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Cars Story

Fraud and tough car market hit Turners

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By Owen Hembry

Turners Auctions has posted a drop in half-year profit after being hit by fraud and a tough secondhand car market.

Revenue for the six months to June 30 was up 4 per cent at \$42.2 million but net profit fell 78 per cent to \$524,000.

The result included a \$1.2 million provision for an alleged fraud committed by a former employee.

Group general manager Tony Coombe said the fraud was committed between 1999 and 2006, costing the company \$2.8 million in total.

"Why it's impacted the results in 2007 is that we found some unrecorded liabilities ... hidden from the company," Coombe said. After restating the result to allow for the fraud, profit was down 46 per cent at \$1.3 million.

Chief executive Graham Roberts said the company still faced a quite challenging market.

"There's still major competition in terms of buying cars in Japan particularly from Russia," Roberts said. "They're up 35 per cent and year to date they've bought 167,000 [cars]."

New Zealand normally bought about 100,000 cars a year from Japan but was down 10 per cent so far this year.

Turners shares closed unchanged yesterday at \$1.10.

ABN Amro Craigs analyst Selwyn Blinkhorne said the result was not inspiring. "It could turn around a bit with the number of dealers going out of the market and I'm expecting the profit to recover a little bit over the next year but that's on the back of maybe slightly higher levels of used car imports," Blinkhorne said.

Roberts said there were optimistic outlooks, including indication that there were more fleet cars coming from Japan.

"In terms of the broader guidance going forward I'd expect to have a result that is as good or better than our first-half result, Roberts said.

Fleet car division revenue was up 15.4 per cent at \$20.8 million, with earnings before tax up 33 per cent at \$1.4 million.

Several large finance companies had been put into receivership, including Provincial and Western Bay Finance, with a direct impact of about 1500 units, Roberts said.

And customers were finding it increasingly difficult to get finance for a car. Turners paid an interim dividend of 1.5c a share and a special dividend of 8c to return cash reserves.

