26 August 2020

Market Announcements Office
ASX Limited

Results for Announcement to the Market

Half Year Report and Accounts

Eagers Automotive delivers profitable 1H20 result in challenging market

The following documents for our half year ended 30 June 2020 are **attached**:

1. Half Year Report – Appendix 4D and commentary
2. Directors' Report
3. Interim Financial Report
4. Auditor's Report and Declaration of Independence

These are given to the ASX under listing rule 4.2A and are to be read in conjunction with our most recent annual financial report.

ENDS

For further information please contact:

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Authorised for release by the Board.

Appendix 4D

Half year report

1. Company details

Name of entity

Eagers Automotive Limited

ABN or equivalent company reference	Half year ended ('current period')	Half year ended ('previous period')
87 009 680 013	30 June 2020	30 June 2019

2. Results for announcement to the market

$A'000's

2.1	Revenues from ordinary activities	Up	101.8%	to	4,155,040
2.2	Net profit (loss) for the period	Down	72.1%	to	11,825
2.3	Net profit (loss) for the period attributable to members	Down	80.0%	to	8,320

2.4	**Dividends**	Amount per security	Franked amount per security
	Interim dividend declared	Nil	14.0 cents

2.5 +Record date for determining entitlements to the dividend.

N/A

2.6 Brief explanation of any of the figures in 2.1 to 2.4 above necessary to enable the figures to be understood.

Refer attached commentary. Comparative financial information restated for impact of the new lease accounting standard (AASB 16).

3. NTA backing

	Current period	Previous corresponding Period
Net tangible asset backing per +ordinary security	$0.57	$2.07

+ See chapter 19 for defined terms

4.1 Control gained over entities

Name of entity (or group of entities)	N/A
Date control gained	N/A
Contribution of such entities to the reporting entity's profit/ (loss) before tax, and internal rent from ordinary activities during the period (where material).	N/A
Profit(loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period.	N/A

4.2 Loss of control over entities

Name of entity (or group of entities)	N/A
Date control lost	N/A
Contribution of such entities to the reporting entity's profit/ (loss) from ordinary activities during the period (where material).	N/A
Consolidated profit/(loss) from ordinary activities of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material).	N/A

5 Dividends

Individual dividends per security

			Date dividend is payable	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
	Interim dividend:	Current year	N/A	Nil¢	Nil¢	Nil¢
		Previous year	17/10/2019	14.0¢	14.0¢	Nil¢

+ See chapter 19 for defined terms

6 Dividend Reinvestment Plans

The +dividend or distribution plans shown below are in operation.

N/A

The last date(s) for receipt of election notices for the +dividend or distribution plans	

7 Details of associates and joint venture entities

Name of associate/joint venture	Reporting entity's percentage holding		Contribution to Net profit/(loss) (where material)	
	Current Period	Previous corresponding period	Current Period $'000	Previous corresponding period $'000
DealerMotive Limited	39.37%	25.46%	-	(64)
Automotive Holdings Group Limited (consolidated in 2H20)	-	25.84%	-	4,847
Vehicle Parts (WA) Pty Ltd	50.0%	-	120	-
Mazda Parts	16.7%	-	128	-

Group's aggregate share of associates' and joint venture entities' profits/(losses) (where material):	Current period $A'000	Previous corresponding period - $A'000
Profit/(loss) from ordinary activities before tax	248	4,783
Income tax on ordinary activities	-	-
Profit/(loss) from ordinary activities after tax	248	4,783
Extraordinary items net of tax	-	-
Net profit/(loss)	248	4,783
Adjustments	-	-
Share of net profit/(loss) of associates and joint venture entities	248	4,783

Sign here: Martin Ward (Director) Date: 26 August 2020

Print name: Martin Ward

26 August 2020
Markets Announcements Office
ASX Limited

Appendix 4D
Half Year Report and Commentary

Half year ended 30 June 2020

(ASX listing rule 4.2A)

Eagers Automotive delivers profitable 1H20 result in challenging market

Financial Highlights	Half Year to June 2020 $ Million	Half Year to June 2019[2] $ Million	% Change
Statutory Profit After Tax	11.8	42.4	(72.2%)
Statutory Profit Before Tax from Continuing Operations	61.4	58.7	4.6%
Underlying Operating Profit Before Tax[1]	40.3	52.9	(23.8%)

- Statutory Profit After Tax for the period of $11.8 million including discontinued operations (1H19: $42.4 million).
- Statutory Profit Before Tax from continuing operations of $61.4 million (1H19: $58.7 million).
- Underlying Operating Profit Before Tax(1) of $40.3 million (1H19(2): $52.9 million), down 24% due to the impact of the COVID-19 pandemic.
- Proactive response to market environment with focus on right sizing of operations, preservation of cash and optimising liquidity; strong operating cash inflows with $473.1 million for the half year (1H19: $113.5 million).
- Increase in available liquidity to $633.9 million (available cash and undrawn commitments) with significantly lower net corporate debt position of $7.6 million (FY2019: $315.8 million) at 30 June 2020.
- No interim dividend will be paid for 1H20 (1H19: 14.0 cents) balancing the Board's prudent approach to managing through the COVID-19 environment while ensuring greater capacity and flexibility to invest in restructuring and growth initiatives.

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OPERATIONAL & STRATEGIC HIGHLIGHTS

- New vehicle market share growth and stronger truck retailing performance, despite COVID-impacted trading, demonstrating the strength of our national footprint.
- Pre-owned vehicle strategy delivering strong results with solid volume growth and development of new click and collect offering.
- Leveraging current market conditions to accelerate Next100 strategy.
- Significant cost reductions achieved of $78 million in annualised savings and post-AHG merger annualised synergies of $35.8 million achieved, exceeding the targeted $30.0 million and within the targeted timeframe.
- Divestment progress through continued rationalisation of dealership portfolio and completion of sale of the Refrigerated Logistics business.
- $40.4 million of non-cash impairments in the statutory result including leased assets associated with Holden exit, restructuring of portfolio and property downward revaluations in South Australia. Agreement reached with General Motors post 30 June 2020, with the amount of compensation being materially consistent with the impacts of the Holden related impairments.

(1) Underlying operating adjustments include business acquisition and integration costs $1.9 million (1H19: $2.9 million), property revaluations losses $6.4 million (1H19: nil), impairments $34.0 million (1H19: nil), COVID-19 wage subsidies and rent waivers $72.0 (1H19: nil), restructuring activities nil (HY19: $1.1 million), gain on sales of assets nil (1H19: $2.2 million), income from equity accounted share of AHG of nil (1H19: $4.8 million), employee underpayment costs $1.3 million (1H19: nil) and impact of new lease accounting standard (AASB 16) $7.5 million (1H19: $1.1 million).
(2) Comparative underlying financial information in the appendix 4D commentary has been adjusted to remove the contribution of Kloster Motor Group, divested in October 2019.

Commenting on the half year performance Managing Director and CEO Martin Ward said:

Despite the disruption and challenges presented by COVID-19, we were able to increase our share of the new vehicle market and deliver a profitable half year result. Our financial performance was testament to the company's swift response to the pandemic which included right-sizing our operations, managing our cost base, fortifying liquidity – all while continuing to serve our customers and partners and protecting our people.

Eagers Automotive is in a strong financial position with a significant liquidity buffer to withstand any future COVID-19 impacts. Importantly, our scale, geographic diversity and financial strength positions us to accelerate execution of our Next100 strategy and provides the flexibility to pursue restructuring and growth opportunities that arise due to the evolving market dynamics and industry transition.

Eagers Automotive Limited (ASX: APE) (Eagers Automotive or "the company"), Australia's leading automotive retail group, today announced its results for the six months ended 30 June 2020 (1H20). On a continuing basis, the Company delivered Underlying Operating Profit Before Tax[1] of $40.3 million, down 23.6% on the prior corresponding period (pcp).

Like many sectors, the impact of the COVID-19 pandemic has been significant on the automotive retail industry. According to Federal Chamber of Automotive Industry statistics, Australia's new motor vehicle sales decreased by 20.2% in the half year to 30 June 2020. The response to the pandemic was swift, and in many circumstances, pre-emptive, to right size operations, preserve cash and optimise liquidity.

Statutory Net Profit After Tax (including discontinued operations) for 2020 half year was $11.8 million as compared to a profit of $42.4 million in 2019 half year. On a statutory basis (excluding discontinued operations), the Company recorded a Statutory Net Profit Before Tax from continuing operations of $61.4 million for 2020 half year compared to a Net Profit Before Tax of $58.7 million in 2019 half year. The 1H20 statutory result included significant items totalling $21.0 million net income before tax, predominately COVID-19 government wage subsidies and rent waivers totalling $72.0 million offset by non-cash impairments of $40.4 million.

Key Financial Highlights from Continuing Operations

Half Year to June, from Continuing Operations	Half Year to June 2020 $ Million	Half Year to June 2019[2] $ Million	% Change
Statutory Results			
Revenue	4,155.0	2,059.0	101.8%
EBITDA	188.1	103.7	81.4%
Statutory Profit Before Tax	61.4	58.7	4.6%
Statutory Profit After Tax	41.5	42.4	(2.1%)
Total Dividend per Share – cents	-	14.0	(100.0%)
Underlying Operating Results[1]			
Revenue[1]	4,155.0	1,845.7	125.1%
EBITDA[1]	78.6	72.4	8.5%
Underlying Profit Before Tax[1]	40.3	52.9	(23.7%)
Underlying Profit After Tax[1]	29.3	37.0	(20.7%)

Dividend

The Board has determined not to pay an interim dividend for the half year. This reflects the Board's desire to ensure the company has the capacity and flexibility to invest in restructuring and growth initiatives balanced with its prudent approach to managing through the uncertainty of the COVID-19 environment.

External Environment

The impact of the COVID-19 pandemic has been significant on the automotive retail industry new vehicle sale market. According to Federal Chamber of Automotive Industry statistics, in April and May 2020, the peak impact of COVID-19 restrictions, new vehicle sales were down 48.5% and 35.3%, compounding already challenging market conditions for the industry.

Importantly, those challenging months were followed by a rebound in June, supported by an opening of the economy and confidence in the Government stimulus measures, with new vehicles sales marginally down 6.4%. Supply issues from the shutdown of global manufacturing operations during the pandemic understated the strength in the market in June. Despite the recovery in June, Australia's new motor vehicle sales decreased by 20.2% for the half year to 30 June 2020.

The decline in new vehicles sales for the month of June 2020 on pcp marked the 27th consecutive monthly decline in new vehicle sales on pcp.

The challenging market conditions, compounded by COVID-19, were reflected across the Australian industry, with every state recording a decline on pcp. The larger markets of Queensland, New South Wales and Victoria, recorded sales declines on the pcp of 19.4%, 20.8% and 24.2% respectively. Other markets also recorded a decline on the pcp, with South Australia down 19.6%, Western Australia down 13.5%, Tasmania down 25.8%, Northern Territory down 29.0%. The Australian Capital Territory was the only market to record growth on the pcp, up 26.6%.

The decrease in new motor vehicles sales on pcp was experienced across all buyer types, with private sales down 18.9%, business sales down 18.6%, government sales down 13.5% and rental sales down 48.4%. Luxury vehicle segment increased from 10.6% to 12.4% of total market share, finishing 6.9% down, with mixed performance across the brands. While the role of plug-in hybrid and electric vehicles grew 19.2% it was from a very low base with traditional fuel vehicles accounting for 99% of all new vehicle sales.

Nationally, the Heavy Commercial segment contracted 13.2%, with decreases in light/medium duty trucks and heavy-duty sales of 7.9% and 23.5% respectively.

Strategic Developments

Notwithstanding the external environment, the Group remains firmly focused on our Next100 Strategy which is aimed at delivering a superior customer experience from a more sustainable and productive cost base.

The optimisation of our business has accelerated out of necessity due to the impacts of COVID-19 with significant permanent cost reductions of approximately $78 million per annum achieved within the period.

During the period, the Company made substantial progress in a number of key areas including:

- Completion of the sale of the AHG Refrigerated Logistics business on 29 June 2020, allowing the group to focus on the core automotive retailing business.
- Exceeding the original post-AHG merger synergy savings of $30 million ahead of schedule, with further business-wide efficiency gains to be realised as part of the group's ongoing optimisation efforts.
- Migration of legacy AHG dealerships into the Eagers Automotive Financial Services operating model and ongoing rollout of our toolbox of finance solutions despite the disruptions of COVID.
- Ongoing rebalance of the property portfolio post the merger with AHG including the exit of a number of leased locations and the identification of a number of strategic sites, which are currently leased, for future acquisition.

Financial Performance

Statutory revenue from continuing operations increased by 101.8% to $4,155.0 million, with Underlying[1] revenue up 125.1%. The increase is primarily driven by AHG's contribution.

EBITDA from continuing operations increased by 81.4% to $188.1 million in 1H20 (1H19: $103.7 million). Underlying[1] EBITDA increased by 8.5% to $78.6 million in 1H20 (1H19[(2)]: $72.4 million). Profit margins decreased as indicated by the underlying[1] operating EBITDA/Revenue ratio of 1.9% (1H19[(2)]: 3.9%), with a comparable reduction in underlying[1] operating NPBT/Sales ratio of 1.0% (1H19[(2)]: 2.9%). The reduction in margins was driven by the impact of COVID-19 on April and May 2020 trading results – the peak impact of COVID-19 restrictions up to this point. Importantly those challenging months were followed by a rebound in June, supported by an opening of the economy and confidence in the Government stimulus measures.

Statutory borrowing costs from continuing operations increased by 95.1% to $43.6 million. Underlying[1] borrowing costs increased by 39.1% to $19.2 million for 2020 (1H19[(2)]: $13.8 million). The increase is predominantly from AHG's contribution, with underlying borrowing costs predominantly bailment charges. The Group's bailment charges have benefited from a reduction in inventory and associated bailment levels and underlying interest rates compared to the pcp. Included within statutory borrowing costs is interest expense recognised in accordance with AASB 16 Leases of $24.4 million (up from $6.9 million in the pcp).

Statutory depreciation and amortisation charges from continuing operations increased by 266.3% to $83.2 million for 2020 (1H19: $22.7 million). Underlying[1] depreciation and amortisation charges increased by 229.8% to $19.0 million for 2020 (1H19[(2)]: $5.8 million). The increase is predominantly from AHG's contribution. Included within the statutory depreciation expense is an additional $60.6 million of depreciation expense recorded in accordance with AASB 16 Leases (up from $15.5 million in the pcp).

Segments [3]

The Car Retail segment recorded a statutory profit before tax from continuing operations of $64.0 million compared to a profit of $48.5 million in 1H19. The statutory profit before tax was impacted predominantly by two significant items. The first being government wage subsidies totalling $61.9 million recognised for the period relating to circa 7,000 eligible employees across Australia and New Zealand (representing approximately 82% of our workforce). This was partially offset by impairment charges totalling $34.0 million primarily relating to new car showroom leased assets associated with Holden dealership operations as a result of General Motors planned exit from Holden vehicles sales in Australia and New Zealand by the end of 2020. Eagers Automotive Holden dealerships will continue to operate service outlets to support existing Holden customers with warranty claims, spare parts, servicing and recalls for five years.

Underlying[1] Operating Profit before tax was $38.6 million, a decrease compared to $45.7 million in 1H19[2]. The decrease was driven by the impact of COVID-19, affecting all regions in Australia and New Zealand. The operating performance in the first quarter was tracking above last year and all of the decline was experienced during April and May – the peak impact of COVID-19 restrictions up to this point. Importantly those challenging months were followed by a rebound in June, supported by an opening of the economy and confidence in the Government stimulus measures.

Despite the impact of COVID-19 on the automotive retail industry, EasyAuto123 recorded an improved performance on pro forma pcp, driven by higher volumes on a more efficient cost base.

Car Retailing statutory revenue from continuing operations increased by 100.6% to $3,703.8 million. Underlying[1] revenue from Car Retailing continuing operations increased by 126.7%. The increase is due to AHG's contribution.

The National Truck division delivered a statutory profit before tax from continuing operations of $8.1 million compared to a profit of $5.1 million in 1H19. The statutory profit before tax was impacted by government wage subsidies totalling $2.8 million recognised for the period. Underlying[1] Operating Profit before tax was $6.2m, an increase compared to $5.2 million in 1H19, reflecting AHG's contribution.

The value of the property portfolio decreased to $260.0 million at 30 June 2020 compared with $267.0 million as at 31 December 2019. The decrease is due to a $6.4 million revaluation decrement in our property portfolio, with the impairment attributable to strategically vacated non-core property.

The Property segment recorded a statutory loss before tax of $3.9 million for 2020 half year compared to a profit of $6.6 million in the pcp. The movement was driven by revaluation of properties and no property sales in the current period. Underlying[1] Operating Profit Before Tax was $2.5 million (excluding impairment and gains on sale), down $2.9 million on the pcp driven by reduction on internal rental income from a number of properties divested during 2019.

(3) Note: changes in fair value of property and investments are recognised as profit and loss adjustments for segment reporting purposes but are not recorded in the Group's Statutory Net Profit After Tax.

Financial Position

Eagers Automotive is in a very strong financial position underpinned by a substantial property portfolio and asset base, together with $633.9 million of available liquidity at 30 June 2020. This liquidity position includes available cash and undrawn commitments under our Corporate Debt Facilities and Captive Financier Working capital support.

Corporate debt (Term and Capital Loan Facility) net of cash on hand decreased to $7.6 million as at 30 June 2020, down from $315.8 million at 31 December 2019, while COVID-19 deferred payments stand at $95.1 million at 30 June 2020.

Total debt including vehicle bailment and lease liabilities [(4)], net of cash on hand, is $2,317.6 million as compared to $2,790.3 million as at 31 December 2019.

The Group's leverage metrics are in a strong position, with the gearing ratio at 0.03 times (2019: 1.19) and the capitalisation ratio at 0.8% (2019: 25.4%), excluding discontinued operations, vehicle bailment and lease liabilities.

Total inventory levels decreased to $1,048.4 million at 30 June 2020, down from $1,458.9 million at 31 December 2019. The decrease in inventory and associated floorplan is due to a combination of global manufacturing shutdowns impacting supply and management's initiatives in response to COVID-19. Eagers Automotive continues to maintain a significant equity ownership in pre-owned vehicles.

The Company continued to focus on cash management, with a strong cash position of $292.5 million at 30 June 2020 driven by operating cash flows of $473.1 million for the six months to June 2020. The operating cash flows were up $359.6 million on pcp (1H19: $113.5 million) as a result of higher gross operating cash flows, predominately from AHG's contribution, and effective working capital management, supported by management's initiatives to fortify cash in response to COVID-19, including but not limited to the benefit of a reduced cost base and inventory levels together with deferred payments. The deferred payments will reverse in the second half of the year. The strong operating cash inflows enabled the repayment of corporate debt during the period.

The Company also secured additional working capital facilities from Captive Financiers totalling $122.0 million during the period, with $100.0 million undrawn at 30 June 2020.

This strong cash position and undrawn debt has provided the Company with a significant liquidity buffer to withstand any long term impacts of COVID-19 and flexibility to pursue new opportunities in accelerating Next 100 strategy.

The balance sheet reflects a net current liability position of $229.2 million, impacted by two key items:

- Firstly, the application of the new lease standard resulted in the recognition of a $186.8 million current lease liability as at (31 December 2019: $171.7 million), reflecting property rental charges for the next 12 months. This commitment was previously recorded off balance sheet under the previous accounting standard.
- Secondly, deferred COVID-19 payables of $95.1 million at 30 June 2020.

Removing the impact of these items results in a net current asset position for the Group. The group expects to continue to generate significant cash inflows from operating to fund its obligations and also has available debt capacity.

(4) Lease liabilities include liabilities associated with asset financing leases and property leases disclosed in accordance with AASB16.

Outlook

Eagers Automotive has the scale and geographic diversity to withstand the challenging external conditions and benefit from the accelerating industry transition. While the group will continue be responsive to the changing COVID-19 market dynamics, the business has started the new half well in states which are operating without Government restrictions and is able to support our Victorian colleagues and businesses whilst in mandated lockdown.

With a strong balance sheet and fortified liquidity position, the Company has the flexibility and capacity to invest in restructuring and growth opportunities as it accelerates execution of its Next100 Strategy.

In the near term, Eagers Automotive is focused on delivering improved operational performance through:

- Advancing our property strategy through the acquisition of strategically located sites that are currently leased, increasing the flexibility of our property portfolio and enabling the delivery of an enhanced customer experience on a substantially lower cost base; and
- Accelerating the scaling of our fixed price pre-owned vehicle business through driving growth in volume, reducing cost and continuing to develop an omni-channel offering that delivers an enhanced customer experience.

In the short to medium term, the Group is focused on driving EPS growth by prioritising the following initiatives:

- Continuing to drive operational efficiencies across all aspects of our business through a whole of company focus on delivering the Next100 strategy.
- Leveraging our unique and industry leading toolbox of finance solutions to increase F&I penetration rate towards levels present in US and UK markets, with expectation of an acceleration as restrictive bank lending ease post COVID-19; and
- Ongoing restructuring, rationalisation and consolidation opportunities.

Martin Ward
Managing Director

26 August 2020

For more information:

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Eagers Automotive First Half 2020 Analyst and Investor Call – 9:15am Wednesday 26 August 2020

Participants can register for the call using the following link:

https://www.speakservecloud.com/register-for-call/d07bde80-6ac7-4d22-a18e-bd84cf35e63e

Participants may also wish to join a webcast of the results briefing using this link:

https://webcast.boardroom.media/eagers-automotive-limited/20200825/NaNeagers-automotive-half-year-2020-results

Note: All national sales figures are based on Federal Chamber of Automotive Industry statistics sourced through VFACTS.

EAGERS AUTOMOTIVE LIMITED ACN 009 680 013
DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Eagers Automotive Limited and the entities it controlled at the end of, or during, the half year ended 30 June 2020.

Directors

T B Crommelin, N G Politis, M A Ward, D T Ryan, D A Cowper, M J Birrell, S A Moore, G J Duncan and D S Blackhall were Directors of Eagers Automotive Limited during the whole of the half year and they continue in office at the date of this report. M V Prater was appointed as a Director on 3 February 2020 and continues in office at the date of this report.

Review of Operations and Results

The consolidated entity achieved a net profit after tax of $11.8 million for the half year ended 30 June 2020 (2019HY: $42.4 million). Further review of the consolidated entity's operations during the half year and the results of those operations are included in pages 1 to 7 of the commentary at the front of this report.

Dividend

The Board has determined that no interim dividend will be paid for the half year ended 30 June 2020 (2019: 14.0 cents).

Auditor's Independence Declaration

A copy of the Auditor's independence declaration under section 307C of the Corporations Act 2001 is **attached**.

Rounding of Amounts to Nearest Thousand Dollars

The company is of a kind referred to in Class Order 98/100 issued by the Australian Securities & Investments Commission relating to the "rounding off" of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and Financial Report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

This report is made in accordance with a resolution of the Directors.

Martin Ward
Director

Brisbane
26 August 2020

Deloitte.

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The Board of Directors
Eagers Automotive Limited
5 Edmund Street
Newstead, QLD, 4006

26 August 2020

Dear Board Members

Eagers Automotive 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 Eagers Automotive Limited.

As lead audit partner for the review of the financial statements of Eagers Automotive Limited for the half-year ended 30 June 2020, 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 review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Stephen Tarling
Partner
Chartered Accountants

Eagers Automotive Limited

ABN 87 009 680 013

Interim financial report
30 June 2020

The Directors declare that:

(a) In the Directors' opinion, there are reasonable grounds to believe that Eagers Automotive Limited will be able to pay its debts as and when they become due and payable.

(b) In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors

M A Ward
Director

Brisbane
26th August 2020

	Notes	Half-year ended **30 June 2020 $'000**	 30 June 2019 $'000
Revenue	5	**4,155,040**	2,059,025
Other gains		**306**	6,336
Raw materials and consumables used		**(3,416,645)**	(1,716,523)
Employee benefits expense		**(299,192)**	(161,370)
Finance costs		**(43,573)**	(22,337)
Depreciation and amortisation expense		**(83,159)**	(22,702)
Other expenses		**(211,273)**	(88,562)
Impairment of non-current assets	6	**(40,385)**	-
Share of net profits of associates accounted for using the equity method	11	**248**	4,783
Profit before income tax		**61,367**	58,650
Income tax expense		**(19,857)**	(16,278)
Profit from continuing operations		**41,510**	42,372
Loss from discontinued operation	13	**(29,685)**	-
Profit for the period		**11,825**	42,372
Attributable to:			
Owners of the parent		**8,320**	41,662
Non-controlling interests		**3,505**	710
		11,825	42,372
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings/(loss) per share		**3.2**	21.9
From continuing operations		**14.8**	21.9
From discontinued operation		**(11.6)**	-
Diluted earnings/(loss) per share		**3.2**	21.6
From continuing operations		**14.8**	21.6
From discontinued operation		**(11.6)**	-

The above Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the accompanying notes.

	Half-year ended 30 June 2020 $'000	30 June 2019 $'000
Profit for the period	**11,825**	42,372
Other comprehensive income		
Items that may be reclassified to profit or loss		
Fair value gain arising from cash flow hedges during the year	**-**	25
Income tax expense	**-**	(7)
Exchange differences on translation of foreign operations	**(3)**	-
	(3)	18
Items that will not be reclassified to profit or loss		
Changes in the fair value of financial assets at fair value through other comprehensive income	**-**	80,331
Income tax expense	**-**	(21,545)
	-	58,786
Total other comprehensive income for the period, net of tax	**(3)**	58,804
Total comprehensive income for the period	**11,822**	101,176
Total comprehensive income is attributable to:		
Owners of the parent	**8,317**	100,466
Non-controlling interests	**3,505**	710
	11,822	101,176

The above Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

	Note	30 June 2020 $'000	Restated 31 December 2019 $'000
Current assets			
Cash and cash equivalents		**292,517**	94,172
Trade and other receivables		**311,529**	309,523
Inventories		**1,048,374**	1,458,927
Prepayments and deposits		**26,519**	23,214
Finance lease receivable	1	**22,366**	-
Assets classified as held for sale		**-**	494,978
Total current assets		**1,701,305**	2,380,814
Non-current assets			
Other loans receivable		**24,416**	30,893
Financial assets at fair value through other comprehensive income		**2,366**	2,366
Investments in associates	11	**17,054**	16,806
Property, plant and equipment		**418,821**	456,058
Deferred tax assets		**150,935**	176,505
Intangible assets	6	**786,824**	773,174
Other non-current assets		**13,030**	13,030
Right-of-use assets		**914,679**	1,008,500
Finance lease receivable	1	**171,135**	-
Total non-current assets		**2,499,260**	2,477,332
Total assets		**4,200,565**	4,858,146
Current liabilities			
Trade and other payables		**564,671**	377,386
Borrowings - bailment and other current loans		**1,008,327**	1,310,153
Deferred revenue		**32,311**	26,576
Current tax liabilities		**6,013**	25,224
Provisions		**132,384**	126,146
Lease liabilities		**186,803**	171,675
Liabilities directly associated with assets classified as held for sale		**-**	508,666
Total current liabilities		**1,930,509**	2,545,826
Non-current liabilities			
Borrowings		**284,381**	381,885
Deferred revenue		**27,945**	50,113
Provisions		**38,909**	37,610
Lease liabilities		**1,130,603**	1,020,882
Total non-current liabilities		**1,481,838**	1,490,490
Total liabilities		**3,412,347**	4,036,316
Net assets		**788,218**	821,830
Equity			
Contributed equity		**1,173,069**	1,173,069
Reserves		**(575,403)**	(560,125)
Retained earnings		**178,879**	199,463
Equity attributable to equity owners of the parent		**776,545**	812,407
Non-controlling interests		**11,673**	9,423
Total equity		**788,218**	821,830

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes. The 31 December 2019 Statement of Financial Position has been restated to reflect the finalisation of the Purchase Price Allocation process undertaken on the acquisition of AHG Limited. Please refer to Note 9 for further details.

	Note	Issued capital $'000	Asset revaluation reserve $'000	Share-based payments reserve $'000	Investment revaluation reserve $'000	Business combination reserve $'000	Foreign currency translation $'000	Retained earnings $'000	Attributable to equity holders of the parent $'000	Non-controlling interest $'000	Total $'000
Balance at 1 January 2020		1,173,069	28,312	(37,863)	(72,686)	(470,729)	1,153	209,933	831,189	9,423	840,612
Adjustment on finalisation of business combination		-	-	-	-	(8,313)	-	(10,469)	(18,782)	-	(18,782)
Restated total equity at the beginning of the financial period		**1,173,069**	**28,312**	**(37,863)**	**(72,686)**	**(479,042)**	**1,153**	**199,464**	**812,407**	**9,423**	**821,830**
Profit for the period		-	-	-	-	-	-	8,320	8,320	3,505	11,825
Other comprehensive income		-	-	-	-	-	(3)	-	(3)	-	(3)
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**-**	**(3)**	**8,320**	**8,317**	**3,505**	**11,822**
Share based payments expense		-	-	208	-	-	-	-	208	-	208
Shares acquired by employee share trust		-	-	(18,045)	-	-	-	-	(18,045)	-	(18,045)
Dividends provided for or paid	3	-	-	-	-	-	-	(28,905)	(28,905)	(1,255)	(30,160)
Payments received from employees for exercised shares		-	-	8,610	-	-	-	-	8,610	-	8,610
Income tax on items taken to or transferred directly from equity		-	-	(6,047)	-	-	-	-	(6,047)	-	(6,047)
		-	-	(15,274)	-	-	-	(28,905)	(44,179)	(1,255)	(45,434)
Balance at 30 June 2020		**1,173,069**	**28,312**	**(53,137)**	**(72,686)**	**(479,042)**	**1,150**	**178,879**	**776,545**	**11,673**	**788,218**

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

	Notes	Issued capital $'000	Asset revaluation reserve $'000	Hedging reserve $'000	Share-based payments reserve $'000	Investment revaluation reserve $'000	Business combination reserve $'000	Foreign currency translation $'000	Retained earnings $'000	Attributable to equity holders of the parent $'000	Non-controlling interests $'000	Total $'000
Balance at 1 January 2019		371,405	56,820	(25)	(49,628)	(131,473)	-	-	401,377	648,476	8,002	656,478
Adjustment on adoption of AASB 16 (net of tax)	1	-	-	-	-	-	-	-	(20,820)	(20,820)	-	(20,820)
Restated total equity at the beginning of the financial period		**371,405**	**56,820**	**(25)**	**(49,628)**	**(131,473)**	**-**	**-**	**380,557**	**627,656**	**8,002**	**635,658**
Profit for the period restated		-	-	-	-	-	-	-	41,662	41,662	710	42,372
Other comprehensive income		-	-	18	-	58,786	-	-	-	58,804	-	58,804
Total comprehensive income for the period		**-**	**-**	**18**	**-**	**58,786**	**-**	**-**	**41,662**	**100,466**	**710**	**101,176**
Transfer to retained earnings		-	(11,697)	-	-	-	-	-	11,697	-	-	-
Income tax on items taken to or transferred directly from equity		-	-	-	6,784	-	-	-	-	6,784	-	6,784
Shares acquired by employee share trust		-	-	-	(38)	-	-	-	-	(38)	-	(38)
Dividends provided for or paid	3	-	-	-	-	-	-	-	(43,045)	(43,045)	(1,366)	(44,411)
Payments received from employees for exercised shares		-	-	-	227	-	-	-	-	227	-	227
		-	(11,697)	-	6,973	-	-	-	(31,348)	(36,072)	(1,366)	(37,438)
Balance at 30 June 2019		**371,405**	**45,123**	**(7)**	**(42,655)**	**(72,687)**	**-**	**-**	**390,871**	**692,050**	**7,346**	**699,396**

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

	Notes	Half-year ended 30 June 2020 $'000	30 June 2019 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**5,019,069**	2,227,210
Payments to suppliers and employees (inclusive of GST)		**(4,487,990)**	(2,077,374)
Receipts from insurance claims		**3,469**	1,804
Interest and other costs of finance paid		**(51,913)**	(22,028)
Income taxes paid		**(10,956)**	(16,269)
Interest received		**1,462**	112
Net cash provided by operating activities		**473,141**	113,455
Cash flows from investing activities			
Payments for acquisition of businesses - net of cash acquired	9	**(14,963)**	(8,670)
Payments for property, plant and equipment		**(15,380)**	(26,024)
Proceeds from sale of businesses	10(b)	**750**	1,362
Proceeds from sale of property, plant and equipment		**-**	60,379
Proceeds from return on capital		**64**	760
Net cash provided (used in)/by investing activities		**(29,529)**	27,807
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		**8,610**	227
Payments for shares acquired by the trust		**(18,045)**	(38)
Proceeds from borrowings		**102,875**	5,000
Repayment of borrowings		**(211,822)**	(73,571)
Transactions with non-controlling interests		**-**	735
Dividends paid to members of Eagers Automotive Limited	3	**(28,905)**	(43,045)
Dividends paid to minority shareholders of a subsidiary		**(234)**	(288)
Repayment of lease liabilities		**(97,746)**	(13,327)
Net cash used in financing activities		**(245,267)**	(124,307)
Net increase in cash and cash equivalents		**198,345**	16,955
Cash and cash equivalents at the beginning of the financial year		**94,172**	18,868
Cash and cash equivalents at end of period		**292,517**	35,823

The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

1 Significant accounting policies

Statement of compliance

The condensed consolidated half-year report ("half-year report") is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting* ("AASB 134"). Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report and any public announcements made by Eagers Automotive Limited ("Company", "the Group") during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Basis of preparation

The condensed consolidated half-year report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise stated.

The Company is an entity of the kind referred to in ASIC Corporations Instrument 2016/191, dated 24 March 2016. In accordance with that Corporations Instrument, amounts in the Directors' report and the half-year report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Going Concern

The condensed consolidated half-year report has been prepared on the basis that the Group is a going concern, able to realise assets in the ordinary course of business and settle liabilities as and when they fall due. Like many organisations, the Group operated in a challenging environment during April and May of 2020 as a result of the unfolding COVID-19 pandemic. As outlined in Note 2, the Directors took proactive steps to preserve cash, right size the business and optimise liquidity at the onset of the COVID 19 health crisis in Australia and NZ in order to ensure the Group can navigate its duration. These initiatives and strong trading activity in June 2020 alongside the easing of Government restrictions, resulted in the Group generating positive net cash flows from operating activities of $473 million and an EBITDA of $188 million for the period ending 30 June 2020. As a result, at 30 June 2020 the Group is in a strong liquidity position, with corporate debt net of cash at $8 million and total available liquidity of $634 million (cash in bank of $293 million and undrawn facilities of $341 million).

The Group had net current liabilities of $229 million at the balance sheet date. The net current liability position was predominately attributable to two key matters:
- The application of the lease standard (AASB 16) results in the recognition of current lease liabilities of $187 million, reflecting property rental charges for the next 12 months.
- The deferral of ATO related BAS, FBT and income tax payments through to 30 June 2020, as well as payroll tax payments where available within respective states. The total amount deferred at 30 June 2020 is approximately $85 million, with the proceeds used to pay down non-current debt instead of retained in cash.

The Group has prepared detailed cash flow forecasts for the next 12 months under two scenarios and proactively secured Covenant waivers in respect of 30 June 2020 and December 2020 for debt related covenants other than the capitalisation ratio. The Group notes that it was compliant with all debt covenants at the 30 June 2020 (including the capitalisation ratio), and based on forecasts performed, is expected to remain covenant compliant for the foreseeable future.

Based on the strength of the Group's balance sheet and its cashflow modelling under two scenarios the Directors are of the view that the Group will be able to settle all obligations as they fall due for a period of 12 months following this report. The Directors are therefore of the opinion that the preparation of the financial statements as a going concern is appropriate.

1 Significant accounting policies (continued)

Basis of preparation (continued)

New accounting policies

In the period ended 30 June 2020, the Group divested of Refrigerated Logistics (refer to Note 13 for further details), which resulted in a number of sublease arrangements being entered into. As such, Eagers Automotive Limited has applied the below accounting policy for the first time in the period ended 30 June 2020:

Sublease arrangements
During the period the Group entered into finance lease arrangements as a lessor to sub-lease certain properties associated with the Refrigerated Logistics business, divested during the year. As a result, amounts of finance lease receivable were recognised during the period.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. As a result of the sub-leasing arrangements entered into during the period, the Group has recognised a current finance lease receivable of $22 million, and a non current finance lease receivable of $171 million.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group’s net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group’s net investment outstanding in respect of the leases.

2 Significant changes in the current reporting period

The financial position and performance of the Group was particularly affected by the following events and transactions during the six months to 30 June 2020:

Coronavirus global pandemic and the related government-mandated restrictions (COVID-19)

The ongoing COVID-19 pandemic has required a multifaceted response by the Group.

In response to the sudden impact of the crisis and escalation of Government restrictions in March 2020, the Group has taken the following actions to manage liquidity and risk:

(a) Reduced our headcount, which in turn reduced our fixed monthly cost base by approximately $6 million, reduced executive and Board salaries and implemented a temporary rostering arrangement to reflect activity levels across our dealerships.

(b) Engaged with our landlords to secure rent waivers and deferrals through to 30 June 2020. The total amount deferred and waived at 30 June 2020 is approximately $7 million and $6 million respectively.

(c) Accessed the Australian and New Zealand Government's wage subsidy program for eligible employees, with total subsidies of $66 million received through to 30 June 2020.

(d) Secured available tax concessions and deferrals from Federal and State Government authorities, including the deferral of ATO related BAS, FBT and income tax payments through to 30 June 2020, as well as payroll tax payments where available within respective states. The total amount deferred at 30 June 2020 is approximately $85 million.

(e) Implemented a number of operational initiatives and other cash management strategies.

2 Significant changes in the current reporting period (continued)

The Group also prudently engaged with our OEM captive and syndicated debt financiers to manage any continued impact of COVID-19 on liquidity and risk, securing:

(i) Short term working capital facilities totalling $122 million.
(ii) Financial Covenants waivers (other than the capitalisation ratio) in respect of 30 June 2020 and 31 December 2020 dates.
(iii) Extension of the termination date of a tranche of corporate debt by a further 12 months to December 2021.

Government Grants

Government grants are recognised where there is a reasonable assurance that the grant will be received and all attached conditions complied with. When the grant relates to an expense item, it is recognised as a reduction of the expense to which it relates.

As outlined in above, during the period, Eagers Automotive Limited received the Government wage subsidy for Australia, known as JobKeeper, and New Zealand, known as the Government Wage Subsidy. Eagers Automotive Limited have reported this income as a reduction to the associated employee costs in the Condensed Consolidated statement of Profit or Loss.

3 Dividends

	Half-year ended	
	30 June 2020 $'000	30 June 2019 $'000
Ordinary shares		
Dividends paid during the half-year	**28,905**	43,045

Dividends not recognised at the end of the half-year
No interim dividend was declared by Eagers Automotive Group for the half-year ended 30 June 2020 (2019 - 14 cents).

As at Tuesday the 25th August 2020, the aggregate amount of the interim dividend expected to be paid, but not recognised as a liability, including all shares yet to be issued, is:	**-**	32,334

4 Segment information

Segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, being the board of Directors, in order to allocate resources to the segment and to assess its performance.

The Group operates in four operating and reporting segments being (i) Car Retailing (ii) Truck Retailing (iii) Property and (iv) Investments, these being identified on the basis of being the components of the Group that are regularly reviewed by the chief decision maker for the purpose of resource allocation and assessment of segment performance.

Information regarding the Group's reporting segments is presented below:

(i) Car Retailing

Within the Car Retail segment, the Group offers a diversified range of automotive products and services, including new vehicles, used vehicles, vehicle maintenance and repair services, vehicle parts, service contracts, vehicle brokerage, vehicle protection products, and other aftermarket products. They also facilitate financing for vehicle purchases through third-party sources. New vehicles, vehicle parts, and maintenance services are predominantly supplied in accordance with franchise agreements with manufacturers. This segment also includes the Motors Tasmania truck retailing business (as it is managed inside the Motors Tasmania Car business), a motor auction business, and forklift rental business.

(ii) Truck Retailing

Within the Truck Retail segment, the Group offers a diversified range of products and services, including new trucks, used trucks, truck maintenance and repair services, truck parts, service contracts, truck protection products, and other aftermarket products. They also facilitate financing for truck purchases through third-party sources. New trucks, truck parts, and maintenance services are predominantly supplied in accordance with franchise agreements with manufacturers.

(iii) Property

Within the Property segment, the Group acquires commercial properties principally for use as facility premises for its motor dealership operations. The Property segment charges both the Car Retailing segment and Truck Retailing segment commercial rent for owned properties occupied by that segment. The Property segment reports property assets at fair value, based on annual assessments by the Directors supported by periodic, but at least triennial, valuations by external independent valuers. Revaluation increments arising from fair value adjustments are reported internally and assessed by the chief operating decision maker as profit adjustments in assessing the overall returns generated by this segment to the Group.

(iv) Investment

This segment includes the investment in DealerMotive Limited.

4 Segment information (continued)

6 months ended 30 June 2020	Car Retailing $'000	Truck Retailing $'000	Property $'000	Investments $'000	Eliminations $'000	Consolidated $'000
Sales to external customers	3,703,768	450,797	475	-	-	4,155,040
Inter-segment sales	-	-	7,321	-	(7,321)	-
TOTAL REVENUE	3,703,768	450,797	7,796	-	(7,321)	4,155,040
SEGMENT RESULT						
Operating profit before interest	72,846	10,340	5,512	-	-	88,698
External interest expense allocation	(35,480)	(5,108)	(2,985)	-	-	(43,573)
OPERATING CONTRIBUTION	37,366	5,232	2,527	-	-	45,125
Business acquisition costs	(235)	-	-	-	-	(235)
Profit on sale of property/businesses	664	-	-	-	-	664
Impairment of non-current assets	(34,000)	-	(6,385)	-	-	(40,385)
Business integration costs	(1,621)	-	-	-	-	(1,621)
Government wage subsidies*	61,864	2,832	-	-	-	64,696
SEGMENT PROFIT	64,038	8,064	(3,858)	-	-	68,244
Unallocated corporate expenses						(6,877)
PROFIT BEFORE TAX						61,367
Income tax expense						(19,857)
NET PROFIT FROM CONTINUING OPERATIONS						**41,510**
Depreciation and amortisation	67,000	14,670	1,489	-	-	83,159
ASSETS						
Segment assets	3,499,320	437,470	248,029	15,746	-	4,200,565
LIABILITIES						
Segment liabilities	3,028,619	250,261	133,467	-	-	3,412,347
NET ASSETS	470,701	187,209	114,562	15,746	-	788,218

*Note, a portion of the Government Wage Subsidies has been recorded against the Unallocated Corporate Expenses.

4 Segment information (continued)

6 months ended 30 June 2019	**Car Retailing $'000**	**Truck Retailing $'000**	**Property $'000**	**Investments $'000**	**Eliminations $'000**	**Consolidated $'000**
Sales to external customers	1,846,732	211,673	620	-	-	2,059,025
Inter-segment sales	-	-	11,570	-	(11,570)	-
TOTAL REVENUE	1,846,732	211,673	12,190	-	(11,570)	2,059,025
SEGMENT RESULT						
Operating profit before interest	63,414	6,832	9,408	-	-	79,654
External interest expense allocation	(14,858)	(1,719)	(4,041)	(1,719)	-	(22,337)
OPERATING CONTRIBUTION	48,556	5,113	5,367	(1,719)	-	57,317
Share of net profit of equity accounted investments	-	-	-	4,783	-	4,783
Business acquisition costs	-	-	-	(2,933)	-	(2,933)
Investment revaluation	-	-	-	80,331	(80,331)	-
Profit on sale of property/businesses	1,008	-	1,208	-	-	2,216
Business restructuring costs	(1,088)	-	-	-	-	(1,088)
SEGMENT PROFIT	48,476	5,113	6,575	80,462	(80,331)	60,295
Unallocated corporate expenses						(1,645)
PROFIT BEFORE TAX						58,650
Income tax expense						(16,278)
NET PROFIT FROM CONTINUING OPERATIONS						**42,372**
Depreciation and amortisation	19,092	1,754	1,856	-	-	22,702
ASSETS						
Segment assets	1,465,719	133,313	315,531	244,660	-	2,159,223
LIABILITIES						
Segment liabilities	1,084,601	127,458	124,064	123,704	-	1,459,827
NET ASSETS	381,118	5,855	191,467	120,956	-	699,396

Geographic Information

The Group operates in two principal geographic locations, being Australia and New Zealand.

5 Revenue

(a) Revenue from contracts with customers

Half-year ended 30 June 2020	Retailing $'000	Property $'000	Investments $'000	Total $'000
Type of goods or service				
New Vehicles	2,291,878	-	-	2,291,878
Used Vehicles	1,061,339	-	-	1,061,339
Parts	494,885	-	-	494,885
Service	285,790	-	-	285,790
Other	20,673	475	-	21,148
Revenue from external customers	**4,154,565**	**475**	**-**	**4,155,040**
Timing of revenue recognition				
At a point in time	3,868,775	475	-	3,869,250
Over time	285,790	-	-	285,790
Total revenue from external customers	**4,154,565**	**475**	**-**	**4,155,040**
Geographical markets				
Australia	3,943,517	475	-	3,943,992
New Zealand	211,048	-	-	211,048
Total revenue from external customers	**4,154,565**	**475**	**-**	**4,155,040**

Half-year ended 30 June 2019	Retailing $'000	Property $'000	Investments $'000	Total $'000
Type of goods or service				
New Vehicles	1,296,965	-	-	1,296,965
Used Vehicles	360,625	-	-	360,625
Parts	253,660	-	-	253,660
Service	135,355	-	-	135,355
Other	11,800	620	-	12,420
Revenue from external customers	**2,058,405**	**620**	**-**	**2,059,025**
Timing of revenue recognition				
At a point in time	1,923,050	620	-	1,923,670
Over time	135,355	-	-	135,355
Total revenue from external customers	**2,058,405**	**620**	**-**	**2,059,025**
Geographical markets				
Australia	2,058,405	620	-	2,059,025

6 Non-current assets including Intangible assets

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash generating units (CGU), or groups of CGUs, that are expected to benefit from the synergies of the combinations. Each unit or group of units to which goodwill is allocated represents the lowest level at which assets are monitored for internal management purposes.

The Group has eight CGUs in the Car retailing segment, grouped by the operating regions (QLD & NT, NSW, VIC & TAS, SA, WA, NZ), National Used and Finance, with the lowest level for which there are independent cash flows determined to be on an operating region or State basis. The Group has one CGU for the national Trucks segment.

AHG's Refrigerated Logistics business was divested on 29 June 2020. No goodwill was allocated to this CGU on acquisition of AHG based on the estimated fair value of the business at the date.

The value of intangible assets tested for impairment is as follows:

Half-year ended 30 June 2020	
Intangible Assets	**Total $'000**
Goodwill	772,168
Trade marks/brand names	6,965
Customer relationships	7,691
Total Intangible Assets	**786,824**

The recoverable amount of a CGU or group of CGUs to which goodwill and other indefinite life intangible assets is allocated is determined based on the greater of its value in use and its fair value less costs of disposal. Fair value is determined as being the amount obtainable from the sale of a CGU in an arm's length transaction between knowledgeable and willing parties at balance date. If relevant, this fair value assessment less costs of disposal is conducted by the Directors based on their extensive knowledge of the car and truck retailing industry including the current market conditions prevailing in the industry. The value in use assessment is conducted using a discounted cash flow (DCF).

The DCF methodology requires the Directors to estimate the discounted future cash flows expected to arise from the CGUs. For the year ending the 31 December 2019 the Group recognised an impairment of goodwill of $209.3m in respect of the Truck, VIC & TAS, WA and National Used CGUs. The DCF models adopted by Directors at the time were based on forecast cashflows derived from the relevant CGUs last twelve months Merged Co proforma performance (the Group's cashflows for 2019 plus AHG last twelve month cashflows including the period prior to acquisition) adjusted for synergies realised to 31 December 2019.

At 30 June 2020 the Directors have updated their assessment with forecast cashflows derived from the 6 month period to 30 June 2020 which reflects ongoing synergies realised in relation to the continued integration of AHG operations, as well as additional cost, liquidity and operational initiatives undertaken in response to COVID-19 impacts (see Note 2). The cashflows have been forecast under scenarios contemplating a faster recovery in 2021 (scenario 1) and delayed recovery in 2022 (scenario 2) with a 1.5% growth rate applied thereafter for the period to year 5 and as a terminal growth rate. The forecast growth rate and terminal growth rate have been based on consideration of historical performance and expected future operating conditions. Growth rates are not deemed to exceed the long-term average growth rate for the industry. A post-tax discount rate of 7.0% was applied to the cashflows, incorporating the impact of the new lease standard (AASB 16) on the Group's cost of debt.

The Group determined that no impairment was required for goodwill at the 30 June 2020.

The Group believes that the assumptions underpinning the DCF calculations used to evaluate the recoverability of goodwill and intangible assets have been adjusted to reflect reasonable estimates of the impact of COVID-19 and the risks associated with estimated cash flows. Whilst there is no impairment in relation to any of the CGU's at 30 June 2020, the Directors acknowledge that there is a heightened level of uncertainty around key assumptions in the current environment. This has the potential to impact the value-in-use assessment moving forward and potentially the carrying value of the respective goodwill and intangible assets.

The Group has run various sensitivities on the above DCF calculations; including increasing the discount rate from 7% to 7.5% and separately reduced growth rates from 1.5% to 0% applied for the period to year five. Under the Group's scenario 2, and combining both sensitivities, no impairment would arise.

6 Non-current assets including Intangible assets (continued)

General Motors

The Directors has assessed the impact on the Car Retailing segment and its CGUs of General Motors' announcement on 18 February 2020 to wind down Holden vehicle sales in Australia and New Zealand by 2021, whilst maintaining Holden service outlets to support existing Holden customers with warranty claims, spare parts, servicing and recalls for five years. The assessment was performed independently to the compensation arrangement agreed subsequent to 30 June 2020 (refer to Note 14). The Directors have determined that the future mitigating initiatives planned by the Group, such as substitution of other franchises into affected dealerships, will sufficiently replace the cash flows assumed in each CGU in the appropriate time frame. Therefore, no impairment was recorded against the goodwill and intangible assets at 30 June 2020.

Following the Directors review of specific non-current assets in respect of Holden dealerships, the group has recorded a combined impairment of circa $30 million in respect of property, plant and equipment and right-of-use assets in the current period.

Property and Right-of-use Assets

Following a review of the fair value of the property portfolio and Right-of-use assets in respect of leased properties, the Group has recorded an impairment of $6 million and $4 million respectively in the current period.

7 Equity securities movements

	Half-year ended			
	30-Jun-20 No. of Shares	30-Jun-19 No. of Shares	**30-Jun-20 $'000**	30-Jun-19 $'000
Movements in ordinary shares during the half-year	**-**	-	**-**	-

Included in the share capital is 811,841 ordinary shares held by the Employee Share Trust.

8 Fair value

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair value.

The fair value and net fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions, and traded on active liquid markets, are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).

- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives and option pricing models for optional derivatives. Interest rate swaps are measured at the present value of future cash flows, estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Details of the Group's freehold land and buildings and information about the fair value hierarchy as at 30 June 2020 are as follows:

Explanation of asset classes:

- Car - HBU Alternate Use refers to properties currently operated as car dealerships but which have a higher and best use ('HBU') greater than that of a car dealership;
- Car Dealership refers to properties operating as a car dealership with a HBU consistent with that use;
- Development Car Dealership refers to properties which are in the progress of, or are being held for future development as a car dealership;
- Truck Dealership refers to properties being operated as a truck dealership with a HBU consistent with that use; and
- Other Logistics are industrial properties used for parts warehousing and vehicle logistics.

8 Fair value (continued)

Unobservable inputs used in determination of fair values										
Class of Financial Assets & Liabilities	**Carrying Amount 30/06/20 $'000**	**Carrying Amount 31/12/19 $'000**	**Valuation Technique**	**Key Input**	**Input**	**Average / Range 2020**	**Average / Range 2019**	**Other Key Information**	**Range (weighted avg) 2020**	**Range (weighted avg) 2019**
Level 3 Car – HBU Alternate Use	**48,801**	46,055	Direct comparison	External valuations	Price/sqm land	**Average $3,248/sqm**	Average $3,054/sqm	Land size	**Average 3,005 sqm**	Average 3,005 sqm
						Range $1,236 - $5,065/sqm	Range $1,239- $5,064/sqm		**Range 2,015 - 4,853 sqm**	Range 2,015 - 4,853 sqm
Level 3 Car Dealership	**178,634**	179,294	Summation method, income capitalisation and direct comparison	External valuations & industry benchmarks	Capitalis-ation rate	**Average 8.4%**	Average 6.5%	Net rent /sqm land	**Average $97/sqm**	Average $94/sqm
						Range 0.8% - 15.4%	Range 4.9% - 9.3%		**Range $17 - $330/sqm**	Range $28 - $330/sqm
								Net rent /sqm GBA	**Average $216/sqm Range $72 - $1,731/sqm**	Average $209/sqm Range $93 - $1,662/sqm
Level 3 Truck Dealership	**20,118**	20,233	Direct comparison	External valuations	Price/sqm land Price/sqm GBA	**Average $413/sqm**	Average $415/sqm	Land size	**Average 24,353 sqm**	Average 24,353 sqm
						Range $277 - $535/sqm	Range $278 - $538/sqm		**Range 23,006 - 25,700 sqm**	Range 23,006 - 25,700 sqm
								Net rent/sqm land	**Average $41/sqm**	Average $29/sqm
									Range $17 - $62/sqm	Range $18 - $39/sqm
								Capitalis-ation rate	**Average 10% Range 6.3% - 11.7%**	Average 6.9% Range 6.4% - 7.2%
Level 3 Other Logistics	**7,018**	7,162	Income capitalisation method supported by market comparison	External valuations	Capitalis-ation rate	**Average 6.8%**	Average 6.7%	Net rent /sqm GBA	**Average $117/sqm**	Average $191/sqm
						Range 7.8% - 8.4%	Range 7.8% - 8.0%		**Range $79 - $215/sqm**	Range $144 - $215/sqm
Total	**254,571**	252,744								

There were no transfers between levels in the period.

8 Fair value (continued)

Details of the Group's assets held at fair value through other comprehensive income and information about the fair value hierarchy as at 30 June 2020 are as follows:

Unobservable inputs used in determination of fair values				
Class of Financial Assets and Liabilities	**Carrying Amount 30/06/20 $'000**	**Carrying Amount 31/12/19 $'000**	**Valuation Technique**	**Key Input**
Level 3 Financial assets at fair value through other comprehensive income - Unlisted entities	2,366	2,366	Net asset assessment and available bid prices from equity participants	Pre tax operating margin taking into account management's experience and knowledge of market conditions and financial position. Market information based on available bid prices.

There were no transfers between levels in the period.

9 Acquisitions

The Group acquired the following business during the first half of 2020 as detailed below:

Year	Name of business	Date of acquisition	Principal activity	Proportion acquired
2020	Toyota Albion	31 January 2020	Motor Dealership	100%

Allocation of purchase consideration

The purchase price of the business acquired has been allocated as follows:

	Fair value $'000
Acquisition cost	**14,963**
Goodwill on acquisition (1)	**14,963**

(1) Goodwill arose in the business combination because as at the date of acquisition, the consideration paid for the combination included amounts in relation to the benefits of expected synergies and future revenue and profit growth from the business acquired.

9 Acquisitions (continued)

AHG Limited

On the 19 August 2019, Eagers Automotive Limited acquired 62.53% of AHG Limited for a total consideration of $617.4 million. At 31 December 2019, the fair value of the assets acquired and liabilities assumed were recognised on a provisional basis. During the period, the fair value of assets acquired and the liabilities has been finalised and the effect of the financial statements has been summarised below. The goodwill of $676.8 million represents the residual value of the purchase price over the fair value of the identifiable assets and liabilities.

The movement in relation to the fair value adjustments reflect the finalisation of the fair value of property, plant and equipment, right-of-use assets, inventories and contingent liabilities.

	Provisional fair value at 31 December 2019 $'000	Measurement period adjustments $'000	Final fair value at 31 December 2019* $'000
Purchase consideration - Ordinary shares issued to obtain controlling interest	344,509	-	344,509
Previously held equity investment, at fair value	295,131	-	295,131
Non-controlling interest	(13,574)	(8,708)	(22,282)
	626,066	**(8,708)**	**617,358**
Less: Net identified liabilities acquired at fair value	36,199	23,222	59,421
Goodwill arising on acquisition	**662,265**	**14,514**	**676,779**

**Note, Goodwill calculated as at acquisition date (19th August 2019).*

9 Acquisitions (continued)

	Provisional fair value at 31 December 2019 $'000	Measurement period adjustments $'000	Final fair value at 31 December 2019* $'000
Cash and cash equivalents	66,745	-	66,745
Trade and other receivables	202,611	(632)	201,979
Inventories	911,984	(4,143)	907,841
Prepayments and deposits	13,924	-	13,924
Deferred tax assets	128,570	(2,440)	126,130
Property, plant and equipment	155,906	(21,792)	134,114
Right-of-use assets	873,787	(4,600)	869,187
Other assets	41,839	-	41,839
Assets classified as held for sale	571,548	-	571,548
Total Assets	**2,966,914**	**(33,607)**	**2,933,307**
Trade and other payables	247,045	3,813	250,858
Lease liabilities	936,381	-	936,381
Other liabilities	1,279,779	(14,275)	1,265,504
Liabilities directly associated with assets classified as held for sale	549,317	-	549,317
Total Liabilities	**3,012,522**	**(10,462)**	**3,002,060**
Total identified tangible liabilities acquired at fair value	**(45,608)**	**(23,145)**	**(68,753)**
Intangible assets recognised on acquisition	9,409	(77)	9,332
Total identified liabilities acquired at fair value	**(36,199)**	**(23,222)**	**(59,421)**

**Note, Goodwill calculated as at acquisition date (19th August 2019).*

10 Disposals of business

(a) Description

The Group sold the following businesses during the first half of 2020 as detailed below:

Year	Name of business	Date of sale	Principal activity	Proportion disposed
2020	Bayside Automotive (1)	16 March 2020	Motor Dealership	100%
2020	Bunbury Trucks (1)	15 May 2020	Motor Vehicle Dealership	100%
2020	Refrigerated Logistics (2)	29 June 2020	Other Logistics	100%

(2) Please refer to Note 13 for details on the sale of Refrigerated Logistics.

(b) Details of the disposal

	30 June 2020 $'000
(1) Consideration received or receivable:	
Cash	**750**
Less: Carrying amount of net assets sold	**(750)**
Gain on sale after income tax	**-**

11 Investments in associates

Investments accounted for using the equity method	**30-Jun-20 $'000**	**31-Dec-19 $'000**
Investments in associates		
Shares in associate - Vehicle Parts (WA) Pty Ltd	1,247	1,127
Shares in associate - DealerMotive Limited	15,629	15,629
Shares in associate - Mazda Parts	178	50
Total investments accounted for using the equity method	**17,054**	**16,806**

DealerMotive Limited

DealerMotive Limited is incorporated in Australia. Its principal activities for the period is holding a 30% investment in Cox Automotive Australia, a subsidiary of Cox Automotive. Cox Automotive Australia controls and operates Manheim Australia, Dealer Solutions and One Way Traffic (who owns Carsguide and Auto Traders businesses).

Vehicle Parts (WA) Pty Ltd

Vehicle Parts (WA) Pty Ltd provides warehousing and distribution of automotive parts and accessories for Subaru in Western Australia.

Mazda Parts

Mazda Parts provides distribution of automotive parts and accessories for Mazda in Western Australia.

Detailed in the table below is the share of investees' net profit recognised in the financial period ending 30 June 2020:

	30-Jun-20 $'000	**30-Jun-19 $'000**
DealerMotive Limited	-	(64)
Vehicle Parts (WA) Pty Ltd	120	-
Mazda Parts	128	-
AHG Limited (1)	-	4,847
Share of net profit from equity accounted investees	**248**	**4,783**

(1) Refer to Note 9 for the acquisition of AHG Limited

12 Contingent liabilities

There has been no change in contingent liabilities since the last annual reporting date.

13 Discontinued Operations

On the 29th June 2020, Eagers Automotive Limited divested Refrigerated Logistics, a business acquired as part of the acquisition of AHG Limited in 2019 and immediately classified as an asset Held for Sale. The Buyer, Anchorage Capital Partners, acquired the business on a debt-free basis, with the sale proceeds at completion directed to the repayment of the finance leases and hire purchase liabilities associated with Refrigerated Logistics. The loss from discontinued operations reported in the Statement of Profit or Loss represents a combination of Refrigerated Logistics trading losses for the period ended 30 June 2020 and the loss realised on divestment of the business.

As part of the divestment, Eagers Automotive Limited entered into a number of back-to-back sublease arrangements for property leases. Eagers Automotive Limited have applied the relevant accounting standard, AASB 16 *Leases,* and have disclosed the sublease arrangements as finance leases. The accounting policy applied has been detailed in Note 1.

14 Subsequent events

General Motors

On 18 February 2020, General Motors announced its decision to wind down Holden vehicle sales in Australia and New Zealand by 2021, whilst maintaining Holden service outlets to support existing Holden customers with warranty claims, spare parts, servicing and recalls for five years. Subsequent to our half year ended 30 June 2020, Eagers Automotive and General Motors agreed compensation arrangements to compensate Eagers Automotive for the termination of our Holden dealership operations except to the extent that the dealerships continue as a Holden authorised service operator. The full terms and conditions of the arrangement are confidential.

The directors have determined that the agreement represents a non adjusting event with compensation outcomes reflecting a value that is materially consistent with the impairment against specific Holden non-current assets.

Victoria COVID-19 lockdown

On 2 August 2020, the Victorian Government announced stage four restrictions for Melbourne, and stage three for the rest of Victoria, for a six week period in response to an escalation in COVID-19 community transmissions; the restrictions were imposed at midnight 5 August 2020. The Directors of Eagers Automotive Limited have assessed the impact of the lockdown on continuing operations and note that it does not have a significant impact on the overall Group and its available liquidity, and consider this matter to represent a non-adjusting event.

New Zealand COVID-19 restrictions

On 11 August 2020, the New Zealand Government announced Level 3 alert restrictions for the Auckland Region with the rest of New Zealand entering into Level 2 alert restrictions following the identification of four new COVID-19 cases. The Directors of Eagers Automotive Limited have assessed the impact of the increased restrictions in New Zealand on continuing operations. They note that it does not have a significant on the overall Group and its available liquidity, and consider the matter to a non-adjusting event.

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Independent Auditor's Review Report to the Members of Eagers Automotive Limited

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of Eagers Automotive Limited which comprises the condensed statement of financial position as at 30 June 2020, the condensed consolidated statement of profit and loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the interim half year period 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 Eagers Automotive Limited and the entities it controlled at the end of the interim period or from time to time during the interim period as set out on pages 1 to 24.

Directors' Responsibility for the Interim Financial Report

The directors of Eagers Automotive Limited 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 for such internal control as the directors determine is necessary to enable the preparation of the interim 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 interim financial report based on our review. We conducted our review in accordance with the 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 consolidated entity's financial position as at 30 June 2020 and its performance for the interim period ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001. As the auditor of Eagers Automotive Limited, 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.

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 Eagers Automotive Limited, 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 interim financial report of Eagers Automotive Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the interim period 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

Stephen Tarling
Partner
Chartered Accountants
Brisbane, 26 August 2020