

1. Company details

Name of entity:	Peter Warren Automotive Holdings Limited
ABN:	57 615 674 185
Reporting period:	For the half-year ended 31 December 2021
Previous period:	For the half-year ended 31 December 2020

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	3.4% to	771,389
Profit from ordinary activities after tax attributable to the owners of Peter Warren Automotive Holdings Limited	up	12.4% to	23,694
Profit for the half-year attributable to the owners of Peter Warren Automotive Holdings Limited	up	12.4% to	23,694

Comments

The profit for the Group after providing for income tax amounted to \$23,694,000 (31 December 2020: \$21,075,000).

Refer to 'Operating and financial review' in the Directors' report for further commentary.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>143.68</u>	<u>219.05</u>

The net tangible assets per ordinary shares has been calculated based on 171,730,932 ordinary shares being on issue. The net tangible assets per ordinary share reported in the comparative period (31 December 2020) has been calculated based on 23,036,364 ordinary shares being on issue. This is the number of shares that would have been in existence at the end of that reporting period had the consolidation of shares, which occurred during the financial year ended 30 June 2021, taken place as at 1 July 2020.

Right-of-use assets and lease liabilities have been excluded from the net tangible assets calculation.

4. Control gained over entities

Name of entities (or group of entities)	Penfold Motor Group comprising Penfold Motors Burwood Pty Ltd, Doncaster European Pty Ltd, Frankston Motors Pty Ltd, Doncaster European Unit Trust and Frankston Mazda Unit Trust
Date control gained	1 December 2021

The acquired entities contributed revenues of \$28,930,000 and profit before tax of \$1,370,000 to the Group for the period from 1 December 2021 to 31 December 2021.

5. Dividends

Current period

On 22 February 2022, the directors declared a fully franked dividend of 9 cents per fully paid ordinary shares with a record date of 28 February 2022 to be paid on 31 March 2022.

Previous period

During the half-year ended 31 December 2020, prior to the IPO, a dividend of \$266,000 payable to shareholders was declared by the Company. The dividend was paid subsequent to the end of the half-year ended 31 December 2020.

6. 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.

7. Attachments

Details of attachments (if any):

The Interim Report of Peter Warren Automotive Holdings Limited for the half-year ended 31 December 2021 is attached.

8. Signed



Signed _____

Date: 22 February 2022

John Ingram
Chair
Sydney

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Peter Warren Automotive Holdings Limited

ABN 57 615 674 185

Interim Report - 31 December 2021

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The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Peter Warren Automotive Holdings Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2021.

Directors

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

John Ingram - Chairman
 Paul Warren - Executive Director
 Catherine West - Non-Executive Director
 Niran Peiris - Non-Executive Director

Principal activities

The principal activities of the Group during the year were the sale of new and used motor vehicles, related spare parts inventory and trade related services. There have been no significant changes in the nature of the Group's principal activities during the year.

Dividends

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

	Consolidated	
	Half-year	Half-year
	ended 31	ended 31
	Dec 2021	Dec 2020
	\$'000	\$'000
Dividend on D class shares for the half-year ended 31 December 2021 (2020: 31 December 2020)	-	<u>266</u>

On 22 February 2022, the directors declared a fully franked dividend of 9 cents per fully paid ordinary shares with a record date of 28 February 2022 to be paid on 31 March 2022.

Operating and financial review

Financial Result Summary

The profit for the Group after providing for income tax amounted to \$23,694,000 (31 December 2020: \$21,075,000).

Financial results for the half year ended 31 December 2021 (H1 FY22) are summarised as follows:

Half year (\$'m)	H1 FY22	H1 FY21	Var %
Revenue	777.9	749.6	+4%
Profit before tax – Statutory	34.1	30.2	+13%
+/- adjustments	2.2	(3.3)	
Profit before tax – underlying ⁽¹⁾	36.3	26.9	+35%
Less: PBT Penfold Motor Group	(1.3)	-	-
Profit before tax - Proforma pre-acquisitions ⁽²⁾	35.0	26.9	+30%
EBITDA margin – underlying ⁽¹⁾	6.9%	5.6%	130bps
Interim dividend per share (cents)	9.0	-	n/a

⁽¹⁾ The underlying result of \$36.3m includes the Penfolds PBT contribution of \$1.3m, for the month of December and excludes the impact of acquisition related expenses which totalled \$2.2 million in H1 FY22.

⁽²⁾ The proforma pre-acquisition profit before tax (PBT) of \$35.0 m excludes Penfolds contribution of \$1.3m, for the month of December and excludes the impact of acquisition related expenses which totalled \$2.2 million in H1 FY22.

H1 FY22 Result Overview

In the first half of FY22, Sales Revenue of \$778 million was up 4% on the prior corresponding period, despite lockdown impacts on volumes and the impact of Honda's switch to an Agency model on 1 July 2021, which is estimated at ~\$12 million. Under an agency model Peter Warren no longer recognises revenue and the cost of goods associated with the sale of new vehicles, which is replaced by commission revenue for delivery.

This growth reflects the strength of our operating model and geographic and brand diversity. Along with operating costs being well managed, our teams responded well to the ever-changing conditions related to COVID-19 to deliver an underlying EBITDA margin of 6.9% (H1 FY21: 5.6%).

H1 FY22 Operational Review

The Group continues to experience strong levels of demand across the eastern seaboard, with its order book (for NSW & QLD) at 31 December 2021 up 97% from 31 December 2020. The diversity of brands in Peter Warren's portfolio continues to help counter the uncertainty surrounding the supply of vehicles.

During the period there has been an ongoing focus on operating efficiencies and improvements in technology, with enhancements to digital capabilities, improving the way the Group engages with its customers. Investment in its websites has contributed to good customer lead generation and helped ensure a strong order book despite lockdowns and COVID-19 restrictions.

Technology is also being used to enhance Peter Warren's processes across all income streams and centralised activities, including the roll out of enhanced digital technology in the Service division.

Peter Warren also continues to invest into its growing employee base and in recognition of its workforce focus won Large Employer of the Year in both the QLD and NSW Training Awards as well as the All Industry National Award in November.

Strong Financial Position

During the period the Group secured a \$96 million debt facility that leverages its property assets to support its growth strategy.

The Group continues to assess its debt capacity on a net debt to property value basis, which at 16% at 31 December 2021 provides Peter Warren with a capital structure that will support its future growth plans.

Outlook

Overall, Peter Warren remains optimistic about the sustainability of earnings for the full financial year, with a strong order book, improvements in new vehicle supply anticipated and underlying demand expected to remain positive on the back of strong consumer savings.

Limited downward pressures on new vehicle margins are expected in the period to 30 June 2022, while a resilient operating model supported by geographic and brand diversity positions us well for continued OEM reforms.

The acquisition of the Penfold Motor Group was completed in December 2021 and will contribute to our performance in the second half of FY22. The Group will continue to pursue acquisition opportunities, with a disciplined approach to screening based on strategic rationale, location, and value. Peter Warren is a natural consolidator in a highly fragmented market and has a strong balance sheet to support its growth plans.

Meanwhile, the Group continues to focus on growing sustainable income streams and delivering cost base efficiencies through organic measures and the integration of acquired businesses.

Significant changes in the state of affairs

On 1 December 2021 the Group acquired 100% of the ordinary shares of Penfold Motor Group for the total consideration of \$105.975 million. The acquisition expands our footprint across the Eastern Seaboard and provides the Group with immediate scale in the Victorian market. Penfold Motor Group represents five brands across ten high quality locations in South and East Melbourne.

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

Apart from the dividend declared as discussed above, no other matter or circumstance has arisen since 31 December 2021 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



John Ingram
Chair

22 February 2022
Sydney

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22 February 2022

Board of Directors
Peter Warren Automotive Holdings Limited
13 Hume Highway
Warwick Farm NSW 2170
Australia

Dear Board Members

Auditor's Independence Declaration to Peter Warren Automotive Holdings Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the board of directors of Peter Warren Automotive Holdings Limited.

As lead audit partner for the review of the half year financial report of Peter Warren Automotive Holdings Limited for the half year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- Any applicable code of professional conduct in relation to review.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Tara Hill
Partner
Chartered Accountants

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Peter Warren Automotive Holdings Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2021



	Note	Consolidated Half-year ended 31 Dec 2021 \$'000	Half-year ended 31 Dec 2020 \$'000
Revenue	4	771,355	745,862
Other income	5	6,484	17,643
Interest revenue calculated using the effective interest method		34	62
Expenses			
Changes in inventories		5,986	(7,734)
Raw materials and consumables purchased		(635,468)	(609,349)
Employee benefits expense		(68,969)	(67,394)
Depreciation and amortisation expense	6	(11,088)	(12,420)
Occupancy costs		(368)	(240)
Advertising expense		(3,609)	(3,046)
Insurance expense		(3,447)	(3,028)
Motor vehicle expense		(3,123)	(2,947)
Acquisition expenses		(2,156)	-
Other expenses		(14,923)	(14,212)
Finance costs	6	(6,577)	(12,972)
Profit before income tax expense		34,131	30,225
Income tax expense		(10,437)	(9,150)
Profit after income tax expense for the half-year attributable to the owners of Peter Warren Automotive Holdings Limited		23,694	21,075
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Peter Warren Automotive Holdings Limited		<u>23,694</u>	<u>21,075</u>
		Cents	Cents
Basic earnings per share	15	14.17	38.30
Diluted earnings per share	15	14.16	38.30

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

	Note	Consolidated 31 Dec 2021 \$'000	30 Jun 2021 \$'000
Assets			
Current assets			
Cash and cash equivalents		37,475	42,923
Trade and other receivables		42,908	56,828
Inventories	7	269,355	225,265
Other assets		9,679	6,726
Total current assets		<u>359,417</u>	<u>331,742</u>
Non-current assets			
Other assets		153	153
Property, plant and equipment	8	244,259	229,837
Right-of-use assets		200,801	118,120
Intangibles	9	242,591	145,621
Deferred tax		23,868	21,429
Total non-current assets		<u>711,672</u>	<u>515,160</u>
Total assets		<u>1,071,089</u>	<u>846,902</u>
Liabilities			
Current liabilities			
Trade and other payables		75,771	63,362
Contract liabilities		840	1,212
Borrowings	10	207,985	181,859
Lease liabilities		14,802	11,549
Income tax		7,928	14,424
Employee benefits		21,916	16,981
Total current liabilities		<u>329,242</u>	<u>289,387</u>
Non-current liabilities			
Contract liabilities		1,642	1,201
Borrowings	10	62,417	-
Lease liabilities		216,058	135,145
Employee benefits		2,206	1,462
Provisions		250	250
Total non-current liabilities		<u>282,573</u>	<u>138,058</u>
Total liabilities		<u>611,815</u>	<u>427,445</u>
Net assets		<u>459,274</u>	<u>419,457</u>
Equity			
Issued capital	11	493,872	478,448
Reserves		(47,383)	(48,082)
Retained profits/(accumulated losses)		12,785	(10,909)
Total equity		<u>459,274</u>	<u>419,457</u>

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

Consolidated	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2020	163,471	(51,307)	17,812	129,976
Profit after income tax expense for the half-year	-	-	21,075	21,075
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	21,075	21,075
<i>Transactions with owners in their capacity as owners:</i>				
Treasury capital	(1,250)	-	-	(1,250)
Share-based payments	-	487	-	487
Dividends paid (note 12)	-	-	(266)	(266)
Balance at 31 December 2020	162,221	(50,820)	38,621	150,022
Consolidated	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2021	478,448	(48,082)	(10,909)	419,457
Profit after income tax expense for the half-year	-	-	23,694	23,694
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	23,694	23,694
<i>Transactions with owners in their capacity as owners:</i>				
Issue of shares (note 11)	15,631	-	-	15,631
Share-based payments	-	699	-	699
Balance at 31 December 2021	494,079	(47,383)	12,785	459,481

	Note	Consolidated Half-year ended 31 Dec 2021 \$'000	Half-year ended 31 Dec 2020 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		870,740	844,215
Receipts from government grants		1,979	13,850
Payments to suppliers and employees (inclusive of GST)		(822,485)	(808,354)
Payment for expenses relating to acquisitions		(1,151)	-
Interest received		34	62
Interest and other finance costs paid		(6,383)	(8,717)
Income taxes paid		(19,089)	(5,640)
		<u>23,645</u>	<u>35,416</u>
Cash flows from investing activities			
Payment for purchase of subsidiary, net of cash acquired	14	(85,186)	-
Payments for property, plant and equipment		(6,088)	(3,094)
Payments for security deposits		(1,331)	-
Loan payment to key management personnel		-	(1,250)
		<u>(92,605)</u>	<u>(4,344)</u>
Cash flows from financing activities			
Proceeds from borrowings		70,000	-
Repayment of borrowings		(583)	-
Repayment of lease liabilities		(5,905)	(7,751)
		<u>63,512</u>	<u>(7,751)</u>
Net cash from/(used in) financing activities		<u>63,512</u>	<u>(7,751)</u>
Net (decrease)/increase in cash and cash equivalents		(5,448)	23,321
Cash and cash equivalents at the beginning of the financial half-year		42,923	76,313
Cash and cash equivalents at the end of the financial half-year		<u><u>37,475</u></u>	<u><u>99,634</u></u>

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

Note 1. General information

The financial statements cover Peter Warren Automotive Holdings Limited as a Group consisting of Peter Warren Automotive Holdings Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Peter Warren Automotive Holdings Limited's functional and presentation currency.

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

13 Hume Highway
Warwick Farm
NSW 2170

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 22 February 2022.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 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 2021 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, unless otherwise stated.

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. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

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

Note 3. Operating segments

Identification of reportable operating segments

The Group has two operating segments being Vehicle Retailing and Property. Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance. There is no aggregation of operating segments.

The CODM reviews adjusted EBITDA (earnings before interest, tax, depreciation, amortisation and unallocated expenses comprising public company expenses, acquisition expenses and key management personnel expenses). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

Note 3. Operating segments (continued)

Types of products and services

The principal products and services of each of these operating segments are as follows:

Vehicle Retailing

Within the Vehicle Retailing segment, the Group offers a diversified range of automotive products and services, including new vehicles, used vehicles, vehicle maintenance and repair services, vehicle parts, extended service contracts, 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.

Property

Within the Property segment, the Group holds commercial properties principally for use as premises for its motor dealership operations. The Property segment charges the Vehicle Retailing segment commercial rentals for owned properties occupied by that segment. The Property segment reports property assets at fair value, based on an assessment by the Directors at each reporting date supported by periodic valuations by external independent valuers. Revaluation increments arising from fair value adjustments are credited in other comprehensive income through to the revaluation reserve in equity. The CODM excludes revaluation increments arising from fair value adjustments when assessing the overall returns generated by this segment to the Group.

Intersegment transactions

Intersegment transactions were made at market rates. The Vehicle Retailing operating segment leases premises from the Property operating segment. Intersegment transactions are eliminated on consolidation. Intersegment leases have been accounted for on a cash basis.

All leasing transactions with parties external to the Group are included in the Vehicle Retailing operating segment.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Major customers

There are no major customers for the Group representing more than 10% of the Group's revenue.

Geographic Information

The Group operates in one principal geographic location, being Australia.

Note 3. Operating segments (continued)

	Vehicle Retailing \$'000	Property \$'000	Inter-segment eliminations \$'000	Total \$'000
Consolidated - Half-year ended 31 Dec 2021				
Revenue				
Sales to external customers	771,355	-	-	771,355
Total Revenue	771,355	-	-	771,355
Other income	6,137	4,813	(4,466)	6,484
Interest revenue	34	-	-	34
Segment result				
Adjusted EBITDA	56,551	4,451	(4,466)	56,536
Depreciation and amortisation	(9,973)	(1,115)	-	(11,088)
Segment profit				
Interest revenue	34	-	-	34
Finance costs	(6,423)	(154)	-	(6,577)
Profit/(loss) before income tax expense and unallocated expenses	40,189	3,182	(4,466)	38,905
Unallocated expenses				(4,774)
Profit before tax				34,131
Assets				
Segment assets	865,918	278,518	(73,347)	1,071,089
Liabilities				
Segment liabilities	614,925	70,237	(73,347)	611,815
Net assets	250,993	208,281	-	459,274
Consolidated - Half-year ended 31 Dec 2020				
Revenue				
Sales to external customers	745,862	-	-	745,862
Total Revenue	745,862	-	-	745,862
Other income	17,643	-	-	17,643
Interest revenue	62	-	-	62
Segment result				
Adjusted EBITDA	58,556	-	-	58,556
Depreciation and amortisation	(12,420)	-	-	(12,420)
Segment profit				
Interest revenue	62	-	-	62
Finance costs	(12,972)	-	-	(12,972)
Profit/(loss) before income tax expense and unallocated expenses	33,226	-	-	33,226
Unallocated expenses				(3,001)
Profit before tax				30,225

Note 3. Operating segments (continued)

There was no income from the property operating segment during the half-year ended 31 December 2020, as the land and buildings from which the rental income is generated was not acquired until after 31 December 2020.

Unallocated expenses

Unallocated expenses comprise public company expenses (\$693,000), acquisition expenses (\$2,156,000) and key management personnel expenses (\$1,925,000; half-year ended 31 December 2020: \$3,001,000).

Consolidated - 30 June 2021	Vehicle Retailing \$'000	Property \$'000	Inter-segment eliminations \$'000	Total \$'000
Assets				
Segment assets	644,662	202,240	-	846,902
Liabilities				
Segment liabilities	427,296	149	-	427,445
Net assets	217,366	202,091	-	419,457

Note 4. Revenue

	Consolidated Half-year ended 31 Dec 2021 \$'000	Consolidated Half-year ended 31 Dec 2020 \$'000
New and demonstrator vehicles	523,476	491,119
Used vehicles	107,223	119,135
Parts revenue	77,835	75,971
Service revenue	38,161	37,253
Finance and insurance	13,204	11,928
Aftermarket accessories	10,639	10,456
Agency commission	817	-
Revenue	<u>771,355</u>	<u>745,862</u>

Disaggregation of revenue from contracts with customers

All revenue is generated in Australia and revenue is recognised at a point in time, except for service revenue which is recognised over time.

Certain comparatives in the prior reporting period have been reclassified to align with the current year presentation. Revenue from new and demonstrator vehicles decreased by \$2,739,000 to \$491,119,000, services revenue decreased by \$2,849,000 to \$37,253,000 and parts revenue increased by \$5,588,000 to \$75,971,000. There was no change in total revenue.

Note 5. Other income

	Consolidated Half-year ended 31 Dec 2021 \$'000	Consolidated Half-year ended 31 Dec 2020 \$'000
Government grants - JobKeeper	-	13,850
Government grants - Boosting Apprenticeship subsidy	2,950	-
Other income*	3,534	3,793
	<hr/>	<hr/>
Other income	6,484	17,643
	<hr/> <hr/>	<hr/> <hr/>

* Includes amounts received from related parties under a shared service agreement.

Government grants - JobKeeper

Government grants received during the financial half-year ended 31 December 2020 represent grants received from the Government comprising of JobKeeper support payments. On 8 February 2021, the Group voluntarily repaid \$13,315,000 of JobKeeper receipts to the Australian Government.

Note 6. Expenses

	Consolidated Half-year ended 31 Dec 2021 \$'000	Consolidated Half-year ended 31 Dec 2020 \$'000
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Buildings	849	-
Leasehold improvements	74	50
Plant and equipment	2,594	2,311
Motor vehicles	118	84
Right-of-use assets	7,390	9,975
	<hr/>	<hr/>
Total depreciation	11,025	12,420
<i>Amortisation</i>		
Customer relationships	63	-
	<hr/>	<hr/>
Total depreciation and amortisation	11,088	12,420
<i>Finance costs</i>		
Interest and finance charges paid/payable on external borrowings	154	-
Interest and finance charges paid/payable on loans from related parties	-	4,256
Interest and finance charges paid/payable on lease liabilities	4,271	6,481
Bailment interest	2,152	2,235
	<hr/>	<hr/>
Finance costs	6,577	12,972
	<hr/> <hr/>	<hr/> <hr/>

Note 7. Inventories

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
<i>Current assets</i>		
New and demonstrator vehicles	204,853	162,267
Less: Provision for impairment	(5,991)	(5,206)
	<u>198,862</u>	<u>157,061</u>
Used vehicles	43,266	47,410
Less: Provision for impairment	(2,516)	(3,107)
	<u>40,750</u>	<u>44,303</u>
Spare parts and accessories	29,475	23,900
Less: Provision for impairment	(1,005)	(910)
	<u>28,470</u>	<u>22,990</u>
Work in progress	293	229
Petrols, oils and grease	980	682
	<u>269,355</u>	<u>225,265</u>

Note 8. Property, plant and equipment

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
<i>Non-current assets</i>		
Land - at fair value	147,094	144,989
Buildings - at fair value	51,742	51,742
Less: Accumulated depreciation	(849)	-
	<u>50,893</u>	<u>51,742</u>
Leasehold improvements - at cost	13,335	4,050
Less: Accumulated depreciation	(2,022)	(705)
	<u>11,313</u>	<u>3,345</u>
Plant and equipment - at cost	73,586	70,291
Less: Accumulated depreciation	(43,164)	(41,818)
	<u>30,422</u>	<u>28,473</u>
Motor vehicles - at cost	2,234	2,125
Less: Accumulated depreciation	(874)	(837)
	<u>1,360</u>	<u>1,288</u>
Construction in progress - at cost	3,177	-
	<u>244,259</u>	<u>229,837</u>

Note 8. Property, plant and equipment (continued)

Reconciliations

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

Consolidated	Land \$'000	Buildings \$'000	Leasehold improvements \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Construction in progress \$'000	Total \$'000
Balance at 1 July 2021	144,989	51,742	3,345	28,473	1,288	-	229,837
Additions	2,105	-	106	692	239	2,946	6,088
Additions through business combinations (note 14)	-	-	7,936	3,851	-	231	12,018
Disposals	-	-	-	-	(49)	-	(49)
Depreciation expense	-	(849)	(74)	(2,594)	(118)	-	(3,635)
Balance at 31 December 2021	<u>147,094</u>	<u>50,893</u>	<u>11,313</u>	<u>30,422</u>	<u>1,360</u>	<u>3,177</u>	<u>244,259</u>

Valuations of land and buildings

The basis of the Directors' valuation of land and buildings is the assessed fair value, being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction at balance date, based on current prices in an active market for similar properties in the same location and condition. The Directors do not believe that there has been a material movement in fair value since 30 June 2021.

Note 9. Intangibles

	Consolidated	
	31 Dec 2021 \$'000	30 Jun 2021 \$'000
<i>Non-current assets</i>		
Goodwill - at cost	238,523	145,621
Customer relationships - at cost	4,131	-
Less: Accumulated amortisation	(63)	-
	<u>4,068</u>	<u>-</u>
	<u>242,591</u>	<u>145,621</u>

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 2021	145,621	-	145,621
Additions through business combinations (note 14)	92,902	4,131	97,033
Amortisation expense	-	(63)	(63)
Balance at 31 December 2021	<u>238,523</u>	<u>4,068</u>	<u>242,591</u>

Customer relationships

Customer relationships acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite useful life of 5.5 years.

Note 10. Borrowings

	Consolidated	
	31 Dec 2021 \$'000	30 Jun 2021 \$'000
<i>Current liabilities - secured</i>		
Bailment finance and equitable mortgage agreement ('EMA') vehicle funding	200,985	181,859
Capital loan	7,000	-
	<u>207,985</u>	<u>181,859</u>
<i>Non-current liabilities - secured</i>		
Capital loan	62,417	-
	<u>270,402</u>	<u>181,859</u>

During the half year, the Group obtained a new \$96.000 million debt facility, which is secured against the Group's Warwick Farm property. The loan bears a variable interest rate based on the AAAF Wholesale Rate plus a margin of 0.5%. The loan is repayable in fixed monthly instalments which are not available to be redrawn and interest is payable monthly in arrears. The debt facility matures on 29 November 2031.

Bailment finance and EMA vehicle funding are secured over the related assets (predominantly vehicle inventory) held by the Group.

Financing arrangements

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

	Consolidated	
	31 Dec 2021 \$'000	30 Jun 2021 \$'000
<i>Total facilities</i>		
Bailment finance and EMA vehicle funding	435,800	360,550
Capital loan	95,417	-
	<u>531,217</u>	<u>360,550</u>
<i>Used at the reporting date</i>		
Bailment finance and EMA vehicle funding	200,985	181,859
Capital loan	69,417	-
	<u>270,402</u>	<u>181,859</u>
<i>Unused at the reporting date</i>		
Bailment finance and EMA vehicle funding	234,815	178,691
Capital loan	26,000	-
	<u>260,815</u>	<u>178,691</u>

Note 11. Issued capital

	Consolidated			
	31 Dec 2021 Shares	30 Jun 2021 Shares	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Ordinary shares - fully paid	171,730,932	166,555,203	495,122	479,698
Treasury share capital	(250,000)	(250,000)	(1,250)	(1,250)
	<u>171,480,932</u>	<u>166,305,203</u>	<u>493,872</u>	<u>478,448</u>

Note 11. Issued capital (continued)

(a) Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2021	166,555,203		479,698
Issue of shares	1 December 2021	<u>5,175,729</u>	\$2.98	<u>15,424</u>
Balance	31 December 2021	<u>171,730,932</u>		<u>495,122</u>

Ordinary shares

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the Company be wound up, in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Treasury shares

Treasury capital includes secured share capital associated with a limited recourse loan made during the period to a key management personnel and shares issued through the employee share trust.

Share buy-back

There is no current on-market share buy-back.

Note 12. Dividends

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

	Consolidated Half-year ended 31 Dec 2021 \$'000	Consolidated Half-year ended 31 Dec 2020 \$'000
Dividend on D class shares for the half-year ended 31 December 2021 (2020: 31 December 2020)	-	<u>266</u>

On 22 February 2022, the directors declared a fully franked dividend of 9 cents per fully paid ordinary shares with a record date of 28 February 2022 to be paid on 31 March 2022.

Note 13. Contingent liabilities

	Consolidated 31 Dec 2021 \$'000	Consolidated 30 Jun 2021 \$'000
Bank guarantees	<u>3,962</u>	<u>2,422</u>

All bank guarantees are to cover landlord deposits on leased property.

Note 14. Business combinations

Acquisition of Penfold Motor Group

On 1 December 2021 the Group acquired 100% of the ordinary shares of Penfold Motor Group for the total consideration of \$105.975 million. The acquisition consideration to the vendors was in the form of scrip of \$15.424 million and cash paid or payable of \$90.551 million. The scrip component is priced at \$2.98 per share resulting in 5,175,729 new shares being issued to the Vendors (refer movement in note 11).

The acquisition expands our footprint across the Eastern Seaboard and provides the Group with immediate scale in the Victorian market. Penfold Motor Group represents five brands across ten high quality locations in South and East Melbourne.

The goodwill of \$92.902 million represents the residual value of the purchase price over the fair value of the identifiable assets and liabilities and reflects the future potential profits of the acquired business.

The acquired entities contributed revenues of \$28,930,000 and profit before tax of \$1,370,000 to the Group for the period from 1 December 2021 to 31 December 2021.

Acquisition related costs have been excluded from the consideration transferred and have been recognised as an expense in the profit or loss in the half year.

The acquisition accounting has been performed on a provisional basis and will be finalised on preparation of the completion accounts which is expected to occur before the end of March 2022.

Note 14. Business combinations (continued)

The provisional fair values of the identifiable assets and liabilities of the Penfold Motor Group at the date of acquisition were:

	Provisional values at acquisition \$'000
Cash and cash equivalents	1,388
Trade and other receivables	4,333
Inventories	38,393
Other assets	1,134
Property, plant and equipment	12,018
Right-of-use assets	89,451
Customer relationships	4,131
Deferred tax asset	1,834
Trade and other payables	(11,695)
Provision for income tax	(312)
Deferred tax liability	(1,239)
Employee benefits	(4,809)
Contract liabilities	(47)
Lease liability	(89,451)
Borrowings	(32,056)
	<hr/>
Net assets acquired	13,073
Goodwill	92,902
	<hr/>
Acquisition-date fair value of the total consideration transferred	<u>105,975</u>
Representing:	
Cash paid or payable to vendor	90,551
Peter Warren Automotive Holdings Limited shares issued to vendor	15,424
	<hr/>
	<u>105,975</u>
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	105,975
Less: cash and cash equivalents	(1,388)
Less: working capital adjustment payable	(3,977)
Less: shares issued by Company as part of consideration	(15,424)
	<hr/>
Net cash used	<u>85,186</u>

Note 15. Earnings per share

	Consolidated Half-year ended 31 Dec 2021 \$'000	Half-year ended 31 Dec 2020 \$'000
Profit after income tax attributable to the owners of Peter Warren Automotive Holdings Limited	<u>23,694</u>	<u>21,075</u>

Note 15. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	167,177,201	55,024,220
Adjustments for calculation of diluted earnings per share:		
Performance rights over ordinary shares	189,654	-
	<u>167,366,855</u>	<u>55,024,220</u>
	Cents	Cents
Basic earnings per share	14.17	38.30
Diluted earnings per share	14.16	38.30

The weighted average number of ordinary shares for the half-year ended 31 December 2020 has been restated for the effect of the capital reorganisation that took place on 28 March 2021. During the capital reorganisation all class B and class C shares were converted into ordinary shares in the Company after which all ordinary shares were consolidated on a ratio of 5 to 1. In accordance with AASB 133 'Earnings per share', the weighted average number of ordinary shares for the comparative period are calculated based on the number of shares that would have been in existence had the capital reorganisation occurred on 1 July 2020.

Note 16. Events after the reporting period

Apart from the dividend declared as disclosed in note 12, no other matter or circumstance has arisen since 31 December 2021 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.

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 2021 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



John Ingram
Chair

22 February 2022
Sydney

Independent Auditor's Review Report to the Members of Peter Warren Automotive Holdings Limited

Report on the Half Year Financial Report

Conclusion

We have reviewed the half year financial report of Peter Warren Automotive Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2021, the condensed consolidated statement of profit or loss and comprehensive income, the condensed consolidated statement of cash flows and the condensed 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.

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:

- Giving a true and fair view of the Group's financial position as at 31 December 2021 and of 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.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Half year Financial Report section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Directors' Responsibilities for the Half year Financial Report

The directors of the Company 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 Responsibilities for the Review of the Half year Financial Report

Our responsibility is to express a conclusion on the half year financial report based on our review. ASRE 2410 requires us to conclude whether 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 Group's financial position as at 31 December 2021 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.

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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Tara Hill
Partner
Chartered Accountants

Sydney, 22 February 2022

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