2 and 3 notes during the year. We remain very comfortable with the debt levels and debt capacity in the business. Corporate funding capacity is more than sufficient to support current committed branch expansion plans in Auto.

Management commentary
(no financial statements)

BALANCE SHEET

$MILLIONS	FY23	FY22
Cash and cash equivalents	12	13
Financial assets at fair value	67	70
Inventory	26	32
Finance receivables	425	423
Property, plant and equipment	106	68
Right of use Assets	22	23
Intangible asset	164	164
Other assets	30	32
Total Assets	**852**	**825**
Borrowings	412	413
Other payables	56	50
Deferred tax	13	13
Insurance contract liabilities	56	55
Lease liabilities	27	28
Other Liabilities	16	14
Total Liabilities	**580**	**573**
Shareholders Equity	**272**	**252**

FUNDING MIX

$MILLIONS	LIMIT	DRAWN
Receivables – Securitisation (BNZ)	316	295
Receivables – Banking Syndicate (ASB/BNZ)	50	35
Less Cash		(5)
Net Receivables Funding	366	325
Receivables Funding Capacity		**41**
Corporate and Property	110	75
Working Capital (ASB and BNZ)	30	7
Less Cash		(7)
Net Corporate Borrowings	140	75
Corporate and Property Funding Capacity		**65**

OUR 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 7.44% 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 7.47% 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. 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 12.24% 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. 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. He brings a hands on, practical and commercial approach, and a strong technology and sustainability 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. Martin then left the corporate world to pursue his desire to build his own company, going on to found Gong cha Global Ltd, one of the world's largest tea brands with more than 2,000 stores in 25 countries, where today he still serves as Chairman. Martin also founded and runs Singapore based venture studio Launcho Ventures, focussed on building, scaling and investing in e-commerce brands globally.

LAUREN QUAINTANCE
Independent Director
Appointed April 2023

Lauren has had a highly successful career in media and marketing and as an entrepreneur. She was the co-founder and Managing Director of Storyation, a leading Australian digital content marketing agency, which was sold to ASX-listed NewsCorp in late 2019. Lauren was named Entrepreneur of the Year at the B&T Women in Media Awards in Australia and is currently Chief Media and Data Officer for Sky Television. As well as Turners and DPL Insurance, she is an Independent Director for the Crusaders and ChristchurchNZ. Her journalistic pedigree combined with digital marketing experience and entrepreneurial skills fit well with the Turners direction and culture.

NEW INDEPENDENT DIRECTOR LAUREN QUAINTANCE

Lauren was appointed to the Board as an Independent Director from 3 April 2023. She had been working with the Turners' Board as an Emerging Director since October 2021. Lauren is also a director of Turners' subsidiary DPL Insurance.

"Lauren's experience in the digital and social marketing sector combined with her business acumen has proven to be a great fit for our business. Lauren has brought real value to our strategic direction and board discussions and we know this contribution will only continue to grow. It is very exciting to have someone of Lauren's calibre and experience come on board."

Grant Baker, Chairman

OUR 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

Management commentary
(no financial statements)

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. He has responsibility for Turners Cars, Turners Subscriptions, 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 and Armstrong Motor Group in NZ. 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. He 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

Matthew heads up the EC Credit Debt Resolution and Credit Risk Mitigation business. Matt celebrates his 20th year with EC Credit Control this year and has worked in almost all areas of the business – Debt Resolution, Risk Mitigation, IT and Operations. Since becoming CEO in 2021 Matt has led our resolution focussed approach to debt recovery. He holds a business degree from Massey University and has a strong technology focus to drive better outcomes and improve customer experience

MARYANNE BURNS

Group General Manager People & Culture

Maryanne joined Turners in 2019. She has 20 years' 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.

Management commentary
(no financial statements)

Management commentary
(no financial statements)

Turners.
Automotive Group

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

INDEPENDENT AUDITOR'S REPORT
for the year ended 31 March 2023

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bakertilly STAPLES RODWAY

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 44 to 97, which comprise the consolidated statement of financial position as at 31 March 2023, 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 2023, 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 2023

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.

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Impairment of Goodwill and Other Indefinite Life Intangible Assets

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.

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'.

Management has completed the annual impairment test for each of these four CGUs as at 31 March 2023.

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.

Management has also engaged an external valuation expert to assist in the annual impairment testing of the four CGUs.</td><td>Our audit procedures among others included:

• 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 in accordance with NZ IAS 36 Impairment of Assets.

Procedures included:

o Evaluating the logic of the value-in-use calculations supporting Management's annual impairment test and testing the mathematical accuracy of these calculations;

o Evaluating Management's process regarding the preparation and review of forecasts;

o Comparing forecasts to Board approved forecasts;

o Evaluating the historical accuracy of the Group's forecasting to actual historical performance;

o Challenging and evaluating the forecast growth assumptions;

o Evaluating the inputs to the calculation of the discount rates applied;

o 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;

o Evaluating the forecasts, inputs and any underlying assumptions with a view to identifying Management bias;

o Evaluating Management's sensitivity analysis for reasonably possible changes in key assumptions; and

o Performing our own sensitivity analyses for reasonably possible changes in key assumptions, the two main assumptions being: the discount rate and forecast growth assumptions.

• Evaluating the related disclosures about indefinite life intangible assets which are included in Note 22 in the Group's consolidated financial statements.</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT cont.

for the year ended 31 March 2023

bakertilly
STAPLES RODWAY

Key Audit Matter	How our audit addressed the key audit matter
Valuation of Finance Receivables As disclosed in Note 14 of the Group's consolidated financial statements, the Group has finance receivable assets of $425m. 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. Management has prepared expected credit loss models to complete its assessment of expected credit losses for the Group's finance receivables as at 31 March 2023 (including an economic overlay of $2.0m). This assessment involves complex and subjective estimation and judgement by Management on credit risk and the future cash flows of the finance receivables.	Our audit procedures among others included: • 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, ongoing administration and expected credit losses impairment model data and calculations. • Evaluating and challenging the logic, key assumptions, and calculation of Management's expected credit losses provision for impairment for each finance receivable, examining those finance receivables and forming our own judgements as to whether the expected credit losses provision for impairment recognised by Management is appropriate. Procedures included: o Agreeing a representative sample of finance receivables to the signed loan agreement and client acceptance documents; o Inspecting security documentation to ensure that the Group holds a valid charge on security; o 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; o Evaluating the key assumptions and inputs into these discounted cash flow calculations; o Evaluating and challenging Management's sensitivity analysis' for reasonably possible changes in key assumptions and inputs into the discounted cash flow calculations; and o Inspecting the borrowers' payment history for indicators of difficulties in the borrowers' ability to meet the loan obligations. • 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 2023 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.
Valuation and completeness of Insurance Contract Liabilities As disclosed in Note 35 of the Group's consolidated financial statements the Group has insurance contract liabilities of $56.1m.	Our audit procedures among others included: • 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.

INDEPENDENT AUDITOR'S REPORT cont.
for the year ended 31 March 2023

Key Audit Matter	How our audit addressed the key audit matter

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.
 	
Management has engaged an external actuarial expert to estimate the Group's insurance contract liabilities as at 31 March 2023.
	• 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:
	  ○ 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 2023 (but does not include the consolidated financial statements and our auditor's report thereon).

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the Directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and

INDEPENDENT AUDITOR'S REPORT cont.
for the year ended 31 March 2023

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.

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.

INDEPENDENT AUDITOR'S REPORT cont.
for the year ended 31 March 2023

bakertilly STAPLES RODWAY

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 2023 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 2023 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

BAKER TILLY STAPLES RODWAY AUCKLAND

Auckland, New Zealand

29 June 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2023

	Notes	2023 $'000	2022 $'000
Revenue	7	**389,027**	342,029
Other income	7	**608**	2,487
Cost of goods sold		**(173,986)**	(153,173)
Interest expense	7	**(19,933)**	(10,932)
Impairment provision expense	7	**(3,740)**	(3,024)
Subcontracted services expense		**(11,927)**	(10,940)
Employee benefits		**(60,709)**	(56,030)
Commission		**(12,024)**	(12,925)
Advertising expense		**(4,934)**	(4,140)
Depreciation and amortisation expense	7	**(11,478)**	(10,702)
Systems maintenance		**(5,109)**	(3,399)
Claims		**(21,785)**	(21,024)
Other expenses		**(18,465)**	(15,107)
Profit before taxation		**45,545**	43,120
Taxation (expense)/benefit	8	**(12,979)**	(11,839)
Profit for the year		**32,566**	31,281
Other comprehensive income for the year (which may subsequently be reclassified to profit/loss), net of tax			
Cash flow hedges		**415**	5,429
Revaluation of financial assets at fair value through OCI		**(91)**	(345)
Foreign currency translation differences		**(7)**	(6)
Total other comprehensive income		**317**	5,078
Total comprehensive income for the year		**32,883**	36,359
Earnings per share (cents per share)			
Basic earnings per share	9	**37.64**	**36.39**
Diluted earnings per share	9	**37.74**	**36.45**

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2023

	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 2021		204,297	255	(26)	(740)	48	29,736	233,570
Transactions with shareholders in their capacity as owners								
Employee share based payments	29	1,185	217	-	-	-	-	1,402
Dividend paid	30	-	-	-	-	-	(18,934)	(18,934)
Total transactions with shareholders in their capacity as owners		1,185	217	-	-	-	(18,934)	(17,532)
Comprehensive income								
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
Transactions with shareholders in their capacity as owners								
Employee share based payments	**29**	**1,594**	**(188)**	**-**	**-**	**-**	**296**	**1,702**
Dividend paid/payable	**30**	**-**	**-**	**-**	**-**	**-**	**(14,732)**	**(14,732)**
Total transactions with shareholders in their capacity as owners		**1,594**	**(188)**	**-**	**-**	**-**	**(14,436)**	**(13,030)**
Comprehensive income								
Profit		**-**	**-**	**-**	**-**	**-**	**32,566**	**32,566**
Other comprehensive income		**-**	**-**	**(7)**	**(91)**	**415**	**-**	**317**
Total comprehensive income for the year, net of tax		**-**	**-**	**(7)**	**(91)**	**415**	**32,566**	**32,883**
Balance at 31 March 2023		**207,076**	**284**	**(39)**	**(1,176)**	**5,892**	**60,213**	**272,250**

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
for the year ended 31 March 2023

	Notes	**2023 $'000**	2022 $'000
Assets			
Cash and cash equivalents	10	**11,845**	13,373
Financial assets at fair value through profit or loss	11	**66,730**	70,199
Trade receivables	12	**7,800**	7,581
Inventories	13	**26,057**	31,980
Finance receivables	14	**424,621**	422,870
Other receivables, deferred expenses and contract assets	15	**8,271**	9,340
Derivative financial instruments		**5,887**	5,414
Financial assets at fair value through OCI	16	**230**	225
Reverse annuity mortgages	17	**2,925**	3,242
Property, plant and equipment	19	**105,993**	67,569
Right-of-use assets	20	**22,226**	23,497
Investment property	21	**5,800**	5,950
Intangible assets	22	**163,556**	164,453
Total assets		**851,941**	825,693
Liabilities			
Other payables	23	**56,008**	50,103
Contract liabilities	24	**1,562**	1,848
Tax payables		**6,773**	4,016
Deferred tax	25	**13,077**	13,191
Borrowings	26	**412,035**	412,761
Lease liabilities	27	**27,120**	28,209
Life investment contract liabilities	35	**7,042**	8,153
Insurance contract liabilities	35	**56,074**	55,015
Total liabilities		**579,691**	573,296
Shareholders' equity			
Share capital	28	**207,076**	205,482
Other reserves		**4,961**	4,832
Retained earnings		**60,213**	42,083
Total shareholders' equity		**272,250**	252,397
Total shareholders' equity and liabilities		**851,941**	825,693

For and on behalf of the Board

G.K. Baker
Chairman Director

Director

Authorised for issue on 29 June 2023

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 March 2023

	Notes	2023 $'000	2022 $'000
Cash flows from operating activities			
Interest received		**52,400**	44,429
Receipts from customers		**333,344**	297,032
Receipt of government subsidies		**100**	1,580
Interest paid - borrowings		**(17,653)**	(6,676)
Interest paid - lease liabilities		**(1,284)**	(1,774)
Payment to suppliers and employees		**(285,522)**	(274,022)
Income tax paid		**(10,394)**	(9,326)
Net cash outflow from operating activities before changes in operating assets and liabilities		**70,991**	51,243
Net increase in finance receivables		**(6,814)**	(93,992)
Net decrease in reverse annuity mortgages		**572**	1,164
Net (increase)/decrease of financial assets at fair value through profit or loss		**3,872**	(2,482)
Net (withdrawals)/contributions from life investment contracts		**(304)**	126
Changes in operating assets and liabilities arising from cash flow movements		**(2,674)**	(95,184)
Net cash (outflow)/inflow from operating activities	32	**68,317**	(43,941)
Cash flows from investing activities			
Proceeds from sale of property, plant, equipment and intangibles		**942**	636
Purchase of property, plant, equipment and intangibles		**(44,177)**	(16,121)
Purchase of investments		**(96)**	-
Sale of investments		**-**	3,420
Net cash inflow/(outflow) from investing activities		**(43,331)**	(12,065)
Cash flows from financing activities			
Net bank loan advances/(repayments)		**(553)**	100,660
Principal elements of lease payments		**(7,501)**	(5,563)
Bond repayments		**-**	(25,000)
Proceeds from the issue of shares		**1,436**	1,185
Dividend paid		**(19,896)**	(13,770)
Net cash inflow/(outflow) from financing activities		**(26,514)**	57,512
Net movement in cash and cash equivalents		**(1,528)**	1,506
Add opening cash and cash equivalents		**13,373**	11,867
Closing cash and cash equivalents		**11,845**	13,373
Represented By:			
Cash at bank	10	**11,845**	13,373
Closing cash and cash equivalents		**11,845**	13,373

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2023

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 2023.

***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 2022 that materially impacted the Group's financial statements and require retrospective adjustment. The Group has not early adopted any new standards, amendments or interpretations to existing standards that are not yet effective.

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 2022*
The following relevant standards and interpretations have been issued at the reporting date but are not yet effective.

NZ IFRS 17 Insurance contracts
The Group will apply NZ IFRS 17, 'Insurance Contracts', for the first time on 1 April 2023. This standard replaces NZ IFRS 4 'Insurance Contract' and is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted. The implementation of NZ IFRS 17 is not expected to have a material impact on the Group's consolidated financial statements in the period of initial application.

Estimated impact of the adoption of NZ IFRS17
The Group has assessed the estimated impact that the initial application of NZ IFRS 17 will have on its consolidated financial statements. Based on the assessments undertaken to date, the total adjustment (after tax) to the balance in the Group's total equity at 1 April 2023 and at 1 April 2022, is summarised as follows:

	1 April 2023 $'000	1 April 2022 $'000
Estimated decrease in Group's total equity		
Decrease in other receivables, deferred expenses and contract assets	(2,051)	(2,081)
Increase in insurance contract liabilities	407	310
	(1,644)	(1,771)
Deferred tax impacts	460	496
	(1,184)	(1,275)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2023

The assessment above is preliminary as not all of the transition work has been finalised. The actual impact of adopting NZ IFRS 17 on 1 April 2023 and 1 April 2022 may change as the new accounting policies, assumptions and judgements and estimation techniques employed are subject to change until the Group finalises its first financial statements that include the date of initial application.

i. Identifying contracts in the scope of NZ IFRS 17
NZ IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with direct participation features.

When identifying contracts in the scope of NZ IFRS 17, in some cases the Group will have to assess whether a set or series of contracts needs to be treated as a single contract and whether embedded derivatives, investment components and goods and services components have to be separated and accounted for under another standard. For insurance and reinsurance contracts, the Group does not expect significant changes arising from the application of these requirements.

ii. Level of aggregation
Under NZ IFRS 17, insurance contracts and investment are aggregated into groups for measurement purposes. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Contracts in different product lines are expected to be in different portfolios. Each portfolio is then divided into annual cohorts (i.e. by year of issue) and each annual cohort into three groups:

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

When a contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts may be added. Groups of reinsurance contracts are established such that each group comprises a single contract.

The level of aggregation requirements of NZ IFRS 17 limit the offsetting of gains on groups of profitable contracts, which are generally deferred as a Contractual Service Margin (CSM), against losses on groups of onerous contracts, which are recognised immediately. The Group does not expect significant changes arising from the application of these requirements.

iii. Contract boundaries
Under NZ IFRS 17, the measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. The Group does not expect significant changes arising from the application of these requirements.

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

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

iv. Measurement
The Group expects to value its Funeral Plan and Annuity Insurance Life contracts using the General Measurement Model and the Premium Allocation Approach for all other Life contracts and all non-life contracts.

General Measurement Model (GMM)
GMM is a measurement model based on the estimates of the present value of future cash flows that are expected to arise as the Group fulfils the contracts, an explicit risk adjustment for non-financial risk and a Contractual Service Margin (CSM). The CSM at each reporting date represents the profit in a group of contracts that has not yet been recognised in profit or loss because it relates to future service.

Premium Allocation Approach (PAA)
PAA is an optional simplified measurement model in NZ IFRS 17 that is available for insurance and reinsurance contracts that meet the eligibility criteria. Under PAA, the valuation of the unearned portion of the liability (referred to as the liability for remaining coverage (LFRC)) can be seen as being similar to a calculation under current accounting of (a) the unearned premium reserve less (b) deferred acquisition costs less (c) premium receivables (plus (d) any additional unexpired risk reserve for unprofitable business). The liability for incurred claims (LFIC) represents the estimate of amounts due to policyholders for claims incurred from earned portions of the liability.

The Group reasonably expects that using PAA would produce a measurement of the liability for remaining coverage that would not differ materially from the result of applying GMM.

v. Disclosure
NZ IFRS 17 requires extensive new disclosures about amounts recognised in the financial statements, including detailed reconciliations of contracts, effects of newly recognised contracts and information on the expected CSM emergence pattern, as well as disclosures about significant judgements made when applying NZ IFRS 17. There will also be expanded disclosures about the nature and extent of risks from insurance contracts and reinsurance contracts. Disclosures will generally be made at a more granular level than under NZ IFRS 4, providing more transparent information for assessing the effects of contracts on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2023

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

Under the fair value approach, the CSM (or the loss component) at 1 April 2022 will be determined as the difference between the fair value of a group of contracts at that date and the fulfilment cash flows at that date. The Group will measure the fair value of the contracts as the sum of (a) the present value of the net cash flows expected to be generated by the contracts, determined using a discounted cash flow technique; and (b) an additional margin, reflecting the reward that an arm's length purchaser of the portfolio would require for the risks to which their capital would be exposed by acquiring the portfolio. The additional margins unwinds over the term of the portfolio.

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

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

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. If the consideration promised includes a variable amount for rebates, refunds or credit, then the

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2023

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 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.

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

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

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

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

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

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interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below).

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

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

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

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

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

(iii) Financial 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.

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

(iii) Credit-impaired financial assets
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:
a) significant financial difficulty of the borrower;
b) a breach of contract, such as a default or past due event (see (ii) above); and
c) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

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

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.

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

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

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

Financial liabilities measured at FVTPL include contingent consideration.

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

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 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

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method compares the hedging instrument to a hypothetical derivative (in which the fair value is determined by the credit-risk free benchmark rate) and the ineffective portion is measured by the extent to which the cumulative change in fair value of the hedging instrument exceeds the change in fair value of the hypothetical derivative (in absolute terms).

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

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

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow 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.

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.

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

3.8 Insurance contracts
Insurance contracts are those contracts that transfer significant insurance risk and are accounted for in accordance with the requirements of NZ IFRS 4 *Insurance Contracts*. The Group issues the following insurance contracts:
- Long-term insurance contracts with fixed and guaranteed terms, these contracts insure events associated with human life (for example, death) over a long duration;
- Temporary life insurance contracts covering death disablement, disability and redundancy risks; and
- Short term motor vehicle contracts covering 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 investment property was valued at reporting date at the purchase price included in a conditional sale and purchase for property, in prior years, the fair value of investment properties is determined by a qualified independent external valuer.

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.

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The rates for the following asset classes are:

	Diminishing value	Straight line
Buildings	-	50 & 33.3 years
Leasehold improvements, furniture and fittings, office equipment	7.5 - 60.0%	3 - 15 years
Computer equipment	31.2 - 48.0%	3 - 5 years
Motor vehicles and equipment	26.0 - 31.2%	3 - 7 years
Signs and flags	-	3 - 12 years

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

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.

Goodwill and corporate brands are 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 and corporate brands arose, identified according to operating segment.

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.

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

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

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

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

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 share options are exercised, the option reserve relating to the options exercised 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
Management have concluded that the COVID-19 overlay provisions relating to the impairment provisions for finance receivables is no longer appropriate, but due to the uncertain economic environment, have created an economic overlay provision relating to the impairment for finance receivables.

The COVID-19 overlay provision of $1.7m included in the finance receivables expected credit loss provision as at 31 March 2022 has been released to profit or loss and an economic overlay provision of $2.0m has been created.

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

Provision for impairment on finance 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

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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.

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 current economic environment 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 (2022: $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 considered for the calculation of the Groups' lease liabilities.

Valuation of investment properties
The investment property was valued at reporting date at the purchase price included in a conditional sale and purchase for property.

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

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possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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

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

5. RISK MANAGEMENT

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

5.1 Financial instrument by category

Carrying value	**2023**	2022
	$'000	$'000
Financial assets		
Financial assets at fair value through profit or loss		
Cash and cash equivalents	**11,845**	13,373
Financial assets at fair value through profit or loss	**66,730**	70,199
Amortised cost		
Trade receivables	**7,800**	7,581
Finance receivables	**424,621**	422,870
Other receivables and deferred expenses	**4,815**	5,726
Reverse annuity mortgages	**2,925**	3,242
Financial assets at fair value through OCI		
Derivative financial instruments	**5,887**	5,414
Financial assets at fair value through OCI	**230**	225
	524,853	528,630
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Life investment contract liabilities	**7,042**	8,153
Amortised cost		
Other payables	**40,693**	32,295
Borrowings	**412,035**	412,761
Lease liabilities	**27,120**	28,209
	486,890	481,418

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 transfer 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:

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

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

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

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

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

5.3 Liquidity risk

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

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

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

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

	0-6 months $'000	7-12 months $'000	13-24 months $'000	25-60 months $'000	60+ months $'000	Total $'000
2023						
Contractual undiscounted cash flows:						
Other payables	**40,693**	**-**	**-**	**-**	**-**	**40,693**
Borrow ings	**13,099**	**13,099**	**414,869**	**-**	**-**	**441,067**
Lease liabilities	**3,905**	**3,582**	**6,304**	**10,852**	**7,444**	**32,087**
	57,697	**16,681**	**421,173**	**10,852**	**7,444**	**513,847**
Expected undiscounted cash flows:						
Other payables	**40,693**	**-**	**-**	**-**	**-**	**40,693**
Borrow ings	**13,093**	**13,093**	**26,187**	**78,560**	**543,021**	**673,954**
Lease liabilities	**3,905**	**3,582**	**6,304**	**10,852**	**7,444**	**32,087**
	57,691	**16,675**	**32,491**	**89,412**	**550,465**	**746,734**

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	0-6 months $'000	7-12 months $'000	13-24 months $'000	25-60 months $'000	60+ months $'000	Total $'000
2022						
Contractual undiscounted cash flows:						
Other payables	32,295	-	-	-	-	32,295
Borrowings	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
Expected undiscounted cash flows:						
Other payables	32,295	-	-	-	-	32,295
Borrowings	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

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 2023 was $200m (2022: $150m) and weighted average interest was 2.64% (2022: 1.57%). There was no hedge ineffectiveness recognised in profit or loss during the period (2022: $nil).

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
2023					
Financial Assets					
Cash and cash equivalents	**11,845**	**(118)**	**(85)**	**118**	**85**
Financial assets at fair value through profit or loss	**66,730**	**(667)**	**(480)**	**667**	**480**
Finance receivables	**424,621**	**(4,246)**	**(3,057)**	**4,246**	**3,057**
Derivative financial instruments	**5,887**	**(33)**	**(2,595)**	**33**	**2,562**
Reverse annuity mortgages	**2,925**	**(29)**	**(21)**	**29**	**21**
Financial Liabilities					
Borrowings	**412,035**	**4,120**	**2,966**	**(4,120)**	**(2,966)**
Total increase/(decrease)		**(973)**	**(3,272)**	**973**	**3,239**

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	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**

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

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

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

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

in NZD'000	**2023** **NZ$'000**	2022 NZ$'000
Net exposure to AUD	**997**	934
Net exposure to JPY	**867**	-

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

In NZD'000	-10% Profit	-10% Equity	+10% Profit	+10% Equity
2023				
AUD	**-**	**111**	**-**	**(91)**
JPY	**206**	**149**	**(169)**	**(178)**
2022				
AUD	-	104	-	(85)

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

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

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2023				
Fair value assets:				
Financial assets at fair value through profit or loss - insurance	**-**	**7,305**	**-**	**7,305**
Financial assets at fair value through profit or loss - term deposits	**59,425**	**-**	**-**	**59,425**
Investment property	**-**	**-**	**5,800**	**5,800**
Derivative financial instruments	**-**	**5,887**	**-**	**5,887**
	59,425	**13,192**	**5,800**	**78,417**

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	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**

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 investment property was valued at reporting date at the purchase price included in a conditional sale and purchase for property.

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	**2023 $'000**	2022 $'000
Opening balance	**5,950**	5,950
Revaluation at reporting date - investment property	**(150)**	-
Closing balance	**5,800**	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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6. SEGMENTAL INFORMATION

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

Five reportable segments have been identified as follows:

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.

6.2 Operating segments

Revenue	Total segment revenue **2023** **$'000**	Inter-segment revenue **2023** **$'000**	Revenue from external customers **2023** **$'000**	Total segment revenue 2022 $'000	Inter-segment revenue 2022 $'000	Revenue from external customers 2022 $'000
Auto retail	**283,354**	**(5,189)**	**278,165**	249,236	(6,707)	242,529
Finance	**58,634**	**-**	**58,634**	51,898	-	51,898
Insurance	**45,282**	**(1,717)**	**43,565**	43,269	(2,897)	40,372
Credit management	**9,259**	**(36)**	**9,223**	9,671	-	9,671
Corporate & other	**48**	**-**	**48**	46	-	46
	396,577	**(6,942)**	**389,635**	354,120	(9,604)	344,516

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	**2023** **$'000**	2022 $'000
Auto retail	**24,985**	19,447
Finance	**14,956**	17,987
Insurance	**12,588**	11,580
Credit management	**2,865**	3,033
Corporate & other	**(9,850)**	(8,927)
Profit/(loss) before taxation	**45,545**	43,120
Income tax	**(12,979)**	(11,839)
Net profit attributable to shareholders	**32,566**	31,281

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	Interest revenue		Interest expense		Depreciation and amortisation expense	
	2023	2022	**2023**	2022	**2023**	2022
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Auto retail	**225**	199	**(2,349)**	(1,531)	**(9,141)**	(8,126)
Finance	**51,508**	44,782	**(13,281)**	(6,322)	**(725)**	(842)
Insurance	**2,138**	1,020	**(61)**	(72)	**(1,211)**	(1,240)
Credit management	**4**	1	**(11)**	(21)	**(258)**	(330)
Corporate & other	**20**	1	**(4,261)**	(2,994)	**(143)**	(164)
	53,895	46,003	**(19,963)**	(10,940)	**(11,478)**	(10,702)
Eliminations	**(30)**	(8)	**30**	8	**-**	-
	53,865	45,995	**(19,933)**	(10,932)	**(11,478)**	(10,702)

Other material non-cash items

	Revenue/(expenses)	
	2023	2022
	$'000	$'000
Auto retail - gain on modification of a lease	**-**	60
Auto retail - impairment provisions	**33**	151
Finance - impairment provisions	**(3,741)**	(3,135)
Insurance - reverse annuity mortgage interest	**287**	294

Segment assets and liabilities	Assets		Liabilities	
	2023	2022	**2023**	2022
	$'000	$'000	**$'000**	$'000
Auto retail	**155,850**	116,438	**73,689**	**66,679**
Finance	**453,869**	451,504	**344,786**	**353,313**
Insurance	**136,023**	139,091	**76,866**	**75,544**
Credit management	**34,035**	31,514	**3,943**	**3,476**
Corporate & other	**238,577**	187,749	**84,618**	**76,181**
	1,018,354	926,296	**583,902**	575,193
Eliminations	**(166,414)**	(100,603)	**(4,211)**	(1,897)
	851,940	825,693	**579,691**	573,296

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

	Other	
	2023	2022
	$'000	$'000
Auto retail	**42,927**	15,173
Finance	**862**	469
Insurance	**227**	394
Credit management	**21**	83
Corporate & other	**140**	2
	44,177	16,121
Eliminations	**-**	-
	44,177	16,121

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2023

7. PROFIT BEFORE TAX

	Notes	2023 $'000	2022 $'000
Revenue from continuing operations includes:			
Interest income			
Bank accounts, short term deposits and investments		**2,026**	761
Finance receivables		**51,552**	44,940
Reverse annuity mortgages		**287**	294
Total interest income		**53,865**	45,995
Operating revenue			
Sales of goods		**205,916**	182,435
Commission and other sales revenue		**74,980**	58,962
Loan fee income		**2,988**	3,659
Insurance and life investment contract income		**38,514**	38,149
Collection income		**9,204**	9,519
Bad debts recovered		**1,832**	1,147
Other revenue		**1,728**	2,163
Total operating revenue		**335,162**	296,034
Revenue from continuing operations		**389,027**	342,029
Other income comprises:			
Gain on sale of investments		**-**	502
Dividend income		**5**	45
Gain on sale of property, plant and equipment		**378**	270
Gain on modification of a lease		**-**	60
Government wage subsidies		**100**	1,580
Other		**125**	30
		608	2,487
Revenue from contracts with customers			
Over time			
Auto retail			
Commission and other sales revenue		**29,110**	24,700
At a point in time			
Auto retail			
Sales of goods		**205,916**	182,435
Auction commissions		**41,168**	31,116
Credit management			
Collection income		**8,741**	9,424
Voucher income		**500**	95
Insurance			
Motor vehicle insurance commissions		**1,199**	1,012
Interest expense			
Bank borrowings and other		**19,933**	10,171
Bonds		**-**	761
Total interest expense		**19,933**	10,932
Movement in impairment provisions			
Provisions for:			
Specific impaired finance receivables	14	**(446)**	(337)
Collective impairment provision for finance receivables	14	**2,784**	2,264
Movement in COVID-19 overlay	14	**(1,682)**	271
Movement in economic overlay provision	14	**1,965**	-
Collective impairment on reverse annuity mortgages	17	**32**	40
Finance receivables bad debts written off		**1,087**	786
Movement		**3,740**	3,024

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2023

	2023 $'000	2022 $'000
Net operating profit includes the following specific expenses		
Depreciation		
- Buildings	**299**	225
- Plant, equipment & motor vehicles	**1,118**	757
- Leasehold improvements, furniture, fittings & office equipment	**1,075**	1,132
- Computer equipment	**1,274**	1,068
- Signs & flags	**198**	153
Intangible amortisation		
Amortisation of software	**1,099**	1,536
Amortisation of customer relationships	**520**	520
Amortisation of right-of-use asset	**5,895**	5,311
	11,478	10,702
Tax advisory fees	**223**	217
Donations	**10**	27
Directors' fees	**632**	679
Post-employment benefits	**1,612**	1,359
Loss on sale of property, plant and equipment	**75**	240
Fees paid to auditor		
Baker Tilly Staples Rodway Auckland (auditor of the Group)		
Audit of financial statements		
Audit of annual financial statements	**479**	467
Other services		
Other assurance services		
- Audit of DPL Insurance Limited solvency return	**11**	11
- Agreed Upon Procedures in relation to the EC Credit Control Limited trust account	**7**	7
Total other services	**18**	18
Total fees paid to Baker Tilly Staples Rodway Auckland	**497**	485

8. TAXATION

	2023 $'000	2022 $'000
Net operating profit before taxation	**45,545**	43,120
Income tax expense at prevailing rates (NZ: 28%; Aust: 30%)	**(12,758)**	(12,074)
Tax impact of income not subject to tax	**284**	492
Tax impact of expenses not deductible for tax purposes	**(502)**	(174)
(Over)/under provision in prior years	**(3)**	(83)
Taxation (expense)/benefit	**(12,979)**	(11,839)
Comprising:		
Current	**(12,939)**	(10,534)
Deferred	**120**	(1,888)
Under provision in prior years	**(160)**	583
	(12,979)	(11,839)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2023

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:

	2023	2022
Profit for the year ($'000)	**32,566**	31,281
Weighted average number of ordinary shares at 31 March	**86,518,327**	85,968,563
Basic earnings per share (cents per share)	**37.64**	36.39

	2023	2022
Weighted number of shares		
Opening balance	**86,069,248**	85,544,248
Shares issued for staff options	**385,479**	424,315
Shares issued for employee share scheme	**63,599**	-
	86,518,327	85,968,563

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:

	2023	2022
	$'000	$'000
Continuing operations	**32,566**	31,281
Add: Long term incentive expense related to options	**265**	359
Profit for the year	**32,831**	31,640
Weighted number of ordinary shares (diluted)		
Weighted average number of shares (basic)	**86,518,327**	85,968,563
Effect of the exercise of options	**467,052**	841,642
Weighted average number of shares (diluted)	**86,985,379**	86,810,205
Diluted earnings per share (cents per share)	**37.74**	36.45

10. CASH AND CASH EQUIVALENTS

	2023	2022
	$'000	$'000
The carrying value of cash and cash equivalents are denominated in the following currencies:		
Australian dollars	**136**	227
New Zealand dollars	**11,709**	13,146
	11,845	13,373

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 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 2023 were $2.0m (2022: $1.5m).

Cash and cash equivalents at 31 March 2023 of $4.3m (2022: $3.4m) belong to the Turners Marque Warehouse Trust 1 and are not all available to the Group (refer note 14).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2023

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 $'000	2022 $'000
Insurance:		
Investments in unitised funds	**7,305**	8,259
Term deposits	**59,350**	61,865
Other:		
Deposits	**75**	75
Total	**66,730**	70,199
Investments in unitised funds comprise:		
New Zealand and overseas equities	**3,102**	3,539
Fixed Interest securities	**1,678**	1,391
Cash - deposits	**933**	1,278
New Zealand and overseas property securities	**1,592**	2,051
Total	**7,305**	8,259
Investments with external investment managers		
ANZ New Zealand Investments Limited - Unitised Funds	**7,305**	8,259

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 2023 were $59.4m (2022: $61.9m). Investments in unitised funds, disclosed in Financial assets through profit or loss, underwrite the Life investment policies and are not available for use by the wider Group.

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

Credit risk
The maximum exposure to credit risk from financial assets at fair value through profit or loss at reporting date, excluding investments in unitised funds, is the carrying value. The financial assets in this category, excluding equity investments, are invested in term deposits with banks. For Life investment linked contracts (investment in unitised funds) the investments credit risk is borne by the policy holder, there is no significant credit risk assumed by the Group.

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

12. TRADE RECEIVABLES

	2023 $'000	2022 $'000
Performing	**5,691**	6,920
Doubtful	**2,471**	1,032
In default	**47**	107
	8,209	8,059
Impairment provision	**(409)**	**(478)**
Net trade receivables	**7,800**	7,581

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 2023

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.

	2023 $'000	2022 $'000
The age of doubtful trade receivables is as follows:		
Past due up to 30 days	**2,016**	854
Past due 30 – 60 days	**335**	75
Past due 60 – 90 days	**100**	1
Past due 90+ days	**20**	102
	2,471	1,032
Movement in the impairment provision:		
Opening balance	**478**	338
Impairment charge/(release) included in other operating expenses	**(57)**	140
Amounts written off	**(12)**	-
	409	478

The Group recognises lifetime expected credit loss for trade receivables. The expected credit loss rate is 5.0% (2022: 5.9%). Amounts charged to the impairment provision are generally written off when there is no expectation of recovering additional cash.

	2023 $'000	2022 $'000
The carrying amounts of the Group's trade receivables are denominated in the following currencies:		
Australian dollars	**318**	321
New Zealand dollars	**7,482**	7,260
	7,800	7,581

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

	2023 $'000	2022 $'000
Motor vehicles	**27,726**	33,658
Less provision for stock obsolescence	**(1,669)**	(1,678)
	26,057	31,980

Inventories are a current asset.

Movement in provisions for stock obsolescence		
Opening balance	**1,678**	1,687
Movement (included in Cost of goods sold)	**(9)**	(9)
Closing balance	**1,669**	1,678

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2023

14. FINANCE RECEIVABLES

	2023 $'000	2022 $'000
Commercial loans	**84,126**	82,688
Consumer loans	**335,037**	334,455
Property development & investment loans	**2,851**	3,959
Gross finance receivables	**422,014**	421,102
Deferred fee revenue and commission expenses	**11,276**	12,788
Specific impairment provision	**(774)**	(1,632)
Collective impairment provision	**(5,930)**	(7,706)
COVID-19 impairment provision	**-**	(1,682)
Economic overlay provision	**(1,965)**	-
	424,621	422,870
Current	**137,142**	168,329
Non-current	**287,479**	254,541
	424,621	422,870
Gross financial receivables are summarised as follows:		
Performing	**416,694**	412,482
Doubtful	**2,562**	1,163
In default	**2,758**	7,457
	422,014	421,102
Movement in receivables subject to specific impairment assessment		
Opening balance	**2,898**	3,164
Additions	**1,545**	1,447
Amounts recovered	**(1,309)**	(1,241)
Amounts written off	**(1,305)**	(472)
	1,829	2,898
The aging of loans specifically assessed are as follows:		
Past due up to 30 days	**1,034**	1,740
Past due 30 – 60 days	**156**	94
Past due 60 – 90 days	**89**	-
In default	**550**	1,064
	1,829	2,898

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 2023	**Expected loss rate %**	**Gross finance receivables $'000**	**Collective impairment provision $'000**
Current	**0.85**	**409,949**	**3,503**
Past due up to 30 days	**6.88**	**5,712**	**393**
Past due 30 – 60 days	**14.29**	**1,813**	**259**
Past due 60 – 90 days	**27.63**	**503**	**139**
In default	**74.09**	**2,208**	**1,636**
		420,185	**5,930**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2023

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**

If the ECL rates on performing financial receivables increased/(decreased) by 1%, the loss allowance on receivables would be $4.2m higher/($3.6m lower) (2022: $4.1m higher/($3.1m lower)).

	2023 $'000	2022 $'000
Movement in the impairment provisions:		
Specific impairment provision		
Opening balance	**1,632**	2,376
Impairment charge/(release) through profit or loss	**446**	(337)
Amounts written off	**(1,304)**	(407)
	774	1,632
Collective impairment provision		
Opening balance	**7,706**	13,403
Impairment charge/(release) through profit or loss	**2,784**	2,264
Amounts written off	**(4,560)**	(7,961)
	5,930	7,706
COVID-19 impairment provision		
Opening balance	**1,682**	1,411
Impairment charge/(release) through profit or loss	**(1,682)**	271
	-	1,682
Economic overlay provision		
Impairment charge/(release) through profit or loss	**1,965**	-
	1,965	-
Total impairment provision	**8,669**	11,020

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 **2023** **$'000**	Fair value **2023** **$'000**	Carrying amount 2022 $'000	Fair value 2022 $'000
Finance receivables	**424,621**	**425,900**	422,870	421,403

The fair values are based on cash flows discounted using a weighted average interest rate of 11.81% (2022: 11.23%).

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 2023

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 $316m.

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 85% (2022: 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 $215.5m finance receivables were sold to the Trust (2022: $247.1m). As at 31 March 2023 the carrying value of finance receivables in the Trust was $314.4m (2022: $329.9m).

15. OTHER RECEIVABLES, DEFERRED EXPENSES AND CONTRACT ASSETS

	2023 $'000	2022 $'000
Other receivables and prepayments	**2,809**	4,088
Insurance deferred acquisition costs	**2,051**	2,081
Contract assets		
- Amount relating to services rendered not yet invoiced	**3,239**	3,072
- Contract fulfilment costs	**172**	99
	8,271	9,340
Current	**6,587**	7,988
Non-current	**1,684**	1,352
	8,271	9,340
Carrying amount of financial assets included in other receivables	**4,815**	5,726

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)

	2023 $'000	2022 $'000
Investment in Carly Holdings Limited (formerly Collaborate Corporation Limited)	**230**	225
Movements in carrying amounts		
Opening balance	**225**	570
Additions	**96**	-
Net change in fair value recognised in OCI	**(91)**	(345)
Closing balance	**230**	225

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2023

17. REVERSE ANNUITY MORTGAGES

	2023 **$'000**	2022 $'000
Reverse annuity mortgages	**3,107**	3,392
Provision for impairment	**(182)**	(150)
	2,925	3,242
Current	**350**	332
Non-current	**2,575**	2,910
	2,925	3,242
Movement in provisions for impairment		
Opening balance	**150**	110
Impairment charge/(release) through profit or loss	**32**	40
Closing balance	**182**	150

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 **2023** **$'000**	Fair value **2023** **$'000**	Carrying amount 2022 $'000	Fair value 2022 $'000
Reverse annuity mortgages	**2,925**	**3,289**	3,242	3,885

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 **2023**	2022
Subsidiary			
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 2023

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
2023						
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)**
Opening carrying amount	**57,745**	**3,090**	**3,827**	**2,413**	**494**	**67,569**
Additions	**34,676**	**5,424**	**1,836**	**1,245**	**165**	**43,346**
Disposals	**(11)**	**(844)**	**(76)**	**(24)**	**(3)**	**(958)**
Depreciation	**(299)**	**(1,118)**	**(1,075)**	**(1,274)**	**(198)**	**(3,964)**
Closing carrying amount	**92,111**	**6,552**	**4,512**	**2,360**	**458**	**105,993**
At cost	**92,948**	**9,454**	**8,670**	**5,808**	**995**	**117,875**
Accumulated depreciation	**(837)**	**(2,902)**	**(4,158)**	**(3,448)**	**(537)**	**(11,882)**
Closing carrying amount	**92,111**	**6,552**	**4,512**	**2,360**	**458**	**105,993**
WIP included above	**739**	**-**	**1**	**480**	**28**	**1,248**
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

20. RIGHT-OF-USE ASSETS

	2023	2022
	$'000	$'000
Properties	**22,184**	23,492
Equipment	**42**	5
	22,226	23,497
Opening balance	**23,497**	23,559
Additions	**2,344**	3,706
Modifications and reassessments	**2,280**	1,543
Depreciation	**(5,895)**	(5,311)
Closing carrying amount	**22,226**	23,497

During the year the Group had no gains from modification of leases (2022: $0.06m).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2023

21. INVESTMENT PROPERTY

	2023 $'000	2022 $'000
Investment property	**5,800**	5,950
Movements in carrying amounts		
Opening balance	**5,950**	5,950
Net change in fair value	**(150)**	-
Closing balance	**5,800**	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 at the purchase price included in a conditional sale and purchase for property.

22. INTANGIBLE ASSETS

	2023 $'000	2022 $'000
Brand		
Carrying amount	**67,100**	67,100
Goodwill		
Opening carrying amount at cost	**92,517**	92,509
Foreign exchange adjustment	**2**	8
Closing carrying amount	**92,519**	92,517
Software		
At cost	**6,430**	6,857
Accumulated amortisation	**(4,580)**	(3,938)
Opening carrying amount	**1,850**	2,919
Additions	**731**	701
Disposals	**(11)**	(234)
Amortisation	**(1,099)**	(1,536)
Closing carrying amount	**1,471**	1,850
At cost	**6,992**	6,430
Accumulated amortisation	**(5,521)**	(4,580)
Closing carrying amount	**1,471**	1,850

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2023

	2023 $'000	2022 $'000
Corporate relationships		
At cost	**6,510**	6,510
Accumulated amortisation	**(3,524)**	(3,004)
Opening carrying amount	**2,986**	3,506
Amortisation	**(520)**	(520)
Closing carrying amount	**2,466**	2,986
At cost	**6,510**	6,510
Accumulated amortisation and impairment provision	**(4,044)**	(3,524)
Closing carrying amount	**2,466**	2,986
Total intangible assets carrying amount	**163,556**	164,453
WIP included in software	**252**	186

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.

	2023 $'000	2022 $'000
Goodwill		
Allocated to the insurance CGU/segment	12,777	12,777
Allocated to collection services CGU/segment	23,983	23,981
Allocated to the finance CGU/segment	9,272	9,272
Allocated to the auto retail CGU/segment	46,487	46,487
	92,519	92,517
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 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 where 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.

2023 Forecast cash flow growth rates (%)	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Auto retail CGU (weighted average cost of capital)	**50.7**	**3.3**	**7.0**	**3.0**
Insurance CGU (cost of equity)	**(12.5)**	**4.0**	**7.9**	**8.9**
Finance CGU (cost of equity)	**307.9**	**23.4**	**37.8**	**17.6**
Collection services CGU (weighted average cost of capital)	**32.1**	**29.1**	**24.6**	**24.0**

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2023

	2023	2022
Long-term growth rate	**2.05%**	2.25%
Pre-tax discount rate		
Auto retail CGU (weighted average cost of capital)	**12.60%**	13.10%
Insurance CGU (cost of equity)	**12.80%**	13.80%
Finance CGU (cost of equity)	**17.60%**	18.70%
Collection services CGU (weighted average cost of capital)	**17.60%**	15.60%

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% (2022: 0.25%) and increasing and decreasing the discount rate as follows:

	2023	2022
Auto retail CGU	**1.00%**	1.10%
Insurance CGU	**1.00%**	1.10%
Finance CGU	**1.00%**	1.20%
Collection services CGU	**1.00%**	1.10%

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

23. OTHER PAYABLES

	2023 $'000	2022 $'000
Accounts payable	**24,743**	23,559
Employee entitlements (short term)	**5,485**	5,408
Employee entitlements (long term)	**376**	348
Dividend payable	**-**	5,192
Other payables and accruals	**25,404**	15,596
	56,008	50,103
Carrying value of financial liabilities in other payables	**40,693**	32,295

The carrying amounts of the Group's financial liabilities in other payables are denominated in the following currencies:

	2023	2022
Japanese Yen	**867**	1,644
Australian dollars	**166**	61
New Zealand dollars	**39,660**	30,590
	40,693	32,295

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 2023

24. CONTRACT LIABILITIES

	2023 $'000	2022 $'000
Unredeemed debt and PPSR voucher liability	**1,339**	1,635
Motor vehicle insurance rebate liability	**223**	213
	1,562	1,848

Movement in contract liabilities		
Unredeemed debt and PPSR voucher liability		
Opening balance	**1,635**	2,110
Charge/(release) to profit or loss	**(296)**	(475)
	1,339	1,635

Motor vehicle insurance rebate liability		
Opening balance	**213**	203
Additions	**10**	10
	223	213

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:

	2023 $'000	2022 $'000
Opening balance	**13,191**	11,297
Translation difference	**6**	6
Charge to profit or loss	**(120)**	1,888
Closing balance	**13,077**	13,191

	2023 $'000	2022 $'000
The charge to profit or loss is attributable to the following items:		
Corporate relationships	**(146)**	(37)
Loan impairment provision	**634**	1,515
Insurance deductible reserves	**168**	73
Property, plant and equipment	**(15)**	555
Lease liability	**305**	151
Right of use asset	**(356)**	(17)
Provisions and accruals	**(710)**	(352)
	(120)	1,888

Deferred tax (assets)/liabilities to be recovered after more than 12 months	**14,681**	14,665
Deferred tax (assets)/liabilities to be recovered within 12 months	**(1,604)**	(1,474)
Closing balance	**13,077**	13,191

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

Deferred tax relates to the following:		
Deferred tax assets:		
Loan impairment provision	**3,008**	3,642
Lease liability	**7,593**	7,898
Provisions and accruals	**3,077**	2,379
Insurance reserves	**272**	440
Total deferred tax asset	**13,950**	14,359

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2023

	2023	2022
	$'000	$'000
Deferred tax liabilities:		
Brand	**18,788**	18,788
Customer relationships	**691**	837
Right of use asset	**6,224**	6,580
Deferred expenses and accruals	**1,324**	1,345
	27,027	27,550
Net deferred tax liabilities	**13,077**	13,191
Imputation credit memorandum account		
Opening balance	**21,647**	20,033
Income tax payments/(refunds received)	**16,380**	9,472
Imputation credits utilised	**(5,049)**	(7,858)
Closing balance	**32,978**	21,647

Policy holder tax losses

The policy holder tax losses carried forward at 31 March 2023 are $4,692,000 (2022: $4,723,000). The policy holder tax losses are only available to be offset against future policy holder income.

26. BORROWINGS

	2023	2022
	$'000	$'000
Secured bank borrowings	**412,035**	412,588
Deferred borrowing costs	**-**	-
	412,035	412,588
Non-bank borrowings		
Motor Trade Finance	**-**	173
Total borrowings	**412,035**	412,761
Current	**-**	3,724
Non-current	**412,035**	409,037
	412,035	412,761

Secured bank borrowings

In March 2023 the Group has a syndicated funding facility, including a 1 year working capital facility, with the Bank of New Zealand and ASB Bank, a self liquidating trade finance facility and three year term facility with ASB Bank and a securitisation facility with the Bank of New Zealand.

The bank borrowings, are secured by a first-ranking general security agreement over the assets of the Company and its subsidiaries, excluding DPL Insurance Limited, Turners Finance Limited and EC Credit (Aust.) Limited. Current interest rates on the bank borrowings are variable and average 6.71% (2022: 2.74%). The Group's securitisation financing arrangement with the Bank of New Zealand as described in note 14.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2023

Borrowing covenants
The Group has complied with all borrowing covenants in both the current and prior financial year.

Foreign currency risk
All the Group's borrowings are in NZD.

Fair value	Carrying amount **2023** **$'000**	Fair value **2023** **$'000**	Carrying amount 2022 $'000	Fair value 2022 $'000
Borrowings	**412,035**	**406,127**	412,761	407,347

The fair values are based on cash flows discounted using a weighted average borrowing rate of 4.97% (2022: 2.31%). The fair value of borrowings considers the impact of interest rate swaps as referred to in note 5.4.2.

	2023 **$'000**	2022 $'000
Contractual repricing dates		
1 year or less	**-**	3,724
Over 1 to 2 years	**322,035**	389,037
Over 2 to 5 years	**90,000**	20,000
	412,035	412,761

27. LEASE LIABILITIES

	2023 **$'000**	2022 $'000
Lease liabilities	**27,120**	28,209
Current	**6,130**	2,358
Non-current	**20,990**	25,851
	27,120	28,209

Lease liabilities have incremental borrowing rates of 4.16% to 7.07% (2022: 2.87% to 7.07%), with maturities up to 10 years (2022: up to 11 years) 4 new leases were entered into during the year (2022:3) and 6 leases were modified or cancelled during the year (2022: 4).

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

	2023 **$'000**	2022 $'000
Australian dollars	**30**	95
New Zealand dollars	**27,090**	28,114
	27,120	28,209
Interest expense in profit or loss	**1,284**	1,774

28. SHARE CAPITAL

	2023	2022
Number of ordinary shares		
Opening balance	**86,069,248**	85,544,248
Shares issued for staff options	**525,000**	525,000
Shares issued for employee share scheme	**105,999**	-
Total issued and authorised capital	**86,700,247**	86,069,248

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2023

	2023 $'000	2022 $'000
Dollar value of ordinary shares		
Opening balance	**205,482**	204,297
Shares issued for staff options	**1,208**	1,192
Shares issued for employee share scheme	**401**	-
Share issue costs	**(15)**	(7)
Total issued capital	**207,076**	205,482

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. In June 2022, 525,000 (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 financial year 1,390,000 options granted to Senior Executives of the Group at an exercise price of $4.20 under the Group's Share Option Plan in December 2021 were cancelled. The grant was 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 $265,000 (2022: $359,000).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2023

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

	Weighted average exercise price **2023** **$**	Options **2023** **000's**	Weighted average exercise price 2022 $	Options 2022 000's
Opening balance	**2.00**	**2,965**	2.00	2,100
Granted	**-**	**-**	4.20	1,390
Exercised	**2.00**	**(525)**	2.00	(525)
Cancelled	**4.20**	**(1,390)**	-	-
Closing balance	**2.00**	**1,050**	3.03	2,965

The weighted-average share price at the date of exercise for share options exercised in the year ending 31 March 2023 was $3.73 (2022: $4.14).

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

Expiry date	Exercise price $	Options **2023** **000's**	Options 2022 000's
31 May 2024	2.00		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

	2023 **$'000**	2022 $'000
Final dividend for the year ended 31 March 2022 of $0.07 (31 March 2021: $0.06) per fully paid ordinary share, imputed paid on 28 July 2022 (2021: 24 July 2021).	**6,062**	5,164
Quarterly dividend for the year ended 31 March 2023 of $0.05 (31 March 2022: $0.05) per fully paid ordinary share, imputed, paid on 27 October 2022 (2022: 28 October 2021).	**4,335**	4,303
Quarterly dividend for the year ended 31 March 2023 of $0.05 (31 March 2022: $0.05) per fully paid ordinary share, imputed, paid on 26 January 2023 (2022: 27 January 2022).	**4,335**	4,303
Quarterly dividend for the year ended 31 March 2022: $0.06 per fully paid ordinary share, imputed, paid on 20 April 2022.	**-**	5,164
	14,732	18,934

Dividends not recognised at year end
In addition to the above dividends, after year end the directors recommended the payment of the following dividend:

Quarterly dividend for the year ended 31 March 2023 of $0.06 per fully paid ordinary share, imputed, paid on 27 April 2023 .	**5,202**	-
Final dividend of $0.07 (31 March 2022: $0.07) per fully paid ordinary share, imputed, payable on 28 July 2023 (2022: 28 July 2022).	**6,069**	6,062

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2023

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 2023 and 31 March 2022 were as follows:

($'000)	Short-term benefits $'000	Other long-term benefits $'000	Share-based payments $'000	Total $'000
Year ended 31 March 2023	3,686	110	72	3,868
Year ended 31 March 2022	2,628	81	241	2,950

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 98 to 101. 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	**2023 $'000**	2022 $'000
Profit for the year	**32,566**	31,281
Adjustment for non-cash and other items		
Impairment charge on finance receivables, reverse annuity mortgages and other receivables	**3,659**	3,108
Net loss/(profit) on sale fixed assets	**(290)**	(306)
Depreciation and amortisation	**11,478**	10,702
Capitalised reverse annuity mortgage interest	**(287)**	(294)
Deferred revenues	**628**	1,500
Fair value adjustments on assets/liabilities at fair value through profit and loss	**(444)**	(297)
Net annuity and premium change to policyholders accounts	**(807)**	(89)
Non-cash adjustments to finance receivables effective interest rates	**(3)**	(14)
Deferred expenses	**1,135**	(4,136)
Revaluation loss on investment property	**150**	-
Gain on modification of a lease	**-**	(60)
COVID-19 rent concessions	**-**	(92)
Adjustment for movements in working capital		
Net decrease/(increase) receivables and pre-payments	**937**	(1,506)
Net decrease/(increase) in inventories	**5,923**	(1,792)
Net increase in payables	**14,105**	11,190
Net decrease in contract liabilities	**(345)**	(465)
Net increase in finance receivables	**(6,814)**	(93,992)
Net decrease in reverse annuity mortgages	**572**	1,164
Net (decrease)/increase of insurance assets at fair value through profit or loss	**3,872**	(2,482)
Net (withdrawals)/contributions from life investment contracts	**(304)**	126
Net (decrease)/increase in deferred tax liability	**(174)**	1,952
Net increase in tax payable	**2,760**	561
Cash flows from operating activities	**68,317**	(43,941)

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Reconciliation of cash flows arising from financing activities

The table below details changes in the Group's cash flows 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 2021	339,611	28,747	204,297	29,736
Changes from financing cash flows	75,660	(5,563)	1,185	(13,770)
Other changes				
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
Changes from financing cash flows	**(553)**	**-**	**1,436**	**(19,896)**
Other changes				
Profit	**-**	**-**		**32,566**
Dividend payable	**-**	**-**		**5,164**
Employee share based	**-**	**-**	**158**	**296**
Netted off finance receivables	**(173)**	**-**	**-**	**-**
Interest paid	**(17,653)**	**(1,284)**	**-**	**-**
Interest expense (excl. accrued interest)	**17,653**	**1,284**	**-**	**-**
Non-cash lease movements	**-**	**(1,089)**	**-**	**-**
	(173)	**(1,089)**	**158**	**38,026**
Balance at 31 March 2023	**412,035**	**27,120**	**207,076**	**60,213**

33. COMMITMENTS AND CONTINGENT LIABILITIES

Capital Expenditure:

At balance date, the Group has committed to the development of one existing site. This has resulted in capital commitments of $4,400,000 (2022: $18,900,000).

Future Lease Commitments:

The Group has no lease commitments commencing after balance date (2022: 1).

Loan Commitments:

The Group has no material undrawn credit commitments at reporting date (2022: nil).

Contingent Liabilities:

The Group has no other material contingent liabilities at reporting date (2022: nil).

34. SUBSEQUENT EVENTS AFTER BALANCE DATE

The Group announced the adoption of a Dividend Reinvestment Plan on 23 May 2023.

The Group had no dividend accrued at balance date (2022: $5,164,000 (refer note 30)).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2023

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 2023 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 (2022: 28%). The net discount rates assumed were as follows:

	2023	2022
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 2022:	2.42% per annum net of tax
	March 2023:	3.38% 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 (2022: 2.0%).

c) *Mortality Rates*

Rates of mortality were assumed as follows:

For underwritten whole of life, endowment and term insurance policies: NZ97 (2022: 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 (no change from 2022).

QuickCover plans - NZ04 with additional loadings reflecting the impact of guaranteed issue anti-selection (no change from 2022).

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 (2022: no change).

d) *Profit Carriers*

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

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

e) *Investment and Maintenance Expenses*

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

Endowments	$400 per policy per annum (2022: $158)
Funeral plan DPL	$100 per policy per annum (2022: $40.05)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2023

Funeral plan Greenwich	$28 per policy per annum (2022: $9.55)
Term life plans	$25 per policy per annum (2022: $9.55)
Consumer credit plans (for loss recognition):	$25 per policy per annum (2022: $9.55)
Annuity plans	$400 per policy per annum (2022: $158)

Investment management expenses were assumed to be 1.0% (2022: 1.0%) of policy liabilities.

f) *Inflation and Automatic Indexation of Benefits*
Maintenance expenses are assumed to increase 2.0% per annum (2022: 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 (2022: 5.0%), and nil for annuity pension plan business (2022: 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 (2022: no change).
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 (2022: no change).
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 (2022: no change).

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 (2022: $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 $385,000 (2022: reduction of $614,000).
The policy liabilities increase by $50,000 as a result of the revised expense assumptions, due to some products having no future profit margin under IFRS 4 with which to absorb changes (2022: no change to liabilities).

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 18 August 2022.

Financial Strength Rating scale:

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 scale:

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 2023

C. Surplus after taxation from insurance activities arose from:

	2023 $'000	2022 $'000
Insurance Contracts		
Planned margin of revenues over expenses	**517**	581
Change in discount rate: Treasury yield curve shift	**385**	614
Change in demographic, expense assumption	**(50)**	-
Difference between actual and assumed experience	**6,749**	10,130
Life investments contracts		
Difference between actual and assumed experience	**299**	311
Investment returns on assets in excess of insurance contract and investment contract liabilities	**988**	427
Surplus after taxation attributable to insurance activities	**8,888**	12,063

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

	2023 $'000	2022 $'000
Insurance contract premiums	**38,514**	38,150
Investment (loss)/revenue	**(444)**	295
Investment revenue received from/(paid to) life insurance investment contracts	**567**	(171)
Other Revenues	**176**	187
Total insurance and investment contract income	**38,813**	38,461
Investment (loss)/revenue		
Equity securities	**(44)**	104
Fixed interest securities	**(381)**	(44)
Property investments	**(19)**	235
	(444)	295

Included within equity securities is dividend income of $Nil (2022: $Nil) and included within fixed interest securities is interest income of $Nil (2022: $Nil). A net realised and unrealised loss on securities at fair value through profit or loss of $444,000 (2022: gain of $295,000) is included in total Investment Income.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2023

E. Insurance related expenses

	2023	2022
	$'000	$'000
Insurance contract claims	**21,765**	20,980
Reinsurance expenses	**602**	565
Insurance contracts		
Policy acquisition expenses - commission costs	**1,920**	2,158
Deferred acquisition cost amortisation	**30**	324
Total insurance contract related expenses	**1,950**	2,482
Life investment contracts		
Investment management expenses	**41**	45
Movement in life insurance liabilities	**(619)**	(583)
Net operating profit includes the following specific expenses		
Audit fees for the audit of financial statements	**129**	125
Amortisation of customer relationships	**520**	520
Amortisation of other intangible assets	**206**	264
Depreciation	**348**	366
Employee benefits	**4,949**	4,824

F. Taxation

Net operating profit before taxation	**12,466**	15,325
Income tax expense at prevailing rates	**3,490**	4,291
Tax impact of expenses not deductible for tax purposes	**87**	(1,026)
Prior year adjustment	**1**	(3)
Taxation expense	**3,578**	3,262
Comprising:		
Current	**3,598**	3,529
Deferred	**69**	(248)
Prior year adjustment	**(89)**	(19)
	3,578	3,262
Deferred tax		
Opening balance	**6,419**	6,667
Charge to profit or loss	**69**	(248)
Closing balance	**6,488**	6,419
The charge to profit or loss is attributable to the following items:		
Insurance deductible reserves	**(167)**	73
Provisions and accruals	**188**	(269)
Prior year adjustment	**(90)**	(52)
	(69)	(248)

Income tax losses on policyholder base
The policy holder tax losses carried forward at 31 March 2023 are $4,692,000 (2022: $4,723,000).

Imputation credit memorandum account
The policyholder imputation credit account has a closing balance at 31 March 2023 of $Nil (2022: $Nil).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

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.

	2023 $'000	2022 $'000
Actual solvency capital	**41,844**	36,738
Calculated minimum solvency capital	**21,565**	20,199
Coverage ratio on calculated margin (times)	**1.94**	1.82
Overall minimum capital requirement	**21,565**	20,199
Solvency margin on overall minimum requirement	**20,279**	16,539
Coverage ratio on overall minimum requirement (times)	**1.94**	1.82
Non-life insurance		
Actual solvency capital	**34,653**	32,234
Calculated minimum solvency capital	**18,254**	17,759
Solvency margin on calculated minimum requirement	**16,399**	14,475
Life insurance		
Actual solvency capital	**7,191**	4,504
Calculated minimum solvency capital	**3,311**	2,440
Solvency margin on calculated minimum requirement	**3,880**	2,064

H. Policyholder liabilities

	2023 $'000	2022 $'000
Insurance contract liabilities		
Opening insurance contract liabilities	**55,015**	53,101
Increase in insurance contract liabilities	**1,058**	1,897
Increase in deferred acquisition costs	**2**	17
Closing insurance contract liabilities	**56,075**	55,015

Policyholder liabilities contain the following components:

	2023 $'000	2022 $'000
Future policy benefits	**59,947**	59,177
Future expenses	**6,462**	6,265
Future profit margins	**4,686**	5,997
Balance of future premiums	**(19,936)**	(21,760)
Re-insurance	**4,916**	5,338
Life deferred acquisition costs	**-**	(2)
	56,075	55,015
Life insurance contracts with a discretionary participation feature - the amount of the liabilities that relates to guarantees	**211**	199
Other contracts with a fixed or guaranteed termination value - current termination value	**6,596**	6,668

	2023 $'000	2022 $'000
Life investment contracts at fair value through profit or loss		
Opening life investment contracts at fair value through profit or loss	**8,153**	8,116
Increase / (decrease) in life investment contract liabilities recognised through profit or loss	**(631)**	98
Deposit premium	**1,177**	1,279
Withdrawals	**(1,481)**	(1,153)
Activity, plan, and establishment fees	**(176)**	(187)
Closing life investment contract liabilities	**7,042**	8,153

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2023

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

	2023	2022
	$'000	$'000
Annuities	**965**	1,011
Endowment	**206**	198
Whole of life, provision for bonus and future margins	**3,828**	4,433
Consumer Credit Protection & key person loan protection	**5,479**	5,501
Accidental death/redundancy	**5**	6
Term Life	**53**	54
General	**40,585**	39,314
Claims provisions	**4,954**	4,500
Saving plans	**7,042**	8,153
Deferred acquisition costs - life	**-**	(2)
	63,117	63,168
Life investment contract liabilities	**7,042**	8,153
Insurance contract liabilities	**56,075**	55,015
	63,117	63,168
General outstandings claim provision		
Gross claims	**118**	118
IBNR provision	**3,475**	3,257
	3,593	3,375
Reconciliation of movement in general outstanding claim provision		
Opening Balance	**3,375**	2,874
Movement	**17,002**	16,662
Payments	**(16,784)**	(16,161)
Closing Balance	**3,593**	3,375

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 2023

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 2023	**Statutory $'000**	**Shareholder $'000**	**Total $'000**
Insurance contract premiums	**6,234**	**32,280**	**38,514**
Outward reinsurance premium	**(602)**	**-**	**(602)**
Recoveries	**1,411**	**1**	**1,412**
Other insurance revenue	**299**	**1,441**	**1,740**
Insurance revenue	**7,342**	**33,722**	**41,064**
Claims expense	**(3,516)**	**(18,249)**	**(21,765)**
Movement in life insurance liabilities	**619**	**-**	**619**
Commission expense	**(196)**	**(1,724)**	**(1,920)**
Other expenses	**(1,334)**	**(7,553)**	**(8,887)**
Underwriting (loss)/profit	**2,915**	**6,196**	**9,111**
Fair value gain on revaluation of investment properties	**68**	**(328)**	**(260)**
Investment income	**749**	**2,866**	**3,615**
Profit before taxation	**3,732**	**8,734**	**12,466**
Taxation	**(1,045)**	**(2,533)**	**(3,578)**
Profit after taxation	**2,687**	**6,201**	**8,888**

Statement of financial position as 31 March 2023	**Statutory**	**Shareholder**	**Total**
Assets	**$'000**	**$'000**	**$'000**
Investments backing insurance policy liabilities	**19,489**	**85,374**	**104,863**
Other assets	**7,305**	**35,479**	**42,784**
Total assets	**26,794**	**120,853**	**147,647**
Liabilities			
Life investment contract liabilities	**7,042**	**-**	**7,042**
Insurance contract liabilities	**11,897**	**44,178**	**56,075**
Deferred taxation	**-**	**6,488**	**6,488**
Other liabilities	**664**	**6,543**	**7,207**
Total liabilities	**19,603**	**57,209**	**76,812**
Solvency			
Actual Solvency capital	**7,191**	**34,653**	**41,844**
Minimum solvency capital	**3,311**	**18,254**	**21,565**
Solvency Margin	**3,880**	**16,399**	**20,279**

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2023

Statement of financial position as 31 March 2022	Statutory	Shareholder	Total
Assets	$'000	$'000	$'000
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

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

	2023	2022
	$'000	$'000
Profit before tax	**12,466**	15,325
Less: revaluation of investment property disclosed as property, plant and equipment in the Group financial statements at cost	**260**	(3,603)
Less: depreciation on investment property disclosed as property, plant and equipment	**(138)**	(142)
Operating profit (note 6)	**12,588**	11,580

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	Non – investment linked	Total
	$'000	$'000	$'000
2023			
Premium income	**-**	**37,912**	**37,912**
Investment income	**-**	**3,355**	**3,355**
Claims expense	**-**	**(21,765)**	**(21,765)**
Other operating revenue	**(509)**	**3,661**	**3,152**
Other operating expenses	**-**	**(10,819)**	**(10,819)**
Investment revenues allocated to policyholders	**631**	**-**	**631**
Net profit before taxation	**122**	**12,344**	**12,466**
Net profit after taxation	**88**	**8,800**	**8,888**
Policy liabilities	**7,042**	**56,075**	**63,117**
Investment assets	**7,305**	**97,558**	**104,863**
Other assets	**-**	**42,784**	**42,784**
Other liabilities	**-**	**13,695**	**13,695**
Retained earnings	**1,506**	**22,979**	**24,485**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2023

	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

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:
(i) To ensure sound business practices are in place for underwriting risks and claims management;
(ii) To achieve a target return on capital that is invested in order to take on insurance risk; and
(iii) 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 2023

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
2023		
Market risks		
Increase in interest rates of 1%	**(255)**	**(261)**
Decrease in interest rates of 1%	**289**	**289**
Insurance risks		
Increase in expenses of 10%	**1**	**(41)**
Decrease in expenses of 10%	**(1)**	**41**
Decrease in mortality by 10%	**(4)**	**(420)**
Increase in mortality by 10%	**5**	**438**
Worsening of discontinuance rate by 10%	**-**	**(148)**
Improvement in discontinuance rate by 10%	-	**152**
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%	-	(104)
Improvement in discontinuance rate by 10%	-	104

STATUTORY INFORMATION

Directors' remuneration and other benefits for the financial year ended 31 March 2023

	Directors' fees $
Grant Baker	150,000
Martin Berry	75,000
Matthew Harrison (1)	75,000
Alistair Petrie	75,000
John Roberts (2)	75,000
Antony Vriens (3)	75,000

1. During the year ended 31 March 2023 Mr Harrison received an additional $15,000 (2022: $15,000) in fees for services as chairman of the Credit and Lending Committee.
2. During the year ended 31 March 2023 Mr Roberts received an additional $15,000 (2022: $15,000) in fees for his services as chairman of the Audit and Risk Management Committee.
3. During the year ended 31 March 2023 Mr Vriens received an additional $35,000 (2022: $35,000) in fees for his services as chairman of DPL Insurance Limited.

Disclosure of interests recorded in the interest's register
There were no new specific disclosures of interests entered in the interests' register in the accounting period ending 31 March 2023.

Dealings in Turners Automotive Group Limited shares by Directors

	Date of transaction	Shares (disposed)/acquired	Consideration (received)/ paid $	Nature of relevant interest
Antony Vriens	30 & 31/08/2022	7,800	29,085	Registered holder and beneficial interest
John Roberts	22 & 23/11/2022	28,000	100,227	Registered holder and beneficial interest
Alistair Petrie	27/01/2023	15,000	48,750	Beneficial interest
Alistair Petrie	28/11/2022	200,000	700,000	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 2023

	Shares
Grant Baker	6,450,000
Martin Berry	500,000
Matthew Harrison	5,179,294
Alistair Petrie*	10,182,653
John Roberts	99,900
Antony Vriens	7,800

* Mr Petrie controls 10,142,642 shares held by Bartel Holdings Limited in a trustee capacity (so does not have beneficial ownership of those shares) and 40,011 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
Montezemolo Holdings Limited
Me Today Limited (Chairman)
Velocity Capital LP
Liam Lawson Supporters Partnership LP (Chairman)
The Home Bakery Limited

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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 2023, 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:

	Number of employees	
Remuneration range	**2023**	**2022**
100,000 - 109,999	38	19
110,000 - 119,999	16	21
120,000 - 129,999	20	13
130,000 - 139,999	16	11
140,000 - 149,999	10	11
150,000 - 159,999	7	7
160,000 - 169,999	8	6
170,000 - 179,999	3	3
180,000 - 189,999	5	1
190,000 - 199,999	2	4
200,000 - 209,999	1	3
210,000 - 219 999	2	-
220,000 - 229,999	2	3
230,000 - 239,999	-	3
240,000 - 249,999	3	1
250,000 - 259,999	1	1
260,000 - 269,999	1	-
270,000 - 279,999	2	1
280,000 - 289,000	1	-
290,000 – 299,999	2	-
300,000 - 309,999	1	1
310,000 - 319,999	1	-
340,000 - 349,999	1	-
370,000 - 379,999	1	1
420,000 - 429,999	1	-
480,000 - 489,999	1	1
500.000 – 509,999	1	-
510,000 - 519,999	-	1
670,000 - 679,000	-	1
830,000 - 839,999	1	-
1,120,000 - 1 129,999	-	1
1,530,000 – 1,539,999	1	-

Management commentary
(no financial statements)

STATUTORY INFORMATION

LISTINGS

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

TOP 20 ORDINARY SHAREHOLDERS AS AT 31 MAY 2023

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 2023.

Rank	Name	Shares	% of Issued Capital
1	Bartel Holdings Limited	10,142,642	11.70
2	Custodial Services Limited <A/C 4>	6,942,660	8.01
3	Montezemolo Holdings Limited	6,450,000	7.44
4	Harrigens Trustees Limited	5,179,294	5.97
5	FNZ Custodians Limited	4,204,377	4.85
6	National Nominees Limited - NZCSD <NNLZ90>	2,424,980	2.80
7	Stephen John Sinclair & Jacqueline Margaret Sinclair & Roger Frederick Wallis <The Sinclair Investment A	2,171,461	2.50
8	JBWere (NZ) Nominees Limited <NZ Resident A/C>	1,815,694	2.09
9	John Jeffers Harrison	1,293,782	1.49
10	Accident Compensation Corporation - NZCSD <ACCI40>	1,271,023	1.47
11	New Zealand Depository Nominee Limited <A/C 1 Cash Account>	1,216,329	1.40
12	Glenn Arthur Duncraft	1,200,000	1.38
13	HSBC Nominees (New Zealand) Limited - NZCSD <HKBN90>	1,171,152	1.35
14	BNP Paribas Nominees (NZ) Limited - NZCSD <BPSS40>	906,958	1.05
15	Paul Anthony Byrnes	821,211	0.95
16	Todd William Hunter & Elizabeth Hunter & Graham Rodney Leaming <Stanmore A/C>	791,819	0.91
17	Public Trust - NZCSD <The Aspiring Fund>	765,000	0.88
18	Cushla Mary Smithies	542,841	0.63
19	John Tomson	519,754	0.60
20	BNP Paribas Nominees (NZ) Limited - NZCSD <BPSS40>	510,140	0.59

SPREAD OF ORDINARY SHAREHOLDERS AS AT 31 MAY 2023

Range	Total Holders	Shares	% of Issued Capital
1 – 999	1,710	753,910	0.87
1,000 - 1,999	799	1,080,891	1.25
2,000 - 4,999	952	2,935,081	3.39
5,000 - 9,999	519	3,436,210	3.96
10,000 - 49,999	723	14,090,543	16.25
50,000 - 99,999	62	3,868,206	4.46
100,000 - 499,999	54	10,194,289	11.76
500,000 - 999,000	7	4,857,723	5.60
1,000,000 plus	13	45,483,394	52.46
Total	4,839	86,700,247	100.00

DOMICILE OF ORDINARY SHAREHOLDERS AS AT 31 MAY 2023	Shareholders		Shares	
	Number	%	Number	%
New Zealand	4,647	96.03	84,616,782	97.60
Australia	101	2.09	1,656,307	1.91
Other	91	1.88	427,158	0.49
Total	4,839	100.00	86,700,247	100.00

Management commentary
(no financial statements)

STATUTORY INFORMATION

SUBSTANTIAL PRODUCT HOLDERS

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

As at 31 March 2023 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	10,142,642	11.70
Montezemolo Holdings Limited	6,450,000	7.44
Harrigens Trustees Limited	5,179,294	5.97

The total number of quoted voting products of the company on issue at 31 March 2023 was 86,700,247 paid ordinary shares.

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(no financial statements)

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 framework has been guided by the principles and recommendations set out in the NZX Corporate Governance Code (1 April 2023) (NZX Code) and the requirements set out in the NZX Listing Rules. The Board considers that this framework and governance practices for the year ended 31 March 2023 are generally in line with the NZX Code, except as stated below:

- Recommendation 2.5: An issuer should have a written diversity policy which includes requirements for the Board or relevant committee of the Board to set measurable objectives for achieving diversity: Turners has a diversity policy which encourages a culture of diversity and inclusiveness at Turners. While no measurable objectives are in place, the Board requires management to provide regular reporting and monitoring on diversity within the Turners workforce. The Board also uses tools such as the quarterly staff engagement survey to measure diversity and how the business is recognising, valuing and respecting differences to establish benchmark measures and progress.
- Recommendation 2.8: A majority of the Board should be independent Directors. For FY23, the Board consisted of three independent and three non-independent, non-executive Directors. An additional independent Director was appointed from 3 April 2023. The non-executive Directors are not involved in the day to day operations of Turners 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. Turners 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, who has been deemed to be a non-independent Director due to his 7.44% shareholding in Turners. This is the only reason the Board considers Grant to be non-independent, having given consideration to a range of other factors including tenure and related party relationships. As such, his interests are directly aligned with all shareholder interests. 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 Turners' Board, these matters are dealt with by the full Board.

Turners 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 2023 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 – ETHICAL STANDARDS

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

Code of Ethics

The Board recognises that high ethical standards and behaviours are central to good corporate governance, and it is committed to the observance of Turners' Code of Ethics. 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 and is currently under review.

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, brand value and investor confidence. In particular, it covers conflicts of interest, gifts, confidentiality, corporate opportunities, behaviour, proper use of assets and information and compliance with laws and policies.

The Board believes that all Directors conformed to the Code of Ethics during the 2023 financial year.

A copy of the Code of Ethics is provided to all new employees at the start of the employment, is available on internal Group intranet, and on the Turners' website. Employees also receive an annual reminder to familiarise themselves with the policy. Turners will include ethics training for all employees in its Learning Management System by the end of FY24, and then once every three years or in any year the Code of Ethics is materially amended. Employees are expected to report any breaches, in line with the processes outlined in the Code of Ethics. Any breach will be dealt with in a consistent and even handed manner, and are reported to the Board. Turners has a Whistle Blower Policy to allow employees to raise the alarm on concerns they may have over serious wrong doings without fear of retribution from their colleagues or employer.

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

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CORPORATE GOVERNANCE REPORT cont.

Restricted Persons including Directors and certain employees. Details of Directors' share dealings are on page 98 of the 2023 Financial Statements.

No donations were made to any political parties in FY23.

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 Turners, 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.

Board Charter

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.

Nomination and appointment of Directors

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, independence, 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 17 August 2022, Grant Baker and Alistair Petrie were re-elected as Directors.

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. In line with this, Lauren Quaintance, who was selected as an Emerging Director in October 2021, was appointed to the Board as an independent Director from 3 April 2023.

Written agreements with newly appointed Directors

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

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CORPORATE GOVERNANCE REPORT cont.

Board composition and Director information

Information on Board members, including their profiles, attendance at Board meetings and independence, is disclosed annually in Turners Annual Report. Profiles on each Director are also on the Turners' website.

The Board currently comprises of seven Directors: a non-executive chairman, four independent Directors and three 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 2023, 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

Lauren Quaintance was involved with the Board as an Emerging Director during FY23 and was appointed as an independent Director from 3 April 2023.

Information on each Director is available on the Turners website and on page 30 to 33 of the 2023 Annual Report.

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	●●●●	○○○

Director independence

The majority of Turners' Board are independent Directors. 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 Code. In particular, the Board takes into consideration shareholdings in Turners, tenure and other relationships and assesses whether a Director's interest, position, association or relationship might interfere, or might reasonably be seen to interfere, with that Director's capacity to bring an independent judgment to bear on issues before the Board, to act in the best interests of Turners and to represent its shareholders generally. The Board assesses the independence of Directors' on their appointment and at least annually thereafter.

The Board has determined, based on information provided by directors regarding their interests, which has been evaluated against the criteria in the Board Charter, that as at 31 March 2023 and the date of this Annual Report, Grant Baker, Matthew Harrison and Alistair Petrie are not independent directors, owing to their personal or related shareholdings in Turners. The Board

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CORPORATE GOVERNANCE REPORT cont.

feels that these investments further align directors' interests with those of shareholders. Arrangements are in place to ensure possible conflicts of interest are mitigated.

Director's interests are disclosed on pages 98 to 101 of the 2023 Financial Statements.

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.

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 FY23. In total, there were 11 Board meetings; 4 Audit, Risk Management & Sustainability Committee meetings; and 5 Lending and Credit Committee meetings.

	Board	Audit, Risk Management & Sustainability committee	Lending & Credit committee
Total Number of Meetings Held	**11**	**4**	**5**
Grant Baker	11		
Martin Berry	10		
Matthew Harrison	11		5
Alistair Petrie	10	4	5
John Roberts	11	4	5
Antony Vriens	11	4	
Lauren Quaintance[1]	10		

1. *Lauren Quaintance held the role of an Emerging Director during FY23*

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. While no measurable objectives are in place, the Board requires management to provide regular reporting and monitoring on diversity within the Turners workforce. The Board also uses tools such as the quarterly staff engagement survey to measure diversity and how the business is recognising, valuing and respecting differences to establish benchmark measures and progress. The regular staff survey includes questions on equality with respondents rating Turners 9.4 out of 10 for diversity and inclusion (D&I).

As part of its ESG goals, Turners is working to promote a diverse and inclusive culture across the business. A Diversity and Inclusion Committee was established in September 2022 and D&I training has been undertaken by the Leadership team and will be rolled out across the business this year. Turners is also looking to rollout remuneration benchmarking to enable better measurement of gender pay equality.

As at 31 March 2023, the gender balance of Turners Directors and people was as follows:

	31 March 2023		31 March 2022	
	Female	Male	Female	Male
Directors	-	6	-	6
Emerging Director	1	-	1	
Senior Leadership	7	35	7	31
Management	38	47	42	50
Other Employees	223	270	250	288

Board Training and Performance

Turners 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

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CORPORATE GOVERNANCE REPORT cont.

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 FY23.

PRINCIPLE 3 – BOARD 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. Due to the size of the Turners' Board, remuneration and director nomination and appointment matters are dealt with by the full Board.

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

The Committees meet as required and have terms of reference (Charters), which are approved and reviewed by the Board. 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. Committee performance is reviewed on a regular basis.

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 Turners' risk management and internal control framework, the integrity of its financial reporting, and Turners' 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 2023 were John Roberts (Chair), Antony Vriens and Alistair Petrie. Their qualifications and experience are set out in the Annual Report.

Lending and Credit Committee

The Lending and Credit Committee assists the Board in fulfilling its responsibilities by providing oversight of the credit risk management of Oxford Finance, Turners' finance subsidiary, including reviewing internal credit risk policies and recommending portfolio limits for Board approval. It is also responsible for reviewing the quality and performance of the finance business' portfolio. The Lending and Credit Committee is governed by a charter which is available on the Group's website.

The Lending and Credit Committee members as at 31 March 2023 were Matthew Harrison (Chair), Alistair Petrie and John Roberts.

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 engaging expert legal and financial advisors to provide advice on procedure.

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(no financial statements)

CORPORATE GOVERNANCE REPORT cont.

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.

Continuous Disclosure Policy

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.

Reporting

The Board demands integrity in reporting, and in the timeliness and balance of disclosures. Turners seeks to provide clear, concise financial statements and recognises the value of providing shareholders with financial and non-financial information, including information on environmental, social and governance (ESG) matters

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 Board requires that, prior to its approval of financial statements, the CEO and CFO certify that, in their opinion Turners' financial records have been properly maintained and the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of Turners, and that their opinion has been formed on the basis of a sound system of risk management and internal control, which is operating effectively.

Turners has not adopted a formal ESG framework but has instead selected key matters to report on. Turners will report against the mandatory climate-related disclosures regime from FY24. Turners has an ESG Policy in section 14 of Turners Corporate Governance Code.

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 encourages diversity and adheres to its Modern Day Slavery Statement, 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 remuneration (including executive Directors) should include an element dependent upon the performance of both Turners and the individual, and should be clearly differentiated from non-executive Director's remuneration.

Details of Directors and executives' remuneration and entitlements for the 2023 financial year are detailed on pages 86 and 98 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.

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(no financial statements)

CORPORATE GOVERNANCE REPORT cont.

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's 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 Turners. The Directors do not receive any performance- or equity-based remuneration. Details of shareholdings are on page 98 of the 2023 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 Lending and Credit and 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 98 of the 2023 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 a mix of profit and specific project completion objectives. The profit objective is based on the annual budget for the relevant business unit including a stretch target. The maximum bonus paid to an executive, excluding the CEO and CFO, is 25% of base salary. The bonus paid to the CFO is measured against an incentive target, based on a dollar value, approved by the Board. The incentive target is based on a projected profit before tax. At the minimum achievement level of 95% of the incentive target, 50% of the bonus is paid, increasing to a maximum of 150% at the achievement of level of 105% or more. Options are granted at the discretion of the Board and vesting is dependent on being employed by Turners on vesting date.

Details of executives' remuneration and entitlements are detailed under Key Management Compensation on page 86 and Remuneration of Employees information on page 99 of the 2023 Financial Statements. Details of the Group's Share Option Plan are detailed on page 84 and 85 of the 2023 Financial Statements.

CEO Remuneration

The review and approval of the CEO's remuneration is the responsibility of the Board. The CEO's remuneration comprises a fixed base salary, a variable short term bonus payable annually and a long term incentive, being participation in the Group's Share Option Plan. Benefits include KiwiSaver contributions and any direct cash or non-cash benefits, for example, car park.

The CEO's remuneration can be summarised as follows:

	Salary	Benefits	Subtotal	Pay for Performance		Total Remuneration
				Cash STI	Share LTI	
FY23	722,576	64,435	812,011	350,000[1]	432,500[2]	1,594,511
FY22	659,000	50,325	709,325	375,000[3]	535,000[2]	1,619,325

1. *STI for FY23, paid in FY24, 104% of target achieved*
2. *Taxable value of 250,000 options, with an exercise price of $2.00, exercised in FY22 and FY23*
3. *STI for FY22, paid in FY23, 105% of more of target achieved*

Short term bonus: A short term bonus scheme is in place which rewards achievement against an incentive target, based on a dollar value, approved by the Board. The incentive target is based on projected profit before tax. At the minimum achievement

CORPORATE GOVERNANCE REPORT cont.

level of 95% of the incentive target, 50% of the bonus is paid, increasing to a maximum of 150% at the achievement level of 105% or more.

Long term incentive (Group Share Option Plan): In July 2020, the CEO was granted 1,000,000 options at an exercise price of $2.00 under the Group's Share Option Plan. The grant is split into 4 tranches of 250,000 options with the following vesting dates; 1 June 2021, 1 June 2022, 1 June 2023 and 1 June 2024. Each tranche expires two years after the vesting date. Options are granted at the discretion of the Board and vesting is dependent on being employed by Turners on vesting date.

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.

Risk management framework

Turners is committed to proactively and consistently 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 Boards approach to risk management is incorporated in the ARMS Committee Charter which is included as Appendix B in Turners Corporate Governance Code. The policy ensures that opportunities are pursued in an informed way and aligned with the Board's appetite for risk.

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. Key risks and challenges, identified by the executive team and management, are included in the CEO's monthly board report. Ultimately, the responsibility for risk management and internal controls lies with the Board.

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 Manager. 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 is 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 Turners' 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 2023, 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 2022 Annual Shareholder Meeting. Turners requires the lead audit partner to be rotated at least every five years, with the last audit partner rotation 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 69 of the 2023 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.

Management commentary
(no financial statements)

CORPORATE GOVERNANCE REPORT cont.

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

Internal Audit

While Turners does not have a dedicated Internal Auditor role, it does have a number of internal controls overseen by the 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.

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. The aim of Turners' investor relations programme is to provide shareholders with information about Turners and to enable them to actively engage with Turners and exercise their rights as shareholders in an informed manner.

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

Investor website

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

Shareholder engagement

All shareholders are given the option to elect to receive shareholder communications in electronic form (by email) and this is actively encouraged.

Shareholders are encouraged to attend the Annual Shareholders' Meeting and may raise matters for discussion at this event. Turners live streams the annual meeting, which is accessible worldwide. In 2022, an in-person meeting was held, alongside a live webcast. Given the small size of Turners and the low participation rates, Turners opted for the meeting format above, believing this balances shareholders' needs with costs. Online shareholders have the opportunity to present questions and vote by proxy prior to the meeting.

In accordance with the NZX Corporate Governance Code, the Board ensured that the notice of the 2022 Annual Shareholder Meeting was available to shareholders at least 20 working days prior to that meeting.

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.

Shareholder voting

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.

Capital raising

Turners did not raise any capital during the period.

Management commentary
(no financial statements)

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

Lauren Quaintance
Independent Director
Appointed 3 April 2023

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 2023 and is signed on behalf of the board by:

G.K. Baker
Chairman

J.A Roberts
Director

Management commentary
(no financial statements)

NOTES

Management commentary
(no financial statements)

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Management commentary
(no financial statements)

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Management commentary
(no financial statements)

Turners Automotive Group Limited
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www.turnersautogroup.co.nz

Management commentary
(no financial statements)