Autosports Group Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Autosports Group Limited
ABN:	54 614 505 261
Reporting period:	For the half-year ended 31 December 2019
Previous period:	For the half-year ended 31 December 2018

2. Results for announcement to the market

The Group has adopted Accounting Standards AASB 16 'Leases' for the half-year ended 31 December 2019. AASB 16 was adopted using the full retrospective approach with comparatives being restated. Refer to note 2 and note 3 for further information.

				$'000
Revenues from ordinary activities	up	1.4%	to	838,585
Loss from ordinary activities after tax attributable to the owners of Autosports Group Limited	down	NA	to	(49,969)
Loss for the half-year attributable to the owners of Autosports Group Limited	down	NA	to	(49,969)

Dividends

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2019, declared on 29 August 2019. The final dividend was paid on 12 November 2019 to shareholders registered on 29 October 2019.	3.0	3.0
Interim dividend for the year ending 30 June 2020, declared on 28 February 2020. The interim dividend will be paid on 29 May 2020 to shareholders registered on 15 May 2020.	1.9	1.9

Comments

The loss for the Group after providing for income tax and non-controlling interest amounted to $49,969,000 (31 December 2018: profit of $3,293,000).

The results for the half-year was impacted by one-off items associated with the acquisition, impairment and restructure expenses as detailed below:

	Consolidated	
	31 Dec 2019 $'000	31 Dec 2018 $'000 (Restated)
Statutory profit/(loss) after tax attributable to the owners of Autosports Group Limited	(49,969)	3,293
Add: Non-controlling interest [1]	59	96
Add: Income tax expense	2,379	1,829
Profit/(loss) before income tax expense	(47,531)	5,218
Add: Impairment of goodwill	53,762	-
Add: Acquisition expenses [2]	254	55
Add: Restructure expenses [3]	17	529
Add: Closure of Alfa Romeo and Fiat franchise	804	-
Profit before tax excluding other items	7,306	5,802

[1] Represents the 20% non-controlling interest in New Centenary Mazda Pty Ltd held by the dealer principal and 40% non-controlling interest in Auto Approve Pty Ltd.
[2] Relates to acquisition expenses on the Mercedes-Benz Hornsby and Trivett Alexandria acquisition during the half-year. Previous period relates to Mosman Smash Repairs acquisition.
[3] Restructure expenses relate to costs associated with relocation expenses

Please refer to the Australian Securities Exchange ('ASX') announcement accompanying this Appendix 4D for further commentary.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(22.11)	(23.66)

Following the adoption of AASB 16 Leases, net tangible assets include the right-of-use assets of $141,407,000 and the lease liabilities of $158,067,000 in the above calculation.

4. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

5. Attachments

Details of attachments (if any):

The Interim Report of Autosports Group Limited for the half-year ended 31 December 2019 is attached.

6. Signed

As authorised by the Board of Directors

Signed ____________________________ Date: 28 February 2020

Thomas Pockett
Independent Chairman
Sydney

Autosports Group Limited

ABN 54 614 505 261

Interim Report - 31 December 2019

Autosports Group Limited
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Autosports Group Limited
Directors' report
31 December 2019

The Directors present their report, together with the financial statements, on the consolidated entity ('Autosports' or 'Group') consisting of Autosports Group Limited ('Company'') and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

Directors

The following persons were Directors of Autosports Group Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Thomas ('Tom') Pockett	Chairman
Nicholas ('Nick) Pagent	Executive Director and Chief Executive officer
Ian Pagent	Executive Director
Robert Quant	Non-Executive Director
Marina Go	Non-Executive Director

Principal activities

During the financial half-year, the Group's principal activities were focused on the retail automotive industry. The core business focuses on the sale of new and used motor vehicles, distribution of finance and insurance products on behalf of retail financiers and automotive insurers, sale of aftermarket products and spare parts, motor vehicle servicing and collision repair services.

There have been no significant changes in the nature of the Group's principal activities.

The Group's operations comprise of:
- 42 franchised dealerships selling new and used prestige and luxury motor vehicles;
- 3 used motor vehicle outlets, focused primarily on the sale of used prestige and luxury motor vehicles; and
- 5 specialist prestige motor vehicle collision repair facilities.

Brands

The Group represents the following brands and dealerships:

AUTOSPORTS GROUP BRANDS & DEALERSHIPS

Audi	VOLVO	BMW	Volkswagen	BMW Motorrad	LAMBORGHINI	Mercedes-Benz
6	5	4	4	2	2	3
MASERATI	BENTLEY	ALPINA	HONDA	mazda	PRESTIGE AUTO TRADERS	MINI
2	3	1	1	1	3	3
ASTON MARTIN	ROLLS ROYCE	LAND ROVER ABOVE & BEYOND	JAGUAR	McLaren		
1	1	1	1	1		

The number below each brand represents the number of dealerships held by the Group.

Dividends

Dividends paid during the financial half-year were as follows:

	Consolidated	
	31 Dec 2019 $'000	31 Dec 2018 $'000
Final dividend for the year ended 30 June 2019 of 3.0 cents (2018: 4.8 cents) per ordinary share	6,030	9,648

On 28 February 2020, the directors declared a fully franked interim dividend for the year ending 30 June 2020 of 1.9 cents per ordinary share, to be paid on 29 May 2020 to eligible shareholders on the register as at 15 May 2020. The financial effect of dividends declared after the reporting date are not reflected in the 31 December 2019 financial statements and will be recognised in subsequent financial reports. Recommended dividend of 1.9 cents per share is being paid from 30 June 2019 opening retained earnings.

How the Group generates its revenue

The Group generates its revenue from:

- the sale of new and used motor vehicles;
- the sale or distribution of ancillary products and services, such as finance, insurance and aftermarket products;
- the sale of motor vehicle spare parts;
- the provision of motor vehicle servicing; and
- the provision of collision repair services.

Review of operations

The loss for the Group after providing for income tax and non-controlling interest amounted to $49,969,000 (31 December 2018: profit of $3,293,000).

The results for the half-year were impacted by acquisition, impairment and restructure expenses as detailed below:

	Consolidated	
	31 Dec 2019 $'000	31 Dec 2018 $'000 (Restated)
Statutory profit/(loss) after tax attributable to the owners of Autosports Group Limited	(49,969)	3,293
Add: Non-controlling interest [1]	59	96
Add: Income tax expense	2,379	1,829
Profit/(loss) before income tax expense	(47,531)	5,218
Add: Impairment of goodwill	53,762	-
Add: Acquisition expenses [2]	254	55
Add: Restructure expenses [3]	17	529
Add: Closure of Alfa Romeo and Fiat franchise	804	-
Profit before tax excluding other items	7,306	5,802

[1] Represents the 20% minority interest in New Centenary Mazda Pty Ltd held by the dealer principal and 40% non-controlling interest in Auto Approve Pty Ltd.
[2] Relates to acquisition expenses on the Mercedes-Benz Hornsby and Trivett Alexandria acquisition during the half-year. Previous period relates to Mosman Smash Repairs acquisition.
[3] Restructure expenses relate to costs associated with relocation expenses.

For further commentary on the results for the half-year ended 31 December 2019, please refer to the Australian Securities Exchange ('ASX') announcement accompanying this Report.

Significant changes in the state of affairs

On 4 September 2019, the Group acquired certain assets and liabilities of Mercedes-Benz Hornsby for the total consideration transferred of $1,590,000.

On 2 August 2019, the Group acquired certain assets and liabilities of Sydney City Prestige for the total consideration transferred of $790,000.

Refer to note 13 to the financial statements for further details relating to the acquisitions.

During the period, an impairment charge to goodwill of $53,762,000 was recognised in the Group's statement of profit or loss. The impairment is a non-cash accounting adjustment and has no impact on the Group's profit before tax excluding other items. The impairment relates to an independent external determination of an increase in the Groups's WACC rate (weighted average cost of capital) reflecting lower consumer confidence, lower discretionary spending and a challenging overall new vehicle market.

There were no other significant changes in the state of affairs of the Group during the financial half-year.

Matters subsequent to the end of the financial half-year

On 12 February 2020, the Group acquired businesses operated by Trivett at Alexandria in Sydney. The acquisition brings five new brands to the Group's luxury portfolio, including Jaguar, Land Rover, Rolls-Royce, McLaren and Aston Martin. The sixth dealership is Bentley Sydney which will be the Group's first Bentley dealership in New South Wales and third across the Group.

Apart from the dividend declared as discussed above, no other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Thomas Pockett
Independent Chairman

Nicholas Pagent
Chief Executive Officer

28 February 2020
Sydney

Deloitte Touche Tohmatsu
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Grosvenor Place
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Sydney, NSW, 2000
Australia

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28 February 2020

The Directors
Autosports Group Limited
565 Parramatta Road
Leichhardt 2040
Australia

Dear Directors,

Auditor's Independence Declaration to Autosports Group Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Autosports Group Limited.

As lead audit partner for the review of the interim financial report of Autosports Group Limited for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the or review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Carlo Pasqualini
Partner
Chartered Accountants

Autosports Group Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2019

	Note	Consolidated 31 Dec 2019 $'000	Consolidated 31 Dec 2018 $'000 (Restated)
Revenue	5	838,575	826,617
Interest revenue		10	13
Expenses			
Changes in inventories		50,224	20,784
Raw materials and consumables purchased		(750,248)	(713,022)
Employee benefits expense		(63,748)	(63,542)
Depreciation and amortisation expense		(20,671)	(18,996)
Impairment of goodwill	8	(53,762)	-
Occupancy costs		(2,105)	(1,770)
Acquisition and restructure expenses		(685)	(584)
Other expenses		(34,620)	(31,446)
Finance costs		(10,501)	(12,836)
Profit/(loss) before income tax expense		(47,531)	5,218
Income tax expense		(2,379)	(1,829)
Profit/(loss) after income tax expense for the half-year		(49,910)	3,389
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year		(49,910)	3,389
Profit/(loss) for the half-year is attributable to:			
Non-controlling interest		59	96
Owners of Autosports Group Limited		(49,969)	3,293
		(49,910)	3,389
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		59	96
Owners of Autosports Group Limited		(49,969)	3,293
		(49,910)	3,389
		Cents	**Cents**
Basic earnings per share	14	(24.86)	1.64
Diluted earnings per share	14	(24.86)	1.63

Refer to note 3 for detailed information on Restatement of comparatives.

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Autosports Group Limited
Consolidated statement of financial position
As at 31 December 2019

	Note	Consolidated 31 Dec 2019 $'000	30 Jun 2019 $'000 (Restated)	1 July 2018 $'000 (Restated)
Assets				
Current assets				
Cash and cash equivalents		14,083	11,292	14,302
Trade and other receivables	6	81,750	104,571	104,166
Inventories		413,206	346,395	352,658
Other assets		10,628	6,918	4,940
Total current assets		519,667	469,176	476,066
Non-current assets				
Property, plant and equipment		85,148	68,121	59,273
Right-of-use assets	7	141,407	144,837	152,996
Intangibles	8	479,774	531,938	535,203
Deferred tax		15,862	13,901	10,429
Total non-current assets		722,191	758,797	757,901
Total assets		1,241,858	1,227,973	1,233,967
Liabilities				
Current liabilities				
Trade and other payables	9	73,327	80,971	75,439
Contract liabilities and deferred revenue		2,144	2,506	4,547
Lease liabilities		37,393	35,734	30,699
Income tax payable		3,367	2,690	5,721
Employee benefits		13,019	12,203	11,012
Borrowings	10	479,327	409,855	414,013
Total current liabilities		608,577	543,959	541,431
Non-current liabilities				
Trade and other payables	9	2,430	2,430	-
Borrowings	10	72,890	64,309	65,530
Lease liabilities		120,674	124,564	132,833
Employee benefits		1,946	1,475	1,488
Total non-current liabilities		197,940	192,778	199,851
Total liabilities		806,517	736,737	741,282
Net assets		435,341	491,236	492,685
Equity				
Issued capital		475,637	475,637	475,637
Share-based payments reserve		1,078	1,033	894
Retained profits/(accumulated losses)		(45,196)	10,803	12,615
Equity attributable to the owners of Autosports Group Limited		431,519	487,473	489,146
Non-controlling interest		3,822	3,763	3,539
Total equity		435,341	491,236	492,685

Refer to note 3 for detailed information on Restatement of comparatives.

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Autosports Group Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2019

Consolidated	Issued capital $'000	Share-based payments reserve $'000	Retained profits $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2018 as previously reported	475,637	894	20,612	3,539	500,682
Adjustment for change in accounting policy (note 3)	-	-	(7,997)	-	(7,997)
Balance at 1 July 2018 - restated	475,637	894	12,615	3,539	492,685
Profit after income tax expense for the half-year	-	-	3,293	96	3,389
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	3,293	96	3,389
Transactions with owners in their capacity as owners:					
Share-based payments	-	197	-	-	197
Dividends paid (note 11)	-	-	(9,648)	-	(9,648)
Balance at 31 December 2018	475,637	1,091	6,260	3,635	486,623

Consolidated	Issued capital $'000	Share-based payments reserve $'000	Retained profits/ (accumulated losses) $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2019 as previously reported	475,637	1,033	22,606	3,763	503,039
Adjustment for change in accounting policy (note 3)	-	-	(11,803)	-	(11,803)
Balance at 1 July 2019 - restated	475,637	1,033	10,803	3,763	491,236
Profit/(loss) after income tax expense for the half-year	-	-	(49,969)	59	(49,910)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	(49,969)	59	(49,910)
Transactions with owners in their capacity as owners:					
Share-based payments	-	45	-	-	45
Dividends paid (note 11)	-	-	(6,030)	-	(6,030)
Balance at 31 December 2019	475,637	1,078	(45,196)	3,822	435,341

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Autosports Group Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2019

	Note	Consolidated 31 Dec 2019 $'000	Consolidated 31 Dec 2018 $'000 (Restated)
Cash flows from operating activities			
Profit/(loss) before income tax expense for the half-year		(47,531)	5,218
Adjustments for:			
Depreciation and amortisation		20,671	18,996
Impairment of goodwill		53,762	-
Share-based payments		45	197
Interest received		(10)	(13)
Interest and other finance costs		10,501	12,836
		37,438	37,234
Change in operating assets and liabilities:			
Decrease in trade and other receivables		22,821	26,082
Increase in inventories		(50,224)	(20,784)
Decrease/(increase) in other operating assets		(3,738)	59
Decrease in trade and other payables		(8,271)	(2,392)
Increase/(decrease) in contract liabilities and deferred revenue		(362)	3,889
Increase in other provisions		900	886
Increase in bailment finance		45,580	6,937
(Decrease)/increase in other operating liabilities		-	(4,547)
		44,144	47,364
Interest received		10	13
Interest and other finance costs paid		(10,501)	(12,836)
Income taxes paid		(3,786)	(5,492)
Net cash from operating activities		29,867	29,049
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	13	(2,380)	(1,453)
Payments for property, plant and equipment		(17,941)	(10,593)
Payments for security deposits		28	(8)
Net cash used in investing activities		(20,293)	(12,054)
Cash flows from financing activities			
Proceeds from borrowings		22,638	5,826
Repayment of borrowings		(8,176)	(4,138)
Repayment of lease liabilities		(15,215)	(11,647)
Dividends paid	11	(6,030)	(9,648)
Net cash used in financing activities		(6,783)	(19,607)
Net increase/(decrease) in cash and cash equivalents		2,791	(2,612)
Cash and cash equivalents at the beginning of the financial half-year		11,292	14,302
Cash and cash equivalents at the end of the financial half-year		14,083	11,690

Refer to note 3 for detailed information on Restatement of comparatives.

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover Autosports Group Limited as a consolidated entity consisting of Autosports Group Limited (the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year (collectively referred to as the 'Group'). The financial statements are presented in Australian dollars, which is Autosports Group Limited's functional and presentation currency.

Autosports Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

565 Parramatta Road
Leichhardt NSW 2040

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 February 2020. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations adopted during the year are most relevant to the Group:

AASB 16 Leases (adopted with full retrospective approach)
The Group has adopted AASB 16 retrospectively from 1 July 2018. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption: Refer note 3 for impact of full retrospective adoption of AASB 16.

Right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Note 2. Significant accounting policies (continued)

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Net current asset deficiency
The Directors have prepared the financial statements on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The statement of financial position reflects an excess of current liabilities over current assets of $88,910,000 as at 31 December 2019 (30 June 2019: $74,783,000).

The Directors have reviewed the cash flow forecast for the Group through to 28 February 2021. The forecast indicates that the Group will generate net positive operating cash flows and operate within its overall finance facilities and that the Group will, therefore, be able to pay its debts as and when they fall due after considering the following factors:
- during the financial half-year the Group generated $29,867,000 (31 December 2018: $29,049,000) of cash flow from operating activities;
- during the financial half-year the Group used $2,380,000 of available cash to fund business acquisitions and $17,941,000 to fund additions to property, plant and equipment, specifically land and buildings and leasehold improvements;
- as at 31 December 2019, the Group has undrawn finance facilities amounting to $88,941,000 (30 June 2019: $134,073,000); and
- as at 31 December 2019, the Group has cash and cash equivalents amounting to $14,083,000 (30 June 2019: $11,292,000).

The Directors have concluded that it is appropriate to prepare the financial statements on the going concern basis, as they are confident that the Group will be able to pay its debts as and when they become due and payable from positive cash flows from operations and available finance facilities for at least 12 months from the date of signing the financial statements.

Note 3. Restatement of comparatives

Change in accounting policy
Retrospective adoption of AASB 16 'Leases' with effect from 1 July 2018 resulted in recognition of right of use assets amounting to $152,996,000, recognition of lease liabilities of $163,532,000, decrease in property, plant and equipment by $622,000, increase in deferred tax asset by $3,161,000 and $7,997,000 adjustment to opening retained earnings on transition date. The weighted average incremental borrowing rate applied to lease liabilities at the date of initial application is 4.06%.

The impact of adoption on the comparative period statement of profit or loss and statement of financial position is provided below.

Note 3. Restatement of comparatives (continued)

Statement of profit or loss and other comprehensive income

	Consolidated		
Extract	31 Dec 2018 $'000 Reported	$'000 Adjustment	31 Dec 2018 $'000 Restated
Expenses			
Depreciation and amortisation expense	(5,277)	(13,719)	(18,996)
Occupancy costs	(16,384)	14,614	(1,770)
Finance costs	(9,079)	(3,757)	(12,836)
Profit before income tax expense	8,080	(2,862)	5,218
Income tax expense	(2,635)	806	(1,829)
Profit after income tax expense for the half-year	5,445	(2,056)	3,389
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive income for the half-year	5,445	(2,056)	3,389
Profit/(loss) for the half-year is attributable to:			
Non-controlling interest	96	-	96
Owners of Autosports Group Limited	5,349	(2,056)	3,293
	5,445	(2,056)	3,389
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest	96	-	96
Owners of Autosports Group Limited	5,349	(2,056)	3,293
	5,445	(2,056)	3,389

	Cents Reported	Cents Adjustment	Cents Restated
Basic earnings per share	2.66	(1.02)	1.64
Diluted earnings per share	2.64	(1.01)	1.63

Note 3. Restatement of comparatives (continued)

Statement of financial position at the beginning of the earliest comparative period

	Consolidated		
Extract	1 July 2018 $'000 Reported	$'000 Adjustment	1 July 2018 $'000 Restated
Assets			
Non-current assets			
Property, plant and equipment	59,895	(622)	59,273
Right-of-use assets	-	152,996	152,996
Deferred tax	7,268	3,161	10,429
Total non-current assets	602,366	155,535	757,901
Total assets	1,078,432	155,535	1,233,967
Liabilities			
Current liabilities			
Lease liabilities	-	30,699	30,699
Total current liabilities	510,732	30,699	541,431
Non-current liabilities			
Lease liabilities	-	132,833	132,833
Total non-current liabilities	67,018	132,833	199,851
Total liabilities	577,750	163,532	741,282
Net assets	500,682	(7,997)	492,685
Equity			
Retained profits	20,612	(7,997)	12,615
Total equity	500,682	(7,997)	492,685

Note 3. Restatement of comparatives (continued)

Statement of financial position at the end of the earliest comparative period

	Consolidated		
	30 Jun 2019		30 Jun 2019
	$'000	$'000	$'000
Extract	**Reported**	**Adjustment**	**Restated**
Assets			
Non-current assets			
Property, plant and equipment	69,105	(984)	68,121
Right-of-use assets	-	144,837	144,837
Deferred tax	9,259	4,642	13,901
Total non-current assets	610,302	148,495	758,797
Total assets	1,079,478	148,495	1,227,973
Liabilities			
Current liabilities			
Lease liabilities	-	35,734	35,734
Total current liabilities	508,225	35,734	543,959
Non-current liabilities			
Lease liabilities	-	124,564	124,564
Total non-current liabilities	68,214	124,564	192,778
Total liabilities	576,439	160,298	736,737
Net assets	503,039	(11,803)	491,236
Equity			
Retained profits	22,606	(11,803)	10,803
Total equity	503,039	(11,803)	491,236

Comparative period statement of cash flows:
In accordance with the above, comparatives in the statement of cash flows have been restated to reflect changes arising from the adoption of AASB 16. Accordingly, net cash flow from operating activities increased by $10,857,000 from $18,192,000 to $29,049,000 and net cash used in financing activities increased by $10,857,000 from $8,750,000 to $19,607,000.

Note 4. Operating segments

The Group's operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The directors have determined that there is only one operating segment identified and located in Australia, being motor vehicle retailing. The information reported to the CODM is the consolidated results of the Group. The segment results are therefore shown throughout these financial statements and not duplicated here.

Note 5. Revenue

	Consolidated	
	31 Dec 2019 $'000	31 Dec 2018 $'000
Revenue for contracts with customers		
New and demonstrator vehicles	465,600	478,468
Used vehicles	225,305	208,869
Parts	67,954	64,494
Service	58,183	54,210
Aftermarket accessories	6,234	5,915
Finance and insurance revenue	12,674	10,663
	835,950	822,619
Other revenue		
Other revenue	2,625	3,998
Revenue	838,575	826,617

Disaggregation of revenue

There is no disaggregation of revenue provided, as all revenue is generated in Australia and revenue is recognised at a point in time, except for service revenue which is recognised over time.

Note 6. Trade and other receivables

	Consolidated	
	31 Dec 2019 $'000	30 Jun 2019 $'000
Current assets		
Trade receivables	74,364	97,917
Other receivables	7,782	6,870
Less: Allowance for expected credit losses	(396)	(216)
	81,750	104,571

Note 7. Right-of-use assets

	Consolidated	
	31 Dec 2019 $'000	30 Jun 2019 $'000
Non-current assets		
Right-of-use asset	221,225	209,828
Less: Accumulated depreciation	(79,818)	(64,991)
	141,407	144,837

The Group leases dealership operating premises under agreements of between 1 to 13 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Note 7. Right-of-use assets (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Property lease $'000
Balance at 1 July 2019	144,837
Additions	9,201
Additions through business combinations (note 13)	2,196
Depreciation expense	(14,827)
Balance at 31 December 2019	141,407

Note 8. Intangibles

	Consolidated 31 Dec 2019 $'000	Consolidated 30 Jun 2019 $'000
Non-current assets		
Goodwill - at cost	523,340	520,547
Less: Impairment	(53,762)	-
	469,578	520,547
Customer relationships - at cost	23,545	22,425
Less: Accumulated amortisation	(13,349)	(11,034)
	10,196	11,391
	479,774	531,938

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Goodwill $'000	Customer relationships $'000	Total $'000
Balance at 1 July 2019	520,547	11,391	531,938
Additions through business combinations (note 13)	2,793	1,120	3,913
Impairment of assets	(53,762)	-	(53,762)
Amortisation expense	-	(2,315)	(2,315)
Balance at 31 December 2019	469,578	10,196	479,774

Goodwill acquired through business combinations is allocated to one group of cash generating units ('CGU') according to the business segment, being motor vehicle retailing which is the lowest level at which management monitors goodwill.

The recoverable amount of the Group's goodwill has been determined by value-in-use calculations ('VIU'). The calculations use cash flow projections based on the business plan, prior to any future restructuring to which the Group is not yet committed, approved by management covering a four year period and a terminal growth rate.

Impairment testing:
During the financial half-year, the Group identified the following indicators of impairment:
- lower than forecast sales in new vehicle market;
- lower consumer confidence; and
- lower discretionary spending.

Note 8. Intangibles (continued)

Impairment testing of the Group's goodwill and intangible assets was performed as at 31 December 2019. As part of this process, management reviewed the recoverability of the carrying value of intangible assets. This has resulted in an impairment charge of $53,762,000 in respect of goodwill. The impairment relates to an independent external determination of an increase in the Group's WACC rate (weighted average cost of capital) reflecting lower consumer confidence, lower discretionary spending and a challenging overall new vehicle market.

Key assumptions
Key assumptions are those to which the recoverable amount of an asset or CGU is most sensitive.

The following key assumptions were used in the VIU model:
(a) Earnings before interest, depreciation and amortisation ('EBITDA') % between 3.3% - 4.0% (30 June 2019: 3.3% - 4.3%);
(b) Pre-tax discount rate: 15.1% (30 June 2019: 12.6%);
(c) Terminal growth rate of 2.5% beyond four year period (30 June 2019: 2.5%); and
(d) New vehicle motor growth (including rebates, aftermarket and finance and insurance) of 13.5% in FY2021 due to acquisition growth and 2.5% in FY2022 to FY2024 (30 June 2019: 1.5 – 2.0% in FY2021 to FY2024).

Sensitivity analysis
The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount of goodwill. Should market conditions deteriorate further than forecast, it may cause the carrying amount of the CGU to be lower than recoverable amount at a future date, which may result in an impairment.

Note 9. Trade and other payables

	Consolidated	
	31 Dec 2019 $'000	30 Jun 2019 $'000
Current liabilities		
Trade payables	51,014	59,124
GST payable	9,764	11,213
Accrued expenses	12,549	10,634
	73,327	80,971
Non-current liabilities		
Related party payable	2,430	2,430
	75,757	83,401

Note 10. Borrowings

	Consolidated 31 Dec 2019 $'000	Consolidated 30 Jun 2019 $'000
Current liabilities		
Bailment finance	460,213	395,175
Capital loans	17,783	12,315
Hire purchase	1,331	2,365
	479,327	409,855
Non-current liabilities		
Capital loans	71,470	62,476
Hire purchase	1,420	1,833
	72,890	64,309
	552,217	474,164

Financing arrangements
Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated 31 Dec 2019 $'000	Consolidated 30 Jun 2019 $'000
Total facilities		
Bailment finance	543,700	522,900
Capital loans	94,707	81,139
Hire purchase	2,751	4,198
	641,158	608,237
Used at the reporting date		
Bailment finance	460,213	395,175
Capital loans	89,253	74,791
Hire purchase	2,751	4,198
	552,217	474,164
Unused at the reporting date		
Bailment finance	83,487	127,725
Capital loans	5,454	6,348
Hire purchase	-	-
	88,941	134,073

Note 11. Dividends

Dividends paid during the financial half-year were as follows:

	Consolidated	
	31 Dec 2019 $'000	31 Dec 2018 $'000
Final dividend for the year ended 30 June 2019 of 3.0 cents (2018: 4.8 cents) per ordinary share	6,030	9,648

On 28 February 2020, the directors declared a fully franked interim dividend for the year ending 30 June 2020 of 1.9 cents per ordinary share, to be paid on 29 May 2020 to eligible shareholders on the register as at 15 May 2020. The financial effect of dividends declared after the reporting date are not reflected in the 31 December 2019 financial statements and will be recognised in subsequent financial reports. Recommended dividend of 1.9 cents per share is being paid from 30 June 2019 opening retained earnings.

Note 12. Fair value measurement

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Note 13. Business combinations

Mercedes-Benz Hornsby ('Mercedes-Benz')
On 4 September 2019, the Group acquired certain assets and liabilities of Mercedes-Benz Hornsby. The total consideration transferred amounted to $1,590,000. The goodwill of $1,504,000 represents the future potential profits of the acquired business and the synergistic opportunities it offers and cross selling opportunities that will arise from the acquisition.

Sydney City Prestige ('Prestige')
On 2 August 2019, the Group acquired certain assets and liabilities of Sydney City Prestige. The total consideration transferred amounted to $790,000. The goodwill of $1,289,000 represents the future potential profits of the acquired business and the synergistic opportunities it offers and cross selling opportunities that will arise from the acquisition.

Details of the acquisitions are as follows:

	Mercedes-Benz Fair value $'000	Prestige Fair value $'000	Total Fair value $'000
Inventories	13,908	2,679	16,587
Right of use asset	564	1,632	2,196
Property and equipment	2,475	-	2,475
Customer relationships	1,120	-	1,120
Trade payables	(560)	(49)	(609)
Deferred tax asset/(liability)	(176)	53	(123)
Employee benefits	(260)	(127)	(387)
Bailment finance	(16,419)	(3,039)	(19,458)
Lease liability	(564)	(1,632)	(2,196)
Other liabilities	(2)	(16)	(18)
Net assets acquired	86	(499)	(413)
Goodwill	1,504	1,289	2,793
Acquisition-date fair value of the total consideration transferred	1,590	790	2,380
Representing:			
Cash paid or payable to vendor	1,590	790	2,380

Note 14. Earnings per share

	Consolidated 31 Dec 2019 $'000	Consolidated 31 Dec 2018 $'000
Profit/(loss) after income tax	(49,910)	3,389
Non-controlling interest	(59)	(96)
Profit/(loss) after income tax attributable to the owners of Autosports Group Limited	(49,969)	3,293
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	201,000,000	201,000,000
Adjustments for calculation of diluted earnings per share:		
Performance rights over ordinary shares*	-	1,407,798
Weighted average number of ordinary shares used in calculating diluted earnings per share	201,000,000	202,407,798
	Cents	**Cents**
Basic earnings per share	(24.86)	1.64
Diluted earnings per share	(24.86)	1.63

*1,607,813 performance rights over ordinary shares have been excluded from the diluted earnings calculation as they are anti-dilutive for the period ended 31 December 2019.

Note 15. Events after the reporting period

On 12 February 2020, the Group acquired businesses operated by Trivett at Alexandria in Sydney. The acquisition brings five new brands to the Group's luxury portfolio, including Jaguar, Land Rover, Rolls-Royce, McLaren and Aston Martin. The sixth dealership is Bentley Sydney which will be the Group's first Bentley dealership in New South Wales and third across the Group.

Apart from the dividend declared as disclosed in note 11, no other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Autosports Group Limited
Directors' declaration
31 December 2019

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and
- 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 directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

_____________________________	_____________________________
Thomas Pockett	Nicholas Pagent
Independent Chairman	Chief Executive Officer

28 February 2020
Sydney

Deloitte.

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Independent Auditor's Review Report to the members of Autosports Group Limited

We have reviewed the accompanying half-year financial report of Autosports Group Limited (the "Entity"), and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors declaration of the consolidated entity comprising the Group and the entities it controlled at the end of the half-year or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Group are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year 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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year 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.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Group, would be in the same terms if given to the Directors as at the time of this auditor's review report.

Deloitte.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

(a) 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

(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Carlo Pasqualini
Partner
Chartered Accountants
Sydney, 28 February 2020