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World Class Automotive Solutions

26 February 2020

Company Announcements
ASX Code: AMA

APPENDIX 4D AND INTERIM FINANCIAL REPORT FOR AMA GROUP LIMITED

AMA Group Limited encloses for release, the following information:

1. Appendix 4D; and
2. The Interim Financial Report for the half year ended 31 December 2019.

This announcement is authorised by the Directors of AMA

Investors

Steven Becker – CFO – 0409 643 023

The following information is presented in accordance with Listing Rule 4.2A.3 of the Australian Securities Exchange ("ASX").

1. Details of the reporting period and the previous corresponding period

Current reporting period - the half year ended 31 December 2019
Previous corresponding period - the half year ended 31 December 2018

2. Results for announcement to the market

	Half year ended	31 Dec 2019 $'000	31 Dec 2018 $'000	Increase / (Decrease) $'000	%
2.1	Revenues from continuing operations	396,114	298,050	98,064	32.9
	Operating profit / (loss) before interest and tax	(2,564)	16,818	(19,382)	(115.2)
	Pre-AASB 16 Earnings before interest, tax, depreciation, amortisation and impairment ("Pre-AASB 16 EBITDAI")	10,011	23,867	(13,856)	(58.1)
	Normalised EBITDAI *	21,748	28,121	(6,373)	(22.7)

* Normalised EBITDAI is an unaudited, non-IFRS term. Normalised EBITDAI excludes acquisition transaction costs and other items. Refer to the Directors' Report for details of this calculation.

2.2	Profit / (loss) after tax from continuing operations attributable to members	(11,003)	10,044	(21,047)	(209.5)
2.3	Net profit / (loss) for the period attributable to members	(11,602)	9,945	(21,547)	(216.7)

2.4 Dividends (distributions)

No dividend proposed.

2.5 Record date for determining entitlements to the dividend

Not applicable.

2.6 Commentary on "Results for Announcement to the Market"

A brief explanation of any of the figures in 2.1 to 2.3 above, is contained in the Interim Financial Report for the half year ended 31 December 2019.

3. Net Tangible Assets per Security

Half year ended	31 Dec 2019 cents	31 Dec 2018 cents	Increase / (Decrease) cents	%
Net tangible assets per security	(37.65)	(7.74)	(29.91)	386.4

4. Details of entities over which control has been gained or lost during the period.

During the period, control was not lost over any entity.

During the period, control was gained over the following entities:

Name of entity	Date control gained
Capital Smart Group of companies - Capital S.M.A.R.T Repairs Australia Pty Ltd - Capital S.M.A.R.T. Repairs New Zealand Pty Ltd - QPlus Production Pty Ltd	31 Oct 2019
ACM Parts Pty Ltd	31 Oct 2019
Capital Smart Group Holdings Pty Ltd	25 Oct 2019

5. Details of individual and total dividends or distributions and dividend or distribution payments.

Type	Record Date	Payment Date	Amount per Security (cents)	Total Dividend ($)	Franked amount per security	Conduit foreign income per security
2019 Final	13 Sep 2019	13 Nov 2019	2.25	12,214,815	100%	Nil

6. Details of any dividend distribution reinvestment plans.

The Dividend Reinvestment Plan remains active.

7. Details of any associates and joint venture entities

There were no associates or joint ventures during the period.

8. Foreign Entities, Accounting Standards used in compiling the report

Not applicable.

9. Independent Review by Auditor

The Interim Financial Report has been reviewed by KPMG Australia. The review report is attached as part of the Interim Financial Report and is not subject to a modified opinion, emphasis of matter or other matter paragraph.

AMA GROUP LIMITED

ACN 113 883 560

Interim Financial Report for the Half Year Ended 31 December 2019

Table of Contents

This document contains some statements which are by their very nature forward looking or predictive. Such forward looking statements are by necessity at least partly based on assumptions about the results of future operations which are planned by the Company and other factors affecting the industry in which the Company conducts its business and markets generally. Such forward looking statements are not facts but rather represent only expectations, estimates and/or forecasts about the future and thereby need to be read bearing in mind the risks and uncertainties concerning future events generally.

There are no guarantees about the subjects dealt with in forward looking statements. Indeed, actual outcomes may differ substantially from that predicted due to a range of variable factors.

Your Directors submit the consolidated interim financial statements of AMA Group Limited ("AMA" or the "Company") and its controlled entities (the "Group") for the half year ended 31 December 2019. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

DIRECTORS AND OFFICERS

The Directors and Company Secretary of the Company in office during or since the end of the period are as follows:

Mr Anthony Day	Non-Executive Director and Chairman (Appointed as Chairman on 1 September 2019)
Mr Andrew Hopkins	Executive Director
Mr Leath Nicholson	Non-Executive Director
Mr Simon Moore	Non-Executive Director
Ms Nicole Cook	Non-Executive Director (Appointed 1 December 2019)
Mr Carl Bizon	Non-Executive Director (Appointed 3 February 2020)
Mr Raymond Malone	Executive Chairman (Resigned 31 August 2019)
Mr Raymond Smith-Roberts	Executive Director (Resigned 20 November 2019)
Mr Brian Austin	Non-Executive Director (Resigned 21 February 2020)
Ms Fiona van Wyk	Company Secretary (Appointed 25 November 2019)
Ms Terri Bakos	Company Secretary (Resigned 25 November 2019)

REVIEW AND RESULTS OF OPERATIONS

Principal activities

The principal activity of the Group is the operation and development of complementary businesses in the automotive aftercare market. The Group is Australia's largest vehicle accident repairer and a leader in the vehicle accessories market.

Significant changes in state of affairs

This is the first set of the Group's financial statements in which AASB 16 *Leases* has been applied. Under the transition methods chosen, comparative information has not been restated. The 31 December 2019 results are therefore not directly comparable to prior years.

On 31 October 2019, the Group completed the acquisition of Capital S.M.A.R.T Repairs Australia Pty Ltd (Capital Smart) and ACM Parts Pty Ltd (ACM Parts). This is the largest acquisition the Group has completed to date and a strategic milestone. The transaction was funded via a fully underwritten $215.6 million equity raise and debt refinance, from $125.0 million to $375.0 million.

Achievements

The Group completed the acquisition of Capital Smart and ACM Parts on 31 October 2019. The acquisition combined AMA's industry-leading platform and Capital Smart's best-in-class capabilities in low to medium severity panel repairs. The acquisition included a long-term service agreement under which Capital Smart remains Suncorp's recommended repairer.

The integration of the businesses is well progressed and aligned with the Group's ongoing strategy; the combined business creates a strong platform to pursue ongoing growth opportunities.

In additional to the acquisition of Capital Smart and ACM Parts, the Group achieved a number of important milestones during the reporting period:

- The Vehicle Panel Repair division acquired an additional four new businesses, bringing the number of shops at 31 December 2019 to 188; 137 shops in the existing Panel division and a further 51 acquired through the acquisition of Capital Smart.
- Automotive Components & Accessories Divisions (ACAD) and ACM Parts combined under one division, now referred to as Automotive Parts and Accessories Solutions (APAS).
- The Group completed a fully underwritten $215.6 million equity raise which was strongly supported by both existing shareholders and new institutional investors.
- The Group completed a syndication of its debt facility in December 2019. The syndication was well supported by 5 new financiers.
- The Group received a further tranche of the market incentive instalment from its paint supplier in the amount of $54.1 million (excluding GST).
- On 31 January 2020, the Group completed the acquisition of Fully Equipped NZ. The acquisition complements AMA's APAS division and aligns with the Group's growth strategy to increase its manufacturing capabilities and product portfolio, and extends its footprint in the New Zealand market.
- AMA recently appointed two new independent, Non-Executive Directors. Both appointments bring valuable knowledge and skills to the Board.

Operating results

The financial performance of the Group in the reporting period reflects the current challenging market conditions which has seen declining repair volumes, pressure on pricing and the cost associated with new vehicle technologies such as Advanced driver-assistance systems (ADAS). The automotive parts and accessories division has also been impacted by a pronounced year-on-year decline in new car sales, impacting the industry as a whole.

Despite these challenges, the vehicle panel repairs division has adjusted to the changing conditions with cost-saving initiatives, offering additional on-site automotive services (brakes, wheel alignments, tyres etc) to customers, a focus on acquiring profitable regional and prestige shops, and taking on more complex repairs to fill the decrease in rapid volumes.

The investments we have made continue to underpin the significant increase in the scale and scope of our businesses. Coupled with the successful integration of Capital Smart and ACM Parts (which is progressing well), cost-saving initiatives implemented, achieving an uplift in pricing from insurers, and forecast earnings from recent acquisitions are all expected to support earnings forecasts in the second half of FY2020.

Reported revenue from continuing operations has increased from $298.1 million to $396.1 million, representing a 33% increase. Operating profit before interest and tax has decreased from a $16.8 million profit to a $2.6 million loss. Whilst the revenue achieved is an impressive feat, the operating loss before interest and tax has been significantly impacted by several large non-recurring and abnormal items, predominantly relating to the acquisition of Capital Smart and ACM Parts. In addition, the adoption of the new accounting standard AASB 16 *Leases* on 1 July 2019 resulted in a substantial decrease in occupancy expenses and substantial increases in depreciation and finance costs. Furthermore, the Group has recognised an impairment expense of $3.7 million in relation to the Distribution cash generating unit.

As a result of the above, the statutory results for the half year ended 31 December 2019 are not directly comparable to the half year ended 31 December 2018. The Directors have included the following tables and reconciliations to enable the Group's stakeholders to compare the Normalised EBITDAI of the Group. Normalised EBITDAI is used by the Group to define the underlying results, adjusted for acquisition transaction costs and other items which are determined as not in the ordinary course of business. The presentation of the non-IFRS financial information provides stakeholders the ability to compare against prior periods in a consistent manner.

AASB 16 *Leases* Impact on Consolidated Statement of Profit or Loss Unaudited, non-IFRS Financial Information	**31 Dec 2019 Statutory $'000**	**AASB 16 Adjustment $'000**	**31 Dec 2019 Pre-AASB 16 $'000**
Revenue from continuing operations	396,114		396,114
Raw materials and consumables used	(177,853)		(177,853)
Employment benefits expense	(156,306)		(156,306)
Occupancy expense	(11,256)	(19,589)	(30,845)
Other expense	(21,099)		(21,099)
Depreciation, amortisation and impairment	(32,164)	16,808	(15,356)
Operating profit / (loss) before interest and tax	**(2,564)**	**(2,781)**	**(5,345)**
Finance costs	(11,154)	7,754	(3,400)
Profit / (loss) before income tax from continuing operations	**(13,718)**	**4,973**	**(8,745)**

Reconciliation to Normalised EBITDAI Unaudited, non-IFRS Financial Information	**31 Dec 2019** **$'000**	**31 Dec 2018** **$'000**
Operating profit / (loss) before interest and tax *(audited – refer to page 13)*	**(2,564)**	**16,818**
Adjustments:		
Add: Depreciation, amortisation and impairment	32,164	7,049
Less: Occupancy costs impacted by AASB 16 *Leases*	(19,589)	-
Pre-AASB 16 Earnings before interest, tax, depreciation, amortisation and impairment *("Pre-AASB 16 EBITDAI", unaudited non-IFRS term)*	10,011	23,867
Normalisations:		
Acquisition costs	8,508	191
Restructuring and reorganisation costs	1,999	1,153
Fair value adjustments on deferred vendor consideration	721	421
Integration costs	321	200
Other costs	188	132
Procurement project costs	-	735
IT roll-out costs	-	650
Greenfield startup costs	-	500
Site closures and make good costs	-	150
Litigation and resolution costs	-	122
Total Normalisations	11,737	4,254
Normalised EBITDAI *(unaudited, non-IFRS term)*	**21,748**	**28,121**

Cash Flow

Cashflow for the period was in line with expectations. Key points to note:

- An equity raising to new sophisticated investors and existing shareholders during the period raised $215.6 million. These funds were used to facilitate the acquisition of Capital Smart and ACM Parts.
- The Group increased its debt facilities to $375.0 million during the period, with $290.0 million drawn at balance date (excluding bank guarantees) to facilitate acquisitions, finalise contractual earnouts and for general corporate purposes. Interest and borrowing costs increased in line with expectations.
- During the period, the Group purchased new businesses and paid earn-outs in respect of existing acquisitions, totalling $432.8 million.

Financial Position

The financial position of the Group is strong with Net Assets of $401.4 million. This allows the Group to take advantage of the extensive pipeline of acquisition opportunities and greenfield expansions.

The Future

The Directors believe that there are still substantial growth opportunities for both the vehicle panel repairs division and automotive parts and accessories division. The consolidation of the vehicle panel repair industry is expected to lead the industry and continue to increase the scale of our operations.

The economic outlook and market conditions across some business units are likely to remain challenging. Ongoing strategies based on the consolidation of the panel repair division, expanding strategic partnership agreements with key customers and suppliers, exploring industry innovation aimed at operational efficiencies and ongoing cost management are expected to deliver earnings growth and improved shareholder value.

AMA expects to deliver a Normalised EBITDAI for FY2020 in the range of $73.0 million to $77.0 million. The Directors are confident that the Group's experienced and capable senior leadership team are well positioned to execute the Group's strategy into FY2021 and beyond.

SUBSEQUENT EVENTS

On 31 January 2020, the Group acquired 100% of shares in Fully Equipped NZ group of companies.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration, as required under Section 307C of the *Corporations Act 2001*, in relation to the review for the half year ended 31 December 2019, is included on page 12.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in *Class Order 2016/191*, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and Interim Financial Report. Amounts in the Directors' Report and the Interim Financial Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the Board of Directors.

Andrew Hopkins
Director

26 February 2020

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of AMA Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review of AMA Group Limited for the half-year ended 31 December 2019 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Adam Twemlow
Partner

Gold Coast
26 February 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Note	31 Dec 2019 $'000	31 Dec 2018 $'000
Revenue from continuing operations	**3**	**396,114**	**298,050**
Raw materials and consumables used		(177,853)	(127,001)
Employment benefits expense		(156,306)	(115,711)
Occupancy expense [2]		(11,256)	(21,189)
Professional services expense		(10,153)	(2,673)
Travel and motor vehicle expense		(2,427)	(2,124)
Advertising and marketing expense		(673)	(870)
Information technology expense		(1,651)	(1,041)
Communication expense		(1,026)	(734)
Insurance expense		(932)	(466)
Other expense		(3,516)	(1,953)
Fair value adjustments		(721)	(421)
Depreciation and amortisation [2]		(28,464)	(7,049)
Impairment expense	6	(3,700)	-
Operating profit / (loss) before interest and tax		**(2,564)**	**16,818**
Finance costs [2]		(11,154)	(1,472)
Profit / (loss) before income tax from continuing operations		**(13,718)**	**15,346**
Loss before tax from discontinued operations		(856)	(141)
Profit / (loss) before income tax		**(14,574)**	**15,205**
Income tax (expense) / benefit	12	2,302	(5,123)
Net profit / (loss)		**(12,272)**	**10,082**
Profit / (loss) attributable to			
Members of AMA Group Limited		(11,602)	9,945
Non-controlling interests		(670)	137
		(12,272)	**10,082**

	Note	31 Dec 2019 Cents	31 Dec 2018 [1] Cents
Earnings per Share			
From continuing operations			
Basic earnings per share	11	(1.59)	1.65
Diluted earnings per share	11	(1.59)	1.59
From continuing and discontinuing operations			
Basic earnings per share	11	(1.68)	1.63
Diluted earnings per share	11	(1.68)	1.57

[1] 31 Dec 2018 Earnings per Share is restated – refer to note 11.
[2] Impacted by the adoption of AASB16 *Leases* – refer to note 1 and 5.

The above consolidated statement of profit or loss is to be read in conjunction with the attached notes.

	31 Dec 2019 $'000	31 Dec 2018 $'000
Net profit / (loss)	**(12,272)**	**10,082**
Other Comprehensive Income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	111	136
Other comprehensive income, net of tax	**111**	**136**
Total comprehensive income / (loss), net of tax	**(12,161)**	**10,218**
Total comprehensive income / (loss) attributable to:		
Members of AMA Group Limited	(11,491)	10,081
Non-controlling interests	(670)	137
	(12,161)	**10,218**

The above consolidated statement of comprehensive income is to be read in conjunction with the attached notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT THE HALF YEAR ENDED 31 DECEMBER 2019

	Note	31 Dec 2019 $'000	30 Jun 2019 $'000
Current assets			
Cash and cash equivalents		48,510	12,096
Trade and other receivables		48,989	48,124
Inventories		60,718	40,978
Income tax receivable		4,687	-
Other current assets		8,848	9,294
Total current assets		171,752	110,492
Non-current assets			
Property, plant and equipment	4	96,449	63,340
Right-of-use assets	5	372,126	-
Intangible assets	6	735,053	263,056
Deferred tax assets		-	10,560
Other non-current assets		6,388	7,253
Financial assets		1,883	2,044
Total non-current assets		1,211,899	346,253
Total assets		1,383,651	456,745
Current liabilities			
Trade and other payables		102,282	66,341
Financial liabilities	7	22,934	24,496
Lease liabilities	5	32,095	103
Income tax payable		-	4,713
Provisions		31,160	23,038
Other current liabilities	8	12,500	12,500
Total current liabilities		200,971	131,191
Non-current liabilities			
Financial liabilities	7	306,580	106,767
Lease liabilities	5	340,842	29
Provisions		12,307	10,224
Other non-current liabilities	8	66,158	16,061
Deferred tax liabilities		55,359	-
Total non-current liabilities		781,246	133,081
Total liabilities		982,217	264,272
Net assets		**401,434**	**192,473**
Equity			
Contributed equity	9	416,117	200,263
Reserves		1,125	46
Retained losses		(32,655)	(8,128)
Total Group interest		384,587	192,181
Non-controlling interest		16,847	292
Total equity		**401,434**	**192,473**

The above consolidated statement of financial position is to be read in conjunction with the attached notes.

AMA GROUP LIMITED
(ACN 113 883 560)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Note	Equity $'000	Reserves $'000	Retained Losses $'000	Total $'000	NCI $'000	Total $'000
At 1 July 2018		187,206	3,004	(19,429)	170,781	296	171,077
Profit / (loss) for the period		-	-	9,945	9,945	137	10,082
Other comprehensive income		-	136	-	136		136
Total comprehensive income for the period		-	136	9,945	10,081	137	10,218
Transactions with owners in their capacity as owners:							
Shares issued, net of costs		12,759	-	-	12,759	-	12,759
Employee equity plan		-	153	-	153	-	153
Dividends recognised	10	-	-	(10,595)	(10,595)	-	(10,595)
		12,759	153	(10,595)	2,317	-	2,317
As at 31 December 2018		199,965	3,293	(20,079)	183,179	433	183,612
At 1 July 2019		200,263	46	(8,128)	192,181	292	192,473
Profit / (loss) for the period		-	-	(11,602)	(11,602)	(670)	(12,272)
Other comprehensive income		-	111	-	111	-	111
Total comprehensive income / (loss) for the period		-	111	(11,602)	(11,491)	(670)	(12,161)
Transactions with owners in their capacity as owners:							
Shares issued, net of costs	9	215,854	-	-	215,854	-	215,854
Employee equity plan		-	968	-	968	-	968
Dividends recognised	10	-	-	(12,215)	(12,215)	(169)	(12,384)
Purchase of shares from NCI	13	-	-	(710)	(710)	(123)	(833)
Non-controlling interest on acquisition of subsidiary	13	-	-	-	-	17,517	17,517
		215,854	968	(12,925)	203,897	17,225	221,122
As at 31 December 2019		416,117	1,125	(32,655)	384,587	16,847	401,434

The above consolidated statement of changes in equity is to be read in conjunction with the attached notes.

	Note	31 Dec 2019 $'000	31 Dec 2018 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		450,623	344,001
Market incentive received (inclusive of GST)	8	59,510	-
Payments to suppliers and employees (inclusive of GST) [1]		(426,797)	(324,258)
Interest received		169	38
Interest and other costs of finance paid [1]		(11,558)	(1,472)
Income taxes paid		(8,687)	(4,540)
Net cash inflows provided by operating activities		63,260	13,769
Cash flows from investing activities			
Proceeds from sale of property plant and equipment		-	90
Proceeds from disposal of business		-	150
Payments for purchases of property plant and equipment		(5,142)	(2,721)
Payments for intangible assets		(53)	-
Payments for businesses acquired and earn-outs		(432,849)	(14,447)
Cash acquired on acquisition of businesses		19,170	-
Net cash outflows used in investing activities		(418,874)	(16,928)
Cash flows from financing activities			
Equity raised, net of costs		208,711	9,509
Proceeds from borrowings		326,000	16,000
Repayment of borrowings		(116,568)	(13,750)
Payment of new borrowings transaction costs		(4,817)	-
Principal elements of lease payments [1]		(11,962)	-
Dividends paid to AMA shareholders	10	(9,310)	(10,595)
Dividends paid to non-controlling shareholders		(169)	-
Net cash inflows provided by financing activities		391,885	1,164
Net (decrease) / increase in cash and cash equivalents		36,271	(1,995)
Cash and cash equivalents, at beginning of period		12,096	16,214
Effects of exchange changes on the balances held in foreign currencies		143	136
Cash and cash equivalents at the end of period		**48,510**	**14,355**

[1] Impacted by the adoption of AASB16 *Leases* – refer to note 1 and 5.

The above consolidated statement of cash flows is to be read in conjunction with the attached notes.

Index of Notes to the Financial Statements

Note 1 Significant Accounting Policies

(a) Basis of preparation

These interim financial statements are general purpose financial statements prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

They do not include all of the information for a complete set of annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2019.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts.

- In the Consolidated Statement of Cash Flows, receipts from customers and payments to suppliers and employees have been reclassified to include Goods and Services Tax (GST). This is consistent to the presentation of current period results and has nil impact to net cash inflows provided by operating activities (gross up of $31.3 million).
- In addition, the amortisation of the market incentive was previously charged to the profit or loss, within revenue from continuing operations. The amortisation of the market incentive has been reclassified to raw materials and consumables used, which is consistent to the offsetting cost in which the amount relates to. Prior period has been reclassified for comparative purposes ($4.4 million).

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and in accordance with that legislative instrument, amounts in the consolidated interim financial statements have been rounded off to the nearest thousand dollars, unless otherwise stated.

(b) New Standards, interpretations and amendments adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group has changed its accounting policies as a result of adopting AASB 16 *Leases*. The impact of the adoption of the leasing standard and the new accounting policy in relation to the standard is disclosed below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

AASB 16 Leases

The Group has adopted AASB 16 *Leases* using the simplified method from 1 July 2019, and has not restated comparatives for the 30 June 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

The Group leases property, motor vehicles and equipment. 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.

Prior to 1 July 2019, leases of property were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss, within occupancy expenses.

From 1 July 2019, the Group applied a single recognition and measurement approach for all leases of which it is the lessee, except for short-term and low-value assets. 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.

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 payments that are based on an index or a rate;
- 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 lessee's incremental borrowing rate, 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.

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.

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 of office equipment.

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as short-term leases;
- the accounting for operating leases with a cost value of $10,000 or less as low value leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Refer to Note 5 for further disclosure of the right-of-use asset and lease liability.

(c) Critical Accounting Estimates and Judgements

In preparing these interim financial statements, Management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, with two exceptions:

- The new significant judgements related to lessee accounting under AASB 16, as described below; and
- Management no longer consider the provision for make good a critical accounting estimate or judgement.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The Group is yet to finalise the acquisition accounting for certain of its current year acquisitions and will seek to do so over the twelve months post acquisition. The value attributed to Goodwill may therefore change in future periods.

Fair value of contingent vendor consideration

The carrying value of the contingent vendor consideration, payable as a result of the acquisition of businesses and entities, incorporate a number of assumptions. In determining this value, Management have applied a discount factor and a probability factor on the earn-out components to determine the fair value. The interest expense and the fair value adjustment have been recognised in profit or loss.

The fair value of this contingent consideration liability is measured using a discounted cash flow methodology applying the Group's cost of capital. In making this assessment, Management have determined an estimate of the likely outcome, based on the possible average profit outcomes that may be achieved, weighted by the probability of each scenario.

Share-based payments plans

The cost of share-based payments plans (including options) is determined on the basis of the fair value of the equity instrument at grant date. Determining the fair value assumes choosing the most suitable valuation model for these equity instruments, by which the characteristics of the grant have a decisive influence. This assumes also the input into the valuation model of some relevant judgments, like the estimated expected life of the option and the volatility of the underlying share.

Leases

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

In determining the lease term, the Group applies judgement and 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 extended (or not terminated).

The initial lease term assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

(d) Working Capital Deficiency

This general-purpose interim financial report has been prepared on a going concern basis, which assumes that the Group will be able to meet its debts as and when they become due and payable.

As at 31 December 2019, the Group has current liabilities exceeding current assets by $29.2 million. This is impacted by the non-cash items in other current liabilities, namely the market incentive (refer note 8), and the current portion of lease liabilities arising from the implementation of the new accounting standard, AASB 16 *Leases*. AASB 16 *Leases* impacts net current assets as the right-of-use asset is disclosed in non-current assets, but future lease payments are split between current and non-current. Adjusting for the above stated items, current assets would exceed current liabilities by $15.4 million.

Management expects the working capital shortfall will be met out of operating cash flows or from long term finance facilities. The business is in a strong net asset position and in the Directors' opinion the working capital deficiency is not indicative of any potential issues with settling current liabilities in the normal course of business as and when they become due and payable.

Note 2 Segment Information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board and the Chief Operating Decision Maker in assessing performance and determining the allocation of resources.

The Group only operates within Australia and New Zealand.

Historically, when the Group was significantly smaller, the segments were presented for Automotive Components and Accessories Division (ACAD) on a disaggregated basis. In the half year ended 31 December 2019, the Group has appointed a new CEO of Automotive Parts and Accessories Solutions (APAS), who leads the newly established division, combining ACAD and ACM Parts.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics with respect to the products sold and/or services provided by the segment.

As a result of the above, the reportable segments are:

- Vehicle Panel Repairs
- Automotive Parts and Accessories

Unless stated otherwise, all amounts reported with respect to operating segments are determined in accordance with the Group's accounting policies. All inter-segment transactions are eliminated on consolidation for the Group's financial statements.

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and lease liabilities.

The following items of revenue, expense, assets and liabilities are not allocated to operating segments, as they are not considered part of the core operations of any segment:

- non-recurring items of revenue or expense;
- income tax expense;
- deferred tax assets and liabilities;
- other financial liabilities;
- finance costs; and
- dividend payments.

Note 2 Segment Information (continued)

Revenue from two customers for the half-year ended 31 December 2019 amounted to $205.5 million, arising from vehicle panel repairs.

The Board and Chief Operating Decision Makers use EBITDA as a measure to assess the performance of the segments. This excludes discontinued operations, depreciation, amortisation, impairment, finance costs and the effects of fair value adjustments. A reconciliation of EBITDA to profit from continuing operations before income tax is provided below.

	Vehicle Panel Repairs	**Automotive Parts and Accessories**	**Total**
	$'000	**$'000**	**$'000**
Half year to 31 December 2019			
Revenue			
Total sales	356,201	46,136	402,337
Inter-segment revenue	(4,531)	(2,272)	(6,803)
Other income	435	72	507
Total external sales and other income	352,105	43,936	396,041
Unallocated revenue			73
Total revenue			**396,114**
Result			
EBITDA [1]	37,876	4,310	42,186
Unallocated expenses			(11,865)
Depreciation, amortisation and impairment expense			(32,164)
Finance costs			(11,154)
Fair value adjustments			(721)
Loss from continuing operations before income tax			**(13,718)**
Net assets as at 31 December 2019			
Segment assets	1,247,532	112,283	1,359,815
Unallocated assets			23,836
Total assets			1,383,651
Segment liabilities	(511,918)	(43,842)	(555,760)
Unallocated liabilities			(426,457)
Total liabilities			**(982,217)**
Net Assets			**401,434**

[1] Impacted by the adoption of AASB16 *Leases* – refer to note 1 and 5.

Note 2 Segment Information (continued)

	Vehicle Panel Repairs	Automotive Parts and Accessories	Total
	$'000	**$'000**	**$'000**
Half year to 31 December 2018			
Revenue			
Total sales	253,340	44,690	299,739
Inter-segment revenue	(3,738)	(75)	(3,813)
Other income	965	1,139	2,104
Total external sales and other income	257,078	44,762	298,030
Unallocated revenue			20
Total revenue			**298,050**
Result			
EBITDA	20,705	6,189	26,894
Unallocated expenses			(2,606)
Depreciation, amortisation and impairment expense			(7,049)
Finance costs			(1,472)
Fair value adjustments			(421)
Profit from continuing operations before income tax			**15,346**
Net assets as at 30 June 2019			
Segment assets	371,279	53,362	424,641
Unallocated assets			32,104
Total assets			456,745
Segment liabilities	(127,802)	(12,971)	(140,773)
Unallocated liabilities			(123,499)
Total liabilities			(264,272)
Net Assets			**192,473**

Note 3 Revenue

	31 Dec 2019 $'000	31 Dec 2018 $'000
Sales revenue		
Vehicle panel repair services	351,670	256,113
Sale of goods	43,049	38,873
Other services	815	939
	395,534	295,925
Other revenue		
Interest received	402	38
Other revenue	178	2,087
	580	2,125
Total revenue from continuing operations	**396,114**	**298,050**

Note 4 Property, Plant and Equipment

Movements in the value of Property, Plant & Equipment are set out below:

	Leasehold Improvements $'000	Plant & Equipment $'000	Furniture & Fittings $'000	Motor Vehicles $'000	Total $'000
Cost	21,111	79,535	5,565	8,037	114,248
Accumulated depreciation	(7,705)	(36,657)	(2,589)	(3,957)	(50,908)
Opening balance (1 Jul 19)	**13,406**	**42,878**	**2,976**	**4,080**	**63,340**
Additions	901	2,386	1,306	237	4,830
Business acquisitions	5,202	34,129	481	159	39,971
Disposals	(7)	(86)	(2)	(42)	(137)
Depreciation charge	(899)	(6,319)	(460)	(385)	(8,063)
Effect of foreign exchange	13	110	1	-	124
Reclass to right-of-use asset	(2,870)	(746)	-	-	(3,616)
Asset reclassification	(475)	518	(106)	63	-
Closing balance	15,271	72,870	4,196	4,112	96,449
Cost	32,097	152,007	8,986	8,763	201,853
Accumulated depreciation	(16,826)	(79,137)	(4,790)	(4,651)	(105,404)
Closing balance (31 Dec 19)	**15,271**	**72,870**	**4,196**	**4,112**	**96,449**

The Group is yet to finalise the acquisition accounting for the majority of its current year acquisitions and the value attributed to Property, plant and equipment may change in future periods (refer note 13).

Note 5 Right-of-use Assets and Lease Liabilities

(a) Right-of-use Assets

The right-of-use assets have arisen upon adoption of AASB 16 *Leases* from 1 July 2019. Refer to note 1 for further information.

	Leased Properties $'000	Leased Equipment $'000	Leased Motor Vehicles $'000	Total $'000
Adjustment on adoption of AASB 16 (1 Jul 19)	**233,931**	**-**	**-**	**233,931**
Additions	4,046	-	-	4,046
Business acquisitions	149,252	415	144	149,811
Disposals	(36)	-	-	(36)
Depreciation charge	(17,301)	(34)	(10)	(17,345)
Modification to lease terms	1,429	-	-	1,429
Variable lease payments reassessment	290	-	-	290
Closing balance	371,611	381	134	372,126
Cost	392,231	415	144	392,790
Accumulated depreciation	(20,620)	(34)	(10)	(20,664)
Closing balance (31 Dec 19)	**371,611**	**381**	**134**	**372,126**

The Group is yet to finalise the acquisition accounting for the majority of its current year acquisitions and the value attributed to Right-of-use assets may change in future periods (refer note 13).

The effect of adopting AASB 16 as at 1 July 2019 (increase / (decrease)) is as follows:

	1 Jul 2019 $'000
Assets	
Right-of-use assets	233,931
Property, plant and equipment	(3,616)
Other current assets	(320)
Other non-current assets	(786)
	229,209
Liabilities	
Lease liabilities	229,209
	229,209

(b) Lease Liabilities

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 5.73%.

A reconciliation between Operating Leases disclosed as Commitments to the Lease Liability on transition is below:

	1 Jul 2019 $'000
Operating Lease Commitments disclosed as at 30 June 2019	**82,011**
Discounted using the lessee's incremental borrowing rate of at the date of initial application	73,686
Add: Finance lease liabilities recognised as at 30 June 2019	133
Less: Short-term leases recognised on a straight-line basis as expense	(107)
Add: Adjustments as a result of a different treatment of extension and termination options	155,630
	229,342

	31 Dec 2019 $'000	**1 Jul 2019 $'000**
Lease Liabilities		
Current	32,095	21,689
Non-current	340,842	207,653
	372,937	229,342

Note 6 Intangible Assets

Movements in the carrying amounts of Intangible Assets are set out below:

	Goodwill $'000	Patents & Trademarks $'000	Customer Contracts $'000	Total $'000
Cost	270,015	155	16,843	287,013
Accumulated amortisation or impairment	(10,652)	(112)	(13,193)	(23,957)
Opening balance (1 Jul 19)	**259,363**	**43**	**3,650**	**263,056**
Additions and adjustments	2,072	-	-	2,072
Business acquisitions	250,569	-	226,200	476,769
Amortisation charge	-	(5)	(3,139)	(3,144)
Impairment expense (refer below)	(3,700)	-	-	(3,700)
Closing balance	508,304	38	226,711	735,053
Cost	522,656	155	243,043	765,854
Accumulated amortisation and impairment	(14,352)	(117)	(16,332)	(30,801)
Closing balance (31 Dec 19)	**508,304**	**38**	**226,711**	**735,053**

The Group is yet to finalise the acquisition accounting for the majority of its current year acquisitions and the value attributed to Goodwill may change in future periods (refer note 13).

Impairment expense

Whilst the Distribution cash generating unit (CGU) was profitable in the six months ended 31 December 2019, the result was a 10% decline on the previous six-month period. As noted in the Annual Report for the year ended 30 June 2019, there were indicators of impairment if the year 1 EBITDA growth was 0%. As a result, the Group re-assessed the recoverable amount of the Distribution CGU as at 31 December 2019.

The carrying amount of the CGU was determined to be higher than its recoverable amount by $3.7 million and an impairment expense of $3.7 million was recognised in profit or loss. The impairment expense was allocated fully to goodwill, reducing the goodwill allocated to the Distribution CGU to $1.6 million.

The recoverable amount of the CGU is determined based on value-in-use calculations. Value-in-use at 31 December 2019 was determined similarly to the 30 June 2019 goodwill impairment test and was based on the following key assumptions:

Year 1 EBITDA: Forecast EBITDA based on recent actual performance
Terminal growth rate: 2%
Pre-tax Discount rate: 14.75%

The value assigned to the key assumptions represent Management's assessment of future trends in the industry and are based on historical data from both external and internal sources. Following the impairment expense on the Distribution CGU, the recoverable amount is equal to the carrying amount. Therefore, any adverse change in a key assumption may result in further impairment.

Note 7 Financial Liabilities

	31 Dec 2019 $'000	30 Jun 2019 $'000
Current		
Deferred vendor consideration	22,934	24,496
	22,934	24,496
Non-current		
Bank loan, net of capitalised borrowing costs	285,345	80,568
Deferred vendor consideration	21,235	26,199
	306,580	106,767

Financing arrangements

On 30 October 2019, the Company's Facility Agreement with the National Australia Bank Limited was terminated as the Company entered into a new Syndicated Facility Agreement. The key terms of this agreement are:

Facility	Available $'000	Drawn $'000	Maturity	Purpose
Facility A	147,500	147,500	Oct 2022	▪ For specific target share acquisition, acquisition transaction costs and refinance of existing debt.
Facility B	142,500	142,500	Oct 2024	▪ For specific target share acquisition, acquisition transaction costs and refinance of existing debt.
Facility C	50,000	-	Oct 2022	▪ For general corporate purposes, including permitted acquisitions, growth capital expenditure and associated fees, costs and expenses.
Facility D	35,000	11,839*	Oct 2024	▪ For working capital, general corporate purposes, bank guarantees and letters of credit.
	375,000	**301,839**		

*Facility D's drawn amount of $11.8 million relates solely to bank guarantees, and is therefore not included in the Statement of Financial Position.

The new Syndicated Facility Agreement also has a $50 million Accordion Facility, with a tenure no earlier than October 2024. The Accordion Facility is for permitted acquisitions or growth capital expenditure and any associated fees, costs and expenses.

The Facility is secured by a fixed and floating charge over all of the assets of the Company and its wholly owned subsidiaries and is subject to standard covenants, with the first covenant test at 30 June 2020.

Deferred vendor consideration

The Company has recorded deferred vendor consideration to business vendors as per the relevant business purchase agreement, which includes amounts for performance based earn-outs. The present value of the liability is $44.2 million (June 2019: $50.7 million).

The carrying value of the financial liability reflects their fair value. These financial instruments have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset / liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset / liability that are not based on observable market data (unobservable inputs) (Level 3).

The deferred vendor consideration is classified as Level 3 of the fair value hierarchy. The fair value of the financial liabilities included in Level 3 of the hierarchy has been determined using valuation techniques incorporating observable direct and indirect market data relevant to the Company and an estimation of the probability on paying the full amount.

	Fair value level	31 Dec 2019 $'000	30 Jun 2019 $'000
Current			
Deferred vendor consideration	3	22,934	24,496
		22,934	24,496
Non-current			
Deferred vendor consideration	3	21,235	26,199
		21,235	26,199
		44,169	**50,695**

	31 Dec 2019 $'000	31 Dec 2018 $'000
Movement		
Carrying amount at beginning of period	50,695	35,493
Arising during the year	-	3,944
Payments in cash and shares	(7,247)	-
Charged to profit or loss – fair value adjustments	721	421
Carrying amount at end of period	44,169	39,858

Sensitivity to changes in significant unobservable inputs

The relationship between the significant unobservable inputs and fair value is as follows:

- vehicle panel repair profitability: the higher the profitability, the higher the likelihood of a higher valuation; and
- discount rate: the lower the discount rate, the higher the likelihood of a higher valuation.

Note 8 Other Liabilities

	31 Dec 2019 $'000	30 Jun 2019 $'000
Current		
Market incentive	12,500	12,500
	12,500	12,500
Non-current		
Market incentive	66,158	16,061
	66,158	16,061
	78,658	**28,561**

Market incentive

In a previous financial year, the Group entered into an agreement with a key supplier to purchase product and services from the supplier over an agreed period of time and receives various preferential benefits; one of which is a market investment incentive. To satisfy the requirements of this agreement, the Group must purchase from this supplier in accordance with agreed terms. The incentive is being amortised to the profit or loss as product is purchased and the liability reduces.

The amount charged to profit or loss was previously disclosed within revenue from continuing operations. This has been reclassified to raw materials and consumables used, which is consistent to the offsetting cost in which the amount relates to. Prior period has been reclassified for comparative purposes.

During the half year ended 31 December 2019, the Group received a further tranche equal to $54.1 million (excluding GST). At 31 December 2019, an amount of $12.5 million (June 2019: $12.5 million) has been classified as current representing the anticipated reduction in this incentive over the next twelve months.

	31 Dec 2019 $'000	31 Dec 2018 $'000
Movement		
Carrying amount at beginning of period	28,561	7,079
Market incentive received (excluding GST)	54,100	-
Charged to profit or loss – raw materials and consumables used	(4,003)	(4,403)
Carrying amount at end of period	78,658	2,676

Note 9 Contributed Equity

	31 Dec 2019		30 Jun 2019	
	Number	$'000	Number	$'000
Fully Paid Ordinary shares				
Quoted	731,851,723	409,117	539,166,324	192,163
Unquoted	7,179,430	7,000	8,355,901	8,100
	739,031,153	416,117	547,522,225	200,263

Movements in ordinary share capital

	31 Dec 2019		31 Dec 2018	
	Number	$'000	Number	$'000
Quoted:				
Opening balance (1 Jul)	539,166,324	192,163	527,440,147	181,106
Shares issued				
Placement and rights issue	187,490,773	215,614	10,000,000	9,509
Employee share issues	-	-	1,332,993	1,250
Vendor share issues	1,861,234	2,175	-	-
Convert from Unquoted shares	1,176,471	1,100	-	-
Dividend reinvestment plan	2,156,921	2,905	-	-
Less: Transactions costs	-	(4,840)	-	-
Closing balance	731,851,723	409,117	538,773,140	191,865
Unquoted:				
Opening balance	8,355,901	8,100	6,276,899	6,100
Shares issued				
Vendor share issue	-	-	2,079,002	2,000
Convert to Quoted shares	(1,176,471)	(1,100)	-	-
Closing balance (31 Dec)	7,179,430	7,000	8,355,901	8,100
	739,031,153	416,117	547,129,041	199,965

During the period 187,490,773 fully paid listed ordinary shares were issued to sophisticated investors at $1.15 each to raise $215.6 million (before transaction costs).

Listed Fully Paid Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote and, upon a poll, each share is entitled to one vote.

Unlisted Fully Paid Ordinary shares entitle the holder to all the same benefits and responsibilities of holders of Quoted Fully Paid Ordinary shares with exception that they do not entitle the holder to participate in dividends or vote at general meetings of the Company. As such they are not listed for trade on the ASX.

Note 10 Dividends

	31 Dec 2019 $'000	31 Dec 2018 $'000
Dividends paid or declared during the period ended were:		
Final dividend of 2.00 cents per share, fully franked, paid 13 Nov 2018	-	10,595
Final dividend of 2.25 cents per share, fully franked, paid 13 Nov 2019	12,215	-
	12,215	10,595
Cash	9,310	10,595
Dividend reinvestment plan	2,905	-
	12,215	10,595

Note 11 Earnings per Share

	31 Dec 2019 $'000	31 Dec 2018 $'000
Profit / (loss) after income tax attributable to members of AMA Group Ltd		
- From continuing operations	(11,003)	10,086
- From discontinued operations	(599)	(141)
	(11,602)	9,945

In October 2019, AMA completed a placement and a rights issue. Under the entitlement offer for the rights issue, eligible shareholders were invited to subscribe for 1 new AMA share for every 4.5 existing AMA shares. All new shares offered were at $1.15 per new share issued, which represented a 5.3% discount to the last close price on Friday, 27 September 2019. As the rights issue contained a bonus element and the rights issue was offered to all existing stockholders, basic and diluted EPS have been adjusted retrospectively for the bonus element for all periods presented.

	31 Dec 2019 Number	31 Dec 2018 Number Restated
Weighted average number of ordinary shares used in calculating basic earnings per share	691,791,093	611,284,636
Adjustments for calculation of diluted earnings per share	-	21,753,624
	691,791,093	633,038,260

Note 11 Earnings per Share (continued)

	31 Dec 2019 Cents	31 Dec 2018 Cents Restated
Continuing operations:		
- Basic earnings per share	(1.59)	1.65
- Diluted earnings per share	(1.59)	1.59
Discontinued operations:		
- Basic earnings per share	(0.09)	(0.02)
- Diluted earnings per share	(0.09)	(0.02)
Continuing and discontinued operations:		
- Basic earnings per share	(1.68)	1.63
- Diluted earnings per share	(1.68)	1.57

Note 12 Income Tax Expense

The income tax expense / (benefit) comprises of current income tax expense / (income) and deferred tax expense / (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities / (assets) are therefore measured at the amounts expected to be paid to / (recovered from) the relevant taxation authority.

The effective tax rate for the year ended 30 June 2019 was 30%, compared to 16% for the half year ended 31 December 2019. The tax rate was lower in the half year ended 31 December 2019 predominantly due to acquisition costs which are added to the tax base of the acquisition, and impairment expense for which no deferred tax asset has been recognised.

Note 13 Business Combinations

During the half year ended 31 December 2019, the Group acquired the operating assets and shares of various businesses. These acquisitions are expected to increase the Group's market share, product offering and reduce costs through economies of scale. The integration of these businesses will create a platform to pursue growth opportunities and deliver greater value for our customers, employees and shareholders.

Details of these acquisitions are as follows:

- Smashcare Group of businesses on 29 August 2019:
  - Ringwood, Victoria;
  - Vermont, Victoria;
  - Wantirna, Victoria;
  - Brendale, Queensland;
  - Geebung, Queensland; and
  - Seven Hills, New South Wales.
- Diplocks in Kawana, Queensland on 13 September 2019;
- All Transport Crash Repairs in Adelaide, South Australia on 30 September 2019;
- Capital Smart Group of companies (90% share) on 31 October 2019:
  - Eighteen sites in Victoria;
  - Thirteen sites in New South Wales;
  - Six sites in Queensland;
  - Five sites in New Zealand
  - Three sites in Western Australia;
  - Two sites in South Australia;
  - Two sites in Australian Capital Territory; and
  - Two sites in Tasmania;
- ACM Parts on 31 October 2019:
  - Two warehouses in New South Wales;
  - One warehouse in Victoria;
  - One warehouse in Queensland; and
  - Five smaller yards or office locations around Australia; and
- BF Panels in Thurgoona, New South Wales on 31 December 2019.

Note 13 Business Combinations (continued)

Details of the accounting for these acquisitions are as follows:

	Capital Smart and ACM Parts $'000	Smashcare $'000	All Transport $'000	Other $'000	Total $'000
Consideration:					
Cash paid	416,904	8,516	3,276	1,746	430,442
Total consideration	**416,904**	**8,516**	**3,276**	**1,746**	**430,442**
Net assets acquired:					
Cash	19,170	-	-	-	19,170
Receivables	11,396	-	-	-	11,396
Inventories	18,024	277	489	64	18,854
Other current assets	4,863	9	3	20	4,895
Property, plant and equipment	37,814	1,598	345	214	39,971
Right-of-use asset	133,576	8,153	3,498	4,584	149,811
Customer contract	226,200	-	-	-	226,200
Deferred tax assets	1,100	461	82	82	1,725
Other non-current assets	201	-	-	-	201
Payables	(26,278)	-	-	-	(26,278)
Other current liability	(4,590)	-	-	-	(4,590)
Lease liability	(133,097)	(8,153)	(3,498)	(4,584)	(149,332)
Current tax liability	(134)	-	-	-	(134)
Provisions	(22,642)	(1,533)	(278)	(275)	(24,728)
Other non-current liability	(164)	-	-	-	(164)
Deferred tax liability	(69,607)	-	-	-	(69,607)
Net identifiable assets acquired	**195,832**	**812**	**641**	**105**	**197,390**
Non-controlling interests	(17,517)	-	-	-	(17,517)
Net assets acquired	**178,315**	**812**	**641**	**105**	**179,873**
Goodwill	**238,589**	**7,704**	**2,635**	**1,641**	**250,569**
Acquisition costs to 31 Dec 2019	6,247	460	54	83	6,844

The accounting for the acquisitions above are incomplete and are presented on a provisional basis. The Group is yet to finalise the valuation of tangible assets (namely property, plant and equipment, lease assets). The fair value of the Customer Contracts of $226.2 million is provisional pending receipt of the final valuations for those assets. Deferred tax liability of $67.9 million has been provided in relation to the fair value of the Customer Contracts.

If new information obtained within one year of the date of acquisition about facts and circumstances that existed as at the date of acquisition identifies adjustments to the above amounts, then the accounting for the acquisition will be revised.

Note 13 Business Combinations (continued)

In July 2019, the Group acquired the remaining 40% interest in Woods Auto Shops (Dandenong) Pty Ltd, increasing its ownership from 60% to 100%.

	$'000
Cash consideration paid to non-controlling shareholders	833
Carrying value of the additional interest at 30 June 2019	(292)
Dividend paid to non-controlling shareholders in respect of FY19	169
Difference recognised in retained earnings	**710**

Note 14 Related Parties

During the half year ended 31 December 2019, the Group engaged Colinton Capital Partners Pty Ltd (Colinton Capital), a company associated with Simon Moore, to provide financial advisory and transactional services in relation to the acquisition of Capital Smart and ACM Parts, and the related equity raise and debt refinance. The total fee paid to Colinton Capital in respect of these services was $3,465,000 (including GST). This fee has been charged to profit or loss, within professional services expense.

There are no other significant changes in the nature of transactions with related parties since the end of the last annual reporting period, and therefore further disclosure isn't necessary for an understanding of the interim period.

Note 15 Events Occurring after the Reporting Period

On 31 January 2020, the Group acquired 100% of shares in Fully Equipped NZ group of companies.

No other matters or circumstances have arisen since 31 December 2019 that have significantly affected, or may significantly affect the Group's operations in future financial years, the results of those operations in future financial years, or the Group's state of affairs in future financial years.

In the opinion of the directors of AMA Group Limited (the Company):

a. the consolidated financial statements and notes set out on pages 13 to 38 are in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half year ended on that date; and

   ii. complying with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

Andrew Hopkins
Director

26 February 2020

KPMG

Independent Auditor's Review Report

To the shareholders of AMA Group Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying ***Interim Financial Report*** of AMA Group Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of AMA Group Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Interim Financial Report*** comprises:

- consolidated statement of financial position as at 31 December 2019;
- consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date;
- Notes 1 to 15 comprising a summary of significant accounting policies and other explanatory information; and
- the Directors' Declaration.

The ***Group*** comprises AMA Group Limited (the Company) and the entities it controlled at the end of the interim period or from time to time during the half-year.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that is free from material misstatement, whether due to fraud or error.

KPMG

Auditor’s responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company’s financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of the Company, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an Interim Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

KPMG

Adam Twemlow
Partner

Gold Coast
26 February 2020

Directors, Officers and Executive Management

Mr Anthony Day	Non-Executive Director and Chairman (Appointed as Chairman on 1 September 2019)
Mr Andrew Hopkins	Executive Director and Group Chief Executive Officer
Mr Leath Nicholson	Non-Executive Director
Mr Simon Moore	Non-Executive Director
Ms Nicole Cook	Non-Executive Director (Appointed 1 December 2019)
Mr Carl Bizon	Non-Executive Director (Appointed 3 February 2020)
Ms Fiona van Wyk	Company Secretary (Appointed 25 November 2019)
Mr Steven Becker	Group Chief Financial Officer

Registered Office
Level 4, 130 Bundall Road, BUNDALL, QUEENSLAND, 4217, AUSTRALIA
Email: info@amagroupltd.com
Telephone: +61 5628 3272

Principal Place of Business
Level 4, 130 Bundall Road, BUNDALL, QUEENSLAND, 4217, AUSTRALIA
Telephone: +61 5628 3272
Web: www.amagroupltd.com

Share Registry
Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street, ABBOTSFORD, VICTORIA, 3067, AUSTRALIA
GPO Box 2975, MELBOURNE, VICTORIA, 3001, AUSTRALIA
Telephone: +61 3 9415 4000
Telephone: 1300 787 272 (Within Australia)

Auditor
KPMG
11th Floor, Corporate Centre One, Corporate Court, BUNDALL, QUEENSLAND, 4217, AUSTRALIA

Solicitors
Nicholson Ryan Lawyers
Level 7, 420 Collins Street, MELBOURNE, VICTORIA, 3000, AUSTRALIA

Stock Exchange Listing
AMA Group Limited shares are listed on the Australian Securities Exchange, code AMA.