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# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

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AMA GROUP LIMITED | ABN 50 113 883 560



**AMA**GROUP

## SHAREHOLDERS INFORMATION

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### **AMA GROUP LIMITED**

ABN 50 113 883 560

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BUNDALL, QUEENSLAND, 4217  
AUSTRALIA

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Website: [amagroupltd.com](http://amagroupltd.com)

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### **Shareholder information and enquiries**

All enquiries and correspondence regarding shareholdings should be directed to AMA Group's share registry provider:

### **Computershare Investor Services Pty Limited**

GPO Box 2975  
MELBOURNE, VICTORIA, 3001  
AUSTRALIA

Telephone: +61 3 9415 4000

Telephone: 1300 787 272  
(Within Australia)

Website: [computershare.com.au](http://computershare.com.au)

Email: [web.queries@computershare.com.au](mailto:web.queries@computershare.com.au)

### **Stock Exchange Listing**

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

# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

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# CHAIR OF THE BOARD AND CHIEF EXECUTIVE OFFICER'S REVIEW

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On behalf of the Board, it is our pleasure to present AMA Group Limited's Annual Report for the year ended 30 June 2020.

## **FY20 Financial performance**

The Group reported revenue from continuing operations of circa \$889 million for FY20, representing a year-on-year increase of 46.5%. This increase in revenue is attributable to a full 12 months trading in respect of acquisitions completed in FY19 and revenue from acquisitions completed during FY20, notably 8 months of operations of Capital Smart and ACM Parts.

Dry weather conditions late in the first half of FY20 reduced repair volumes and coupled with a decrease in year-on-year new car sales and increases in costs of repair as a result of Advanced Driver-Assistance Systems, resulted in a weaker than anticipated financial performance for H1 FY20.

The impact of COVID-19 on our operations and revenue generation mainly in the last quarter of FY20 resulted in FY20 Normalised EBITDAI of circa \$53 million. Management's responses which included optimising resources, improving operational efficiencies, cost management and cash preservation placed the business in a significantly better position than anticipated at the outset of the pandemic, and we are pleased to have delivered a result above expectations.

The Group remained cashflow positive (inclusive of Government wage subsidy programs) during this period and the net debt position of circa \$227 million at 30 June 2020 (excluding any contingent vendor consideration) is also significantly better than anticipated at the outset of the pandemic.



**Anthony Day**  
Chair of the Board



**Andrew Hopkins**  
Group Chief Executive Officer

## The year in review

The Group started FY20 on a sound footing for achieving growth, improved financial and operational performance and increasing shareholder returns.

Setting the Group up for significant growth, the business looked at several growth opportunities and successfully acquired the Capital Smart and ACM Parts businesses in October 2019. This included a long-term agreement with our major customer, Suncorp, which secured the ongoing relationship and growth potential of the Group. Less than one year later, the integration of Capital Smart is complete. The business is on target to achieve annual synergies of \$17 million by the end of FY21. The Group will continue to capitalise on the scale benefits afforded by the size of the broader Group.

The transaction was funded via a fully underwritten circa \$216 million equity raise, which was well supported by existing and new investors and an increase in debt facilities of \$250 million.

With our focus on acquisitions, the Group acquired the New Zealand based Fully Equipped business in January 2021.

During the year, the Group secured its first major fleet customer contract, SG Fleet's entire customer base of approximately 4,000 repairs annually. This enables the Group to diversify its offering and enter into this growing segment of the Australian vehicle market which the Company has not previously serviced.

With Management's commitment to driving efficiencies, cost management, and a return to normal repair volume, the business performed well in Q3 FY20 delivering results in line with achieving the FY20 targets outlined in our announcement to market in February 2020.

The annual revised terms for the motor repair partnership between Capital Smart and Suncorp delivering average repair pricing and volume increases reflecting a change in the mix of repairs to be pathed through the Capital Smart network, were agreed in April 2020. In addition, Management's negotiations with all its major insurance customers secured price and repair volume increases through the AMA Group network. These provide sustained and improved revenue generation and profitability for the Group from 1 July 2020 (based on a normal operational environment).

As for most businesses, the Group has not been immune to the effects of the COVID-19 pandemic and the emergence of COVID-19 in early March 2020 diverted the Board and Management's focus to navigating through the impact on our business. The restrictions imposed by the Australian and New Zealand Governments to stem the spread of COVID-19, impacted kilometres travelled, which has a direct impact on revenue generation. Management immediately responded with a focus on:

- Optimisation of costs in line with repair volume, ensuring customer service was maintained.
- Management of Government lockdowns and state-wide restrictions imposed in New Zealand and Australia. Government wage subsidy programs assisted the Company in maintaining operations and more importantly retaining capability and skill within the business.
- Engagement with lenders to secure ongoing liquidity to endure an extended period of business interruption.
- Adoption of a high standard of health and safety measures and provision of additional support to our employees including via Employee Assistant Programs.
- Regular Board meetings to assist Management and remain close to the business and developments.
- The Board and senior employees reduced remuneration by 20% from May 2020 to June 2020.

With a strong focus on improving corporate governance, a number of improvements were made during FY20, while at the same time managing the challenges of COVID-19 on the business.

In our commitment to improved performance and expanding, skills and expertise, Board and Senior Management changes made during the year are set out below.

## **Board**

The appointment of Anthony Day as Chair of the Board in September 2019.

Acknowledging the benefit that a broad range of skills and gender diversity brings to the Board, the appointment of Nicole Cook was made in December 2019 and Carl Bizon joined the Board in February 2020.

## **Senior Management**

With Andy Hopkins taking on the leadership of AMA Group as Group CEO, Steven Bubulj was appointed as CEO of AMA Panel in July 2019. David Marino, CEO of the acquired Capital Smart business transitioned on acquisition, and Campbell Jones transitioned with the ACM Parts business as CEO of the newly formed APAS Division.

The combined expertise of the Senior Management team comprising of Group CEO Andy Hopkins, Group CFO Steven Becker and the Divisional CEOs, places the business in the best position to execute on the Group's future strategies.

## **Dividend**

As a result of the impact of the COVID-19 pandemic on the second half performance and the uncertainty of the duration of restrictions and resultant impact on the business, and to maintain liquidity for a prolonged period, the Directors have prudently determined that a final dividend for FY20 will not be declared.

### Outlook

Our expectation is that market conditions are likely to remain uncertain and therefore challenging at least into Q1 FY21. The discipline and strategies implemented during this period which included cash and cost management and optimising operations and resources in line with repair volumes are now entrenched in the business, and Senior Management will continue to apply these disciplines as operational conditions improve. With that backdrop and in our commitment to drive ongoing growth and deliver shareholder value in FY21 and beyond, our key strategies are:

- Ongoing strategic review of the business in line with the broader objectives of AMA Group aimed at maximising value for shareholders.
- Continuing the consolidation of the vehicle panel repair industry.
- Capitalising on industry technology advancements through innovation.
- Diversifying our range of services to broaden coverage of the vehicle panel repair industry.
- Focusing on fleet customer solutions via greenfield or brownfield platforms.
- Enhancing value add of recycled parts.
- Continuing to explore diversified, sizeable growth opportunities and, optimising learnings and successes from the recent acquisition of Capital Smart.
- Ongoing improvement in our journey to achieve operational, systems and corporate governance best practice.
- Continuing to invest in the growth and development of employees at every level of the business aimed at improving overall performance of the business.

All these factors secure the growth, success and sustainability of the Group into future years, for all stakeholders. We will emerge from the current environment a much stronger and agile business that has the capability to capitalise on the market opportunities.

While current restrictions are expected to remain in the short-term, we anticipate repair volumes to increase in line with the lifting of restrictions on a state by state basis. Trends experienced in other countries, including a slower return to public transport is expected to result in an uplift in repair volumes as a result of an increase in kilometres travelled.

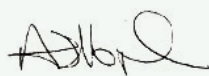
The Group's Senior Management and all our people have done a great job in a difficult environment, we are proud, and thank them for the way in which they have responded and adapted to deliver quality service to our customers.

We also thank the Board, our customers, insurance partners, investors and all stakeholders for their ongoing support of the Group throughout FY20.

FY21 has started really well with July results a lot better than expected as a result of repair volumes in most states (except Victoria) at pre-COVID-19 levels or above. Our sights are set on growth opportunities, ongoing successes of the Group in the year ahead, creating sustainable career opportunities for our employees and to delivering shareholder value.



**Anthony Day**  
Chair of the Board



**Andrew Hopkins**  
Group CEO



# DIRECTORS' REPORT

## INTRODUCTION

Your Directors present their report on the consolidated entity (referred to hereafter as the "Group") consisting of AMA Group Limited ("AMA" or the "Company") and its controlled entities for the Financial Year (FY) ended 30 June 2020.

This Directors' Report has been prepared in accordance with the requirements of Division 1 of Part 2M.3 of the *Corporations Act 2001*.

## BOARD OF DIRECTORS

The Directors of AMA Group Limited during the year and up to the date of this report were:

Name	Position	Dates
Anthony Day	Chair of the Board and Non-Executive Director	From 1 September 2019 Full Financial Year
Leath Nicholson	Non-Executive Director	Full Financial Year
Simon Moore	Non-Executive Director	Full Financial Year
Nicole Cook	Non-Executive Director	From 1 December 2019
Carl Bizon	Non-Executive Director	From 3 February 2020
Brian Austin	Non-Executive Director	Until 21 February 2020
Andrew Hopkins	Executive Director	Full Financial Year
Raymond Malone	Chair of the Board and Executive Director	Until 31 August 2019
Raymond Smith-Roberts	Executive Director	Until 20 November 2019

## PRINCIPAL ACTIVITIES

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



## REVIEW AND RESULTS OF OPERATIONS

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

This is the first set of the Group's annual financial statements in which AASB 16 *Leases* has been applied. Under the transition methods chosen, comparative information has not been restated. The 30 June 2020 results are therefore not directly comparable to prior years.

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

The trading performance of the Group in the second half of the financial year ended 30 June 2020 (H2 FY20) was significantly impacted by the COVID-19 pandemic and the restrictions imposed by Governments to help stem the spread of the virus. These restrictions affected one of the key external drivers of our business, being kilometres travelled.

### KEY ACHIEVEMENTS

On 31 October 2019, the Group's newly incorporated entity, Capital Smart Group Holdings Pty Ltd, acquired Capital S.M.A.R.T. Repairs Australia Pty Ltd and its subsidiaries (referred to hereafter as "Capital Smart"). The acquisition combined the Group's industry-leading platform and Capital Smart's best-in-class capabilities in low to medium severity panel repairs. The acquisition included a long-term service agreement under which Capital Smart remains Suncorp's recommended repairer.

The Group also completed the acquisition of ACM Parts Pty Ltd (ACM Parts) on 31 October 2019. ACM Parts is an automotive parts distributor and Australia's largest recycler of collision and mechanical parts for the automotive repair industry. ACM Part's largest customer segment is the collision repair market, proving a strategic fit for the Group.

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

- The AMA Panel division acquired an additional six new businesses which has expanded the Group's footprint in key growth areas and aligns with the Group's strategic direction.
- Automotive Components & Accessories Divisions (ACAD) and ACM Parts combined under one division with a renewed focus on internal supply, now referred to as Automotive Parts and Accessory Solutions (APAS).
- The Group completed a fully underwritten \$215.6 million equity raise which was strongly supported by both existing shareholders and new institutional investors. This was used to fund the acquisition of Capital Smart.
- The Group received a further tranche of the market incentive instalment from its paint supplier in the amount of \$59.5 million (inclusive of GST). This was used to fund the acquisition of Capital Smart.
- On 31 January 2020, the Group's newly incorporated entity, AMA Fully Equipped NZ Holdings Pty Limited acquired Fully Equipped Group Limited and its subsidiaries (hereafter referred to as "Fully Equipped"). The acquisition complements the APAS division, increases the Group's manufacturing capabilities and product portfolio, and extends its footprint in the New Zealand market.
- AMA appointed Nicole Cook and Carl Bizon as new independent, Non-Executive Directors. Both appointments bring valuable knowledge and skills to the Board.
- The Group completed a syndication of its debt facility in December 2019. The syndication was well supported by five new financiers.
- In April 2020, the Group completed its annual planning process with Suncorp Insurance, establishing revised terms for the motor repair partnership with Capital Smart, which will deliver increased average repair pricing and volume increases with effect from 1 July 2020.
- In June 2020, the Group completed its service agreement negotiations with all key insurance partners resulting in improved pricing with effect from 1 July 2020 which will allow the business to recover both standard operating cost inflation and the cost of increasing motor vehicle technology.



## DIVISIONAL OVERVIEW

AMA Group is a world class automotive solutions company with operations in Australia and New Zealand. The Group has grown substantially in the past five years, from less than \$100 million revenue in FY15 to revenue in excess of \$800 million in FY20. The Group has three core divisions which are supported by a corporate function. Details of the divisions are as follows:

Reportable Segment	Vehicle Panel Repairs		Automotive Parts and Accessories
Division	AMA Panel	Capital Smart	APAS
Description	<p>AMA Panel specialises in performing high quality repairs from driveable vehicles that have sustained low-to-medium collision damage up to non-driveable vehicles that have sustained high severity collision damage.</p> <p>AMA Panel is a smash repainer of choice for a number of different insurers, consumers and employees across Australia and New Zealand.</p>	<p>Capital Smart specialises in performing high quality repairs for Suncorp customers who have driveable vehicles that have sustained low-to-medium collision damage.</p> <p>Through the use of innovative technologies, digital capability and efficient processes, customers are able to seamlessly book their repair into a Capital Smart site via an integrated solution.</p>	<p>APAS provides automotive parts and accessory solutions to a wide range of customer segments, including panel repair sites, wholesale and retail.</p> <p>APAS comprises of:</p> <ul style="list-style-type: none"> <li>• ACM Parts</li> <li>• Automotive Components &amp; Accessories Division (ACAD)</li> <li>• Fully Equipped</li> </ul> <p>The various businesses and brands operate together as one cohesive division.</p>



## OPERATING RESULTS

The financial performance of the Group in the first half of FY20 (H1 FY20) reflected the challenging market conditions which resulted in declining repair volumes, pressure on pricing and the cost associated with new vehicle technologies such as Advanced Driver-Assistance Systems (ADAS). The automotive parts and accessories division had also been impacted by a pronounced year-on-year decline in new car sales, impacting the industry as a whole.

Despite the challenges in H1 FY20, the Group traded strongly through the third quarter of financial year ended 30 June 2020 (Q3 FY20). The normalisation of weather conditions and the increased focus on our key drivers and initiatives resulted in an improvement to both repair volumes and operating margins. The vehicle panel repairs division adjusted to the changing conditions with cost-saving initiatives, offering additional on-site automotive services (brakes, wheel alignments, tyres etc) to customers, a focus on acquiring profitable regional and prestige shops, and taking on more complex repairs to fill the decrease in low-severity and rapid repairs.

Although the Group traded strongly through Q3 FY20, the trading performance for Q4 FY20 was significantly impacted by the COVID-19 pandemic. As a result of Government restrictions in Australia and New Zealand, trading volumes were lower than historical levels and the Group's forecasts for April to June 2020. One of the more immediate impacts of the Government restrictions is a reduction in kilometres travelled, both locally and interstate, and consequently a reduction in vehicle panel repair volume.

To address the reduction in repair volume, the Group implemented a number of cost saving initiatives, including site hibernations, downscaling our workforce to match demand, freezing of non-time critical capital expenditure and a reduction of the Group's senior employees and Board remuneration. The Group proactively engaged with other key stakeholders, including landlords to seek a combination of waivers and deferrals of rental commitments during this period.

A number of entities within the Group qualified for the Australian Federal Government's JobKeeper Assistance Program (JobKeeper) and the New Zealand Wage Subsidy. Participation in these programs has assisted us to support our workforce through this difficult trading period enabling the Group to make a faster recovery when the economic environment improves.

Notwithstanding the above, reported revenue from continuing operations has increased from \$606.7 million for FY19 to \$889.0 million for FY20, representing a 46.5% increase. The increase in revenue is largely due to a full twelve months trading for FY19 acquisitions and partial period trading for FY20 acquisitions.

Operating profit before interest and tax has decreased from \$34.0 million profit for FY19 to a \$46.9 million loss for FY20. The operating loss before interest and tax has been significantly impacted by several large non-recurring and abnormal items, including:

- Impairment expense of \$56.2 million in relation to goodwill and right-of-use assets;
- Acquisition costs, predominantly relating to the acquisition of Capital Smart and ACM Parts; and
- The adoption of the new accounting standard AASB 16 *Leases* on 1 July 2019.

As a result of the above, the statutory results for FY20 are not directly comparable to FY19. The Directors have included the following tables and reconciliations to enable the Group's stakeholders to compare the 'Normalised EBITDAI' of the Group. Normalised EBITDAI is used by the Group to define the underlying results, adjusted for acquisition transaction costs and other items which are determined as not in the ordinary course of business. The presentation of the non-IFRS financial information provides stakeholders the ability to compare against prior periods in a consistent manner.





**AASB 16 Leases Impact on Consolidated Statement of Profit or Loss**  
Unaudited, non-IFRS Financial Information

	2020 Statutory \$'000	AASB 16 Adjustment \$'000	2020 Pre-AASB 16 \$'000
<b>Revenue and other income from continuing operations</b>	888,957	(61)	888,896
Raw materials and consumables used	(418,400)	-	(418,400)
Employment benefits expense	(316,887)	-	(316,887)
Occupancy expense	(25,924)	(46,795)	(72,719)
Professional services expense	(15,479)	-	(15,479)
Other expense	(25,729)	-	(25,729)
Fair value adjustments on contingent vendor consideration	(4,501)	-	(4,501)
Depreciation and amortisation expense	(72,740)	39,002	(33,738)
Impairment expense	(56,177)	3,430	(52,747)
<b>Loss before interest and tax</b>	<b>(46,880)</b>	<b>(4,424)</b>	<b>(51,304)</b>
Finance costs	(27,877)	17,539	(10,338)
<b>Loss before income tax from continuing operations</b>	<b>(74,757)</b>	<b>13,115</b>	<b>(61,642)</b>

As set out above, AASB 16 Leases has significantly impacted the loss before income tax from continuing operations. Prior to 1 July 2019, operating leases were disclosed as commitments, and payments made were charged to the profit or loss, within occupancy expenses. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability. Each lease payment reduces the lease liability and recognises interest expense within finance costs. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Whilst the new accounting standard does not impact cash flows, or the Company's bank covenants, it does exacerbate loss before income tax from continuing operations by \$13.1 million.



Reconciliation to Normalised EBITDAI Unaudited, non-IFRS Financial Information	2020 \$'000	2019 \$'000
<b>Operating (loss) / profit before interest and tax</b>	<b>(46,880)</b>	34,036
<b>Adjustments:</b>		
Depreciation, amortisation and impairment	128,917	16,208
Fair value adjustments on contingent vendor consideration	4,501	(117)
Occupancy costs and other income impacted by AASB 16 Leases	(46,856)	-
Pre-AASB 16 Earnings before interest, tax, depreciation, amortisation, impairment and fair value adjustments ("Pre-AASB 16 EBITDAI", <i>unaudited, non-IFRS term</i> )	39,682	50,127
<b>Normalisations:</b>		
Acquisition	9,849	1,494
Board and other officers restructure	1,795	-
Integration	726	900
Divisional restructure and reorganisation	571	733
Existing employee equity plan	349	1,499
Other	197	132
IT roll-out	-	1,000
Greenfield start-up	-	1,000
Procurement project	-	967
Litigation and resolution	-	182
Site closures and make good	-	150
Total Normalisations	13,487	8,057
<b>Normalised EBITDAI (<i>unaudited, non-IFRS term</i>)</b>	<b>53,169</b>	58,184

Normalised EBITDAI for FY20 has decreased by \$5.0 million or 8.6%. As noted above, the decline is a result of the challenging market conditions in H1 FY20 and the COVID-19 pandemic in Q4 FY20.

Although total normalisations for FY20 is \$13.5 million, historical normalisations have been significantly reduced. Normalisations predominately relate to the acquisition costs of Capital Smart, ACM Parts and the unsuccessful acquisition of Horizon Global. There are no normalisations for the impact of the COVID-19 pandemic, including JobKeeper.

The Group has recognised total impairment expense of \$56.2 million, consisting of \$52.8 million against goodwill and \$3.4 million against right-of-use assets. The majority of the impairment (\$47.0 million) relates to Capital Smart and is a result of the risk and uncertainty surrounding COVID-19, and allowances made in respect of potential declines or delays in acquisition growth. Further details of impairment expense and intangible assets are set out in notes B3(D) and C6 to the Consolidated Financial Statements.

The Directors also highlight that the fair value adjustments on contingent vendor consideration is significantly larger than the prior comparative period. The \$4.5 million fair value adjustments is predominantly due to the strong trading performance in Wales Truck and Bus Repairs (acquired in May 2019). The acquisition earn-out is calculated based on profitability, which is forecasted to be stronger than originally anticipated at acquisition date. Any increases to contingent vendor consideration results in a corresponding expense recognised in fair value adjustments within the profit or loss.





## FINANCIAL POSITION

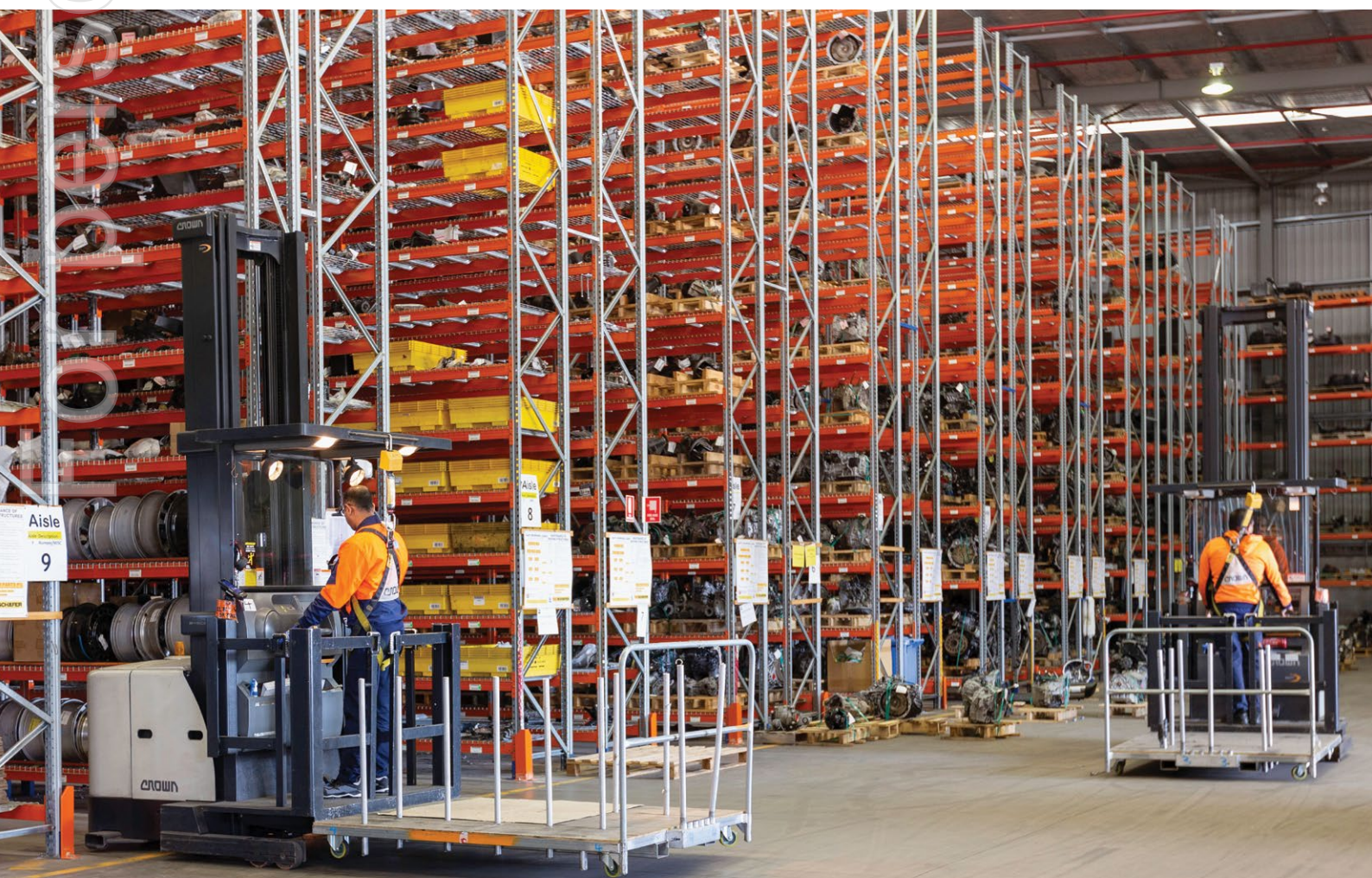
The financial position of the Group is strong with net assets of \$343.0 million. The Group has performed better in cash generation and use (inclusive of the effects of Government assistance such as JobKeeper) than management expected at the outset of the COVID-19 pandemic.

As at 30 June 2020, the net debt (inclusive of 50% of the contingent vendor consideration) was \$251.8 million. The Company de-levered during H2 FY20, despite the difficult operating conditions due to COVID-19. Set out below is the net debt calculation, which is presented consistently to the calculation requirements of the Group's Syndicated Facility Agreement.

	Jun 2020 \$'000	Dec 2019 \$'000	Jun 2019 \$'000
<b>Net debt</b>			
Financial liabilities – drawn cash facilities	<b>340,000</b>	290,000	80,568
Contingent vendor consideration – 50%	<b>24,731</b>	22,085	25,348
Cash and cash equivalents	<b>(112,916)</b>	(48,510)	(12,096)
<b>Net debt used in covenant calculations</b>	<b>251,815</b>	263,575	93,820

In ongoing support of the business and to allow the Group to withstand a potential extended period of disruption caused by COVID-19 restrictions, the Group's existing unutilised funding facilities were repurposed increasing our working capital facility by \$35.0 million. In addition, covenant testing was waived until 31 December 2020 and a more favourable covenant testing regime for the balance of FY21 was implemented.

The Group's liquidity remains strong and is well-funded to support the business during this period of disruption.





## CASH FLOW

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

- An equity raising to new institutional investors and existing shareholders during the period raised \$208.7 million (net of transaction costs). These funds were used to facilitate the acquisition of Capital Smart and ACM Parts.
- The Group increased its debt facilities to \$375.0 million during the period, with \$340.0 drawn in cash at balance date (excluding bank guarantees). The drawn debt was to facilitate acquisitions, finalise contractual earn-outs and for general corporate purposes. Interest and borrowing costs increased in line with expectations.
- During the period, the Group purchased new businesses and paid earn-outs in respect of existing acquisitions, totalling \$451.6 million.
- The Group received a further tranche of the market incentive instalment from its paint supplier of \$59.5 million (inclusive of GST), as disclosed in cash flows from operating activities.



## DIVIDENDS

A final dividend of 2.25 cents per fully franked ordinary share was paid on 13 November 2019 in respect of FY19.

As a result of the impact of COVID-19 on the financial performance and the Group's optimal capital structure, a final dividend has not been declared for FY20. This also allows the business to focus on capital management and balance sheet improvement in the short-term.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The economic outlook and market conditions across some business units are likely to remain challenging at least for Q1 FY21 as Government restrictions remain in place in certain Australian states and New Zealand. The Directors anticipate repair volumes will increase over time and for trading volumes to return to normal run-rates by the last quarter of FY21.

The Directors continue to be optimistic about the positive changes and opportunities for the business. The consolidation of panel repair sites will create a more efficient infrastructure for the future when volumes return. Most importantly, the Group expects a faster recovery compared to other businesses and industries as global trends indicate an increase in use of vehicles compared to the use of public transport.

Ongoing strategies based on the consolidation of the panel repair division, expanding strategic partnership agreements with key customers and suppliers, exploring industry innovation and cost management are expected to deliver earnings growth and improved shareholder value.

Once trading conditions return, the Directors are confident that the Group's experienced and capable Senior Management are well positioned to execute the Group's strategy into FY21 and beyond.

## EVENTS SINCE THE END OF THE FINANCIAL YEAR

Subsequent to year end, the Group terminated a supply agreement with a key supplier. The supply agreement contained termination fees upon early termination. The Group reached a settlement with the supplier for \$9.4 million (to be expensed in the year ending 30 June 2021). The supplier has agreed to pay rebates owed to the Group of \$3.2 million as at 30 June 2020. The net cash settlement of \$6.2 million is expected to be paid by the Group in the financial year ending 30 June 2021.



## DIRECTORS AND OFFICERS

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### CURRENT DIRECTORS



#### ANTHONY DAY

Non-Executive Chair of the Board since  
1 September 2019  
Non-Executive Director since 28 November 2018

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#### Experience and expertise

With over 35 years in the insurance industry, Anthony has a breadth of experience in all areas of the insurance industry.

His most recent role, until October 2017, was as the Chief Executive Officer of Suncorp Group's Insurance Business. He brings to the Board leadership capability, business judgement and an intimate understanding of our key customers, Australasia's auto insurance companies.

He has a 20-year track record of producing market-leading results in both growth and profitability, whilst delivering continuous improvement in operations. Anthony founded advisory business Elevate CEOs, which focusses on developing leadership and strategic skills of senior executives.

Anthony is also Chairman of Countrywide Insurance Holdings Pty Ltd.

#### Listed Company directorships in last three years

Nil

#### Special responsibilities

Chair of the People, Culture, Remuneration and Nomination Committee

#### Interest in Shares (Direct and Indirect)

519,324 Fully Paid Ordinary Shares



#### ANDREW HOPKINS

Executive Director since 17 December 2015  
Appointed Group Chief Executive Officer in  
November 2018

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#### Experience and expertise

Andrew founded the Gemini Group in Perth in 2009 and since then built the Gemini brand into one of the largest privately-owned consolidators of integrated claims management and vehicle repair services to the insurer, corporate and consumer industry and markets.

He was integral to the merger of the Gemini business with AMA Group in 2015, resulting in AMA Group leading the industry in Australia and New Zealand. Andrew has over 35 years' experience in finance, acquisitions and strategic management.

Over the years, Andrew has developed and broadened key relationships with significant insurance industry leaders. His passion for innovation and growth creation continues to be the driver of the growth both domestically and internationally.

Andrew is also a Director of a number of private companies.

#### Listed Company directorships in last three years

Nil

#### Special responsibilities

Group Chief Executive Officer (CEO)

#### Interest in Shares (Direct and Indirect)

37,790,269 Fully Paid Ordinary Shares  
(16,805,621 escrowed until 27 November 2020)

1,985,295 Performance Rights issued in  
accordance with the Performance Rights Program





### LEATH NICHOLSON

BEcon(Hons), LLB(Hons), LLM(Commercial Law)  
Non-Executive Director since  
23 December 2015

#### Experience and expertise

Leath was a Corporate Partner at a leading Melbourne law firm, gaining experience with a breadth of ASX listed entities, before co-founding Foster Nicholson Jones in 2008. Leath's principal clients include ASX listed companies and high net worth individuals.

Leath has an in-depth knowledge of the automotive repair industry. Leath also has particular expertise in mergers and acquisitions, IT based transactions, and corporate governance.

Leath is also a Director of a number of private companies.

#### Listed Company directorships in last three years

Non-Executive Chairman of Constellation Technologies Limited

Non-Executive Director of Money3 Corporation Limited (resigned 15 November 2019)

#### Special responsibilities

Member of the Audit & Risk Committee and the People, Culture, Remuneration & Nomination Committee

#### Interest in Shares (Direct and Indirect)

1,616,873 Fully Paid Ordinary Shares



### SIMON MOORE

LLB(Hons), BCom(Hons)  
Non-Executive Director since  
28 November 2018

#### Experience and expertise

Simon founded Colinton Capital Partners in 2017. He is an experienced private equity investor with significant public company Board experience, having held Board roles with Healthscope Ltd and Qube Ltd.

Simon brings to the Board strong corporate finance skills and experience having held senior roles in investment, financial, private equity, investment banking and academic sectors.

Simon has extensive experience in successfully developing and implementing plans to assist the growth potential of businesses.

Prior to founding Colinton Capital Partners, he was Managing Director and Global Partner of The Carlyle Group for 12 years.

#### Listed Company directorships in last three years

Non-Executive Chairman of Palla Pharma Limited

Non-Executive Director of Alexium International Group Ltd

Non-Executive Director of Firstwave Cloud Technology Limited (resigned 30 August 2019)

Non-Executive Director of Megaport Limited (resigned 23 September 2019)

#### Special responsibilities

Chair of the Audit & Risk Committee

#### Interest in Shares (Direct and Indirect)

30,327,186 Fully Paid Ordinary Shares





### **NICOLE COOK**

Non-Executive Director since 1 December 2019

#### **Experience and expertise**

Nicole is an experienced executive and management consultant having spent most of her career in professional services roles in both established and start-up businesses, with a particular focus on the Human Resources sector.

Most recently the CEO for Jobs for NSW, Nicole remains focused on driving innovation through growing Australian businesses in order to create jobs and skills of the future. Prior to this, Nicole was the Managing Director of innovative global outsourced recruitment and HR firm PeopleScout, where she oversaw the delivery and growth of their solutions in the APAC region.

Nicole has over 20 years experience growing SaaS based technology businesses, is a trusted management consultant, focuses on driving innovation through technology and has deep domain expertise in Human Resources, energy efficiency, supply chain, FinTech and more.

Nicole is also Chair of the Advisory Board of the Sydney School of Entrepreneurship.

#### **Listed Company directorships in last three years**

Intellihr Ltd

#### **Special responsibilities**

Member of the People, Culture, Remuneration & Nomination Committee

#### **Interest in Shares (Direct and Indirect)**

55,000 Fully Paid Ordinary Shares



### **CARL BIZON**

Non-Executive Director since 3 February 2020

#### **Experience and expertise**

Carl's career in the manufacturing and automotive industries spans more than 25 years. Carl has held senior executive roles with world leading manufacturing and distribution businesses in various sectors of the automotive industry.

Carl most recently served as President and CEO of Horizon Global and prior to that was CEO of Jayco Corporation and President and Managing Director of TriMas Corporation's Cequent subsidiaries in Asia Pacific, Europe and Africa.

Carl has successfully led global businesses, improving profitability and operational performance, delivering efficiencies and increasing margins. Carl's expertise and experience extends to mergers and acquisitions, manufacturing, operations, sales, large scale project management and IT.

#### **Listed Company directorships in last three years**

Nil

#### **Special responsibilities**

Member of the Audit & Risk Committee

#### **Interest in Shares (Direct and Indirect)**

Nil

## COMPANY SECRETARY

Fiona van Wyk was appointed Company Secretary on 25 November 2019. Fiona has over 25 years' company secretarial, corporate governance and corporate compliance experience, most notably as Company Secretary of the Mantra Group (ASX 200) for over 11 years. Fiona was integral to the listing of Mantra Group on the ASX in 2014 and the sale of the business to AccorHotels in 2018.

Prior to Fiona's appointment, Terri Bakos was Company Secretary from the commencement of the financial year until her resignation on 25 November 2019.

## FORMER DIRECTORS

Raymond Malone, former Executive Chair of the Board, resigned from the Board on 31 August 2019. He had been an Executive Director since 23 January 2009 and Executive Chair of the Board since 19 March 2015.

Raymond Smith-Roberts, former Executive Director, resigned from the Board on 20 November 2019. He had been an Executive Director since 28 February 2014.

Brian Austin, former Non-Executive Director, resigned from the Board on 21 February 2020. He had been a Non-Executive Director since 23 December 2015.

## MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2020, and the number of meetings attended by each Director are as follows:

	Board Meetings		Audit & Risk Committee Meetings		People, Culture, Remuneration and Nomination Committee Meetings	
	A	B	A	B	A	B
Anthony Day	24	24	-	-	4	4
Andrew Hopkins	22	24	-	-	-	-
Leath Nicholson	24	24	4	4	4	4
Simon Moore	24	24	4	4	1	1
Nicole Cook	11	12	-	-	3	3
Carl Bizon	9	9	2	2	-	-
Raymond Malone	5	6	-	-	-	-
Raymond Smith-Roberts	11	11	-	-	-	-
Brian Austin	6	15	1	2	-	-

### Key:

**A** Number of meetings attended

**B** Number of meeting held during the time the Director held office or was a member of the committee during the year

- Not a member of the relevant committee

### Notes:

Simon Moore was a member of the People, Culture, Remuneration and Nomination Committee until January 2020

Nicole Cook was appointed as a Non-Executive Director and a Member of the People, Culture, Remuneration and Nomination Committee on 1 December 2019

Carl Bizon was appointed as a Non-Executive Director and a Member of the Audit & Risk Committee on 3 February 2020

Raymond Malone resigned as an Executive Chair of the Board on 31 August 2019

Raymond Smith-Roberts resigned as an Executive Director on 20 November 2019

Brian Austin resigned as a Non-Executive Director on 21 February 2020



# ANNUAL STATEMENT BY THE PEOPLE, CULTURE, REMUNERATION AND NOMINATION CHAIR

On behalf of the Board, I am pleased to present the FY20 Remuneration Report. The Board believes the Group has performed well in difficult circumstances and wishes to recognise the Group Executives and Senior Management for their contribution in managing the business through the impacts of the COVID-19 pandemic during H2 FY20.

Acknowledging the people, culture and nomination aspects as key drivers for business performance, the Remuneration Committee expanded its responsibilities to include these key areas under a People, Culture, Remuneration and Nomination Committee (PCRNC).

The PCRNC is committed to ongoing best practice governance in relation to its remuneration framework and related governance processes.

This year we have undertaken a review of our remuneration framework, taking into consideration stakeholder feedback and the key objectives of the business. As a result, we have made important changes that will continue to drive long-term performance and ensure clear alignment with shareholder interests and enhanced disclosure and transparency. The highlights from our journey to improve in these key areas include:

- the review and revision of employment contracts for Executives and Senior Management to ensure terms are standardised across the Group and are in line with best practice;
- improvements to the framework and structure of the short-term incentive (STI) to include key financial and non-financial performance targets and a financial performance gate, designed to align with the financial and growth performance objectives of the business;
- implementation of the Performance Rights Program including the grant of performance rights to Executives and Senior Management, subject to long-term performance measures;
- revision and adoption of a number of governance policies to align with current best practice, including;
  - Board Charter;
  - Audit Committee Charter;
  - Securities Trading Policy;
  - Conflicts of Interest and Related Party Transaction Policy;
  - Continuous Disclosure Policy;
  - Whistleblower Policy; and
- improved disclosure in the remuneration report in relation to the remuneration framework and outcomes for Key Management Personnel (KMP).

The Board intends to grant FY21 Performance Rights, subject to long-term performance measures. The notice of the 2020 Annual General Meeting will include details of the grants proposed.

In determining STI awards for Executive KMP for FY20, the Committee considered the impact to the business as a result of COVID-19 and determined that, despite the significant efforts and contribution of Executive KMP, no STI's would be awarded in respect of FY20.

We trust this Remuneration Report provides insight into the high priority the Board places on listening and responding to our stakeholders as we work to ensure that our framework and outcomes consistently deliver on our commitment to responsible and effective remuneration practices.



**Anthony Day**  
Chair of the People, Culture, Remuneration  
and Nomination Committee

# REMUNERATION REPORT

(AUDITED)

The Remuneration Report outlines the Group's reward framework and is set out under the following headings:

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## REMUNERATION REPORT (AUDITED)

### A. INTRODUCTION

The AMA Group Limited Board is pleased to present the Remuneration Report for KMP which focuses on our remuneration strategies and outcomes for FY20.

The Board recognises that the broader aspects of people and culture are critically aligned with remuneration structures and the success of achieving the strategic objectives of the Group. During the year, the Board expanded the Remuneration Committee to include these focuses under a People, Culture, Remuneration and Nomination Committee (PCRNC).

The Board is committed to clear and transparent communication of remuneration arrangements. The approach to remuneration remains firmly aligned to delivery against Group strategy and creating sustained growth in shareholder value.

The Group's remuneration strategy, policies and practices are designed to attract and retain the best people and reward employees for supporting and achieving the Group's strategic, financial and operational objectives. Remuneration is competitive with executives in comparable companies and roles, and reviewed against performance measures and targets.

The Directors understand the importance of providing variable remuneration components that are competitive and aligned to shareholder returns over the long-term. During FY20, the Board:

- granted performance rights under the Group's long-term incentive (LTI) program which are subject to long-term measurable performance metrics; and
- implemented a more structured short-term incentive (STI) plan with key financial and non-financial targets aligned with achieving short-term business objectives.

This report is presented in accordance with the requirements of the *Corporations Act 2001* and its regulations. Information has been audited as required by Section 308 (3C) of the *Corporations Act 2001*.



## REMUNERATION REPORT (AUDITED)

**B. KEY MANAGEMENT PERSONNEL**

This report outlines remuneration arrangements in place for KMP which comprise all Directors (Executive and Non-Executive) and other members of the AMA Group executive who have authority and responsibility for planning, directing and controlling the activities of the Group.

The Group's KMP for FY20 are detailed in **Table 1**.

**TABLE 1 - KEY MANAGEMENT PERSONNEL****NON-EXECUTIVE DIRECTORS**

Name	Position	Dates
Anthony Day	Chair of the Board and Non-Executive Director	From 1 September 2019 Full Financial Year
Leath Nicholson	Non-Executive Director	Full Financial Year
Simon Moore	Non-Executive Director	Full Financial Year
Nicole Cook	Non-Executive Director	From 1 December 2019
Carl Bizon	Non-Executive Director	From 3 February 2020
Brian Austin	Non-Executive Director	Until 21 February 2020

**EXECUTIVE DIRECTORS**

Name	Position	Dates
Andrew Hopkins	Group Chief Executive Officer and Executive Director	Full Financial Year
Raymond Malone	Chair of the Board and Executive Director	Until 31 August 2019
Raymond Smith-Roberts	Executive Director	Until 20 November 2019

**EXECUTIVE MANAGEMENT**

Name	Position	Dates
Steven Becker	Group Chief Financial Officer	Full Financial Year
Steven Bubulj	CEO AMA Panel	Full Financial Year
David Marino	CEO Capital Smart	From 1 November 2019
Campbell Jones	CEO APAS	From 1 November 2019



## REMUNERATION REPORT (AUDITED)

### C. REMUNERATION FRAMEWORK

The Group's remuneration framework supports the strategic objectives of the business and provides the foundation for how remuneration is determined and paid. The Group strives to create an executive remuneration framework with an appropriate mix of fixed and variable remuneration that drives a performance culture. The structure ensures there is a strong link between executive remuneration and the achievement of Group performance and returns to shareholders.

During the year, the Board undertook a comprehensive review of the executive remuneration framework in response to feedback from stakeholders. A main area of the review focused on variable remuneration and identifying performance metrics that were measurable, understood, appropriate, and aligned to the interests of shareholders.

The review resulted in changes to the delivery of the Group's incentive schemes with the introduction of the Performance Rights Program (PRP). Executive KMP and other Senior Management are invited to participate in the PRP with the incentive being linked to the long-term performance and objectives of the Group.

The Group's philosophy is to provide flexible and market competitive remuneration arrangements that are linked to the remuneration objectives depicted in **Figure 1**.

**FIGURE 1 - REMUNERATION OBJECTIVES**





# REMUNERATION REPORT (AUDITED)

## C. REMUNERATION FRAMEWORK (CONT.)

Set out in **Table 2** is the remuneration framework aligned to the Group's remuneration objectives.

**TABLE 2 – REMUNERATION FRAMEWORK**

Component	Performance measures	Purpose and link to objectives
<b>Fixed remuneration</b>  Salary and other benefits  (including statutory superannuation)	<ul style="list-style-type: none"> <li>Experience and qualifications</li> <li>Role and responsibility</li> <li>Reference to remuneration paid by similar sized companies in similar industry sectors</li> <li>Internal and external relativities</li> </ul>	Set to attract, retain and motivate the right talent to deliver on strategy and contribute to the Group's financial and operational performance.
<b>Short-term incentive</b>  Performance based incentives settled in cash	<p>STI performance criteria are set on an annual basis by reference to financial and strategic measures and individual performance targets relevant to the specific position.</p> <p><b>Performance measures include:</b></p> <ul style="list-style-type: none"> <li><b>Financial criteria</b> Group and Divisional EBITDA: 50 - 75% of STI target</li> <li><b>Non-Financial criteria</b> Individual performance targets: 25 - 50% of STI target</li> </ul> <p><b>STI at risk:</b> Maximum of 50% of fixed remuneration</p>	<p>Reward for performance against annual objectives is aimed at achieving the financial and strategic objectives of the Group.</p> <ul style="list-style-type: none"> <li><b>EBITDA</b> delivers direct financial benefits to shareholders</li> <li><b>Individual performance targets</b> are aligned to the Group's core values and key strategic and growth objectives.</li> </ul> <p>On an annual basis, and in consultation with Executives, the Board has discretion to adjust STI outcomes to ensure the individual outcomes are appropriate and are aligned with the Group's financial and strategic objectives and values.</p>
<b>Long-term incentive</b>  A defined equity award of conditional rights granted under the PRP and subject to performance conditions measured over a three-year performance period	<p>Performance conditions must be satisfied before the conditional rights vest.</p> <p>Performance measures are based on vesting conditions aligned with general market practice.</p> <p><b>Performance measures include:</b></p> <ul style="list-style-type: none"> <li><b>Total shareholder return (TSR)</b> 20% of LTI allocation</li> <li><b>Earnings per share (EPS)</b> 80% of LTI allocation</li> </ul> <p>The performance conditions are independent and tested separately.</p> <p><b>LTI at risk:</b> Group CEO and Group CFO - maximum of 150% of fixed remuneration</p> <p>Divisional CEOs - maximum of 100% of fixed remuneration</p>	<p>The performance conditions are designed to encourage Executives to focus on key performance drivers which underpin the long-term performance of business strategies driving sustainable long-term growth in shareholder value.</p> <p>Allocation of performance rights encourages Executives to have a long-term view which aligns Executive and shareholder interest through share ownership.</p>

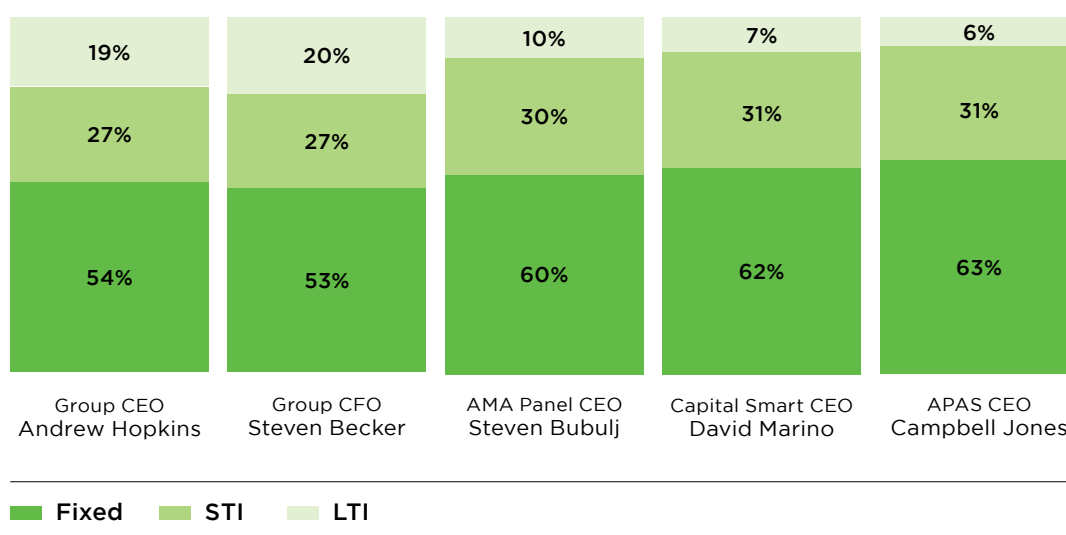


## REMUNERATION REPORT (AUDITED)

### D. REMUNERATION COMPOSITION AND MIX

Compensation packages include a mix of fixed and variable compensation, and short and long-term performance-based incentives.

The graph below represents the target remuneration mix for Executive KMP in the current year. The STI is provided at target levels, and the LTI amount is provided based on the expense incurred during the current year.



#### A) FIXED REMUNERATION

Fixed remuneration considers the complexity and expertise required of individual roles. To assess the competitiveness of fixed remuneration, the PCRNC considers market data by reference to appropriate, independent and externally sourced comparable benchmark information.

Fixed remuneration comprises cash salary, superannuation and long service leave. Additional annual benefits may include motor vehicle allowances and any associated fringe benefits tax.

In the case of Executive KMP, any recommendation for a remuneration review will be made by the Group CEO to the PCRNC.

#### B) SHORT-TERM INCENTIVES (STI)

The Group's STI plan places a proportion of the Executive KMP remuneration 'at risk'. An individual will achieve maximum remuneration only if they meet key agreed objectives in terms of the Group's overall financial and strategic performance, which are aligned with returns for shareholders. Key components of the STI include achieving:

- budgeted EBITDA for the Group;
- budgeted EBITDA for each Division; and
- individual performance targets aligned with the Group's core values and key strategic and growth objectives.

**Table 3** summarises the objectives of the Group's STI plan and identifies the performance measures and relevant weightings for FY20.

## REMUNERATION REPORT (AUDITED)

## D. REMUNERATION COMPOSITION AND MIX (CONT.)

TABLE 3 - STI PLAN OBJECTIVES AND MEASURES

<b>Purpose</b>	Motivate and reward employees for contributing to the delivery of annual business performance.			
<b>Participation</b>	Executive KMP and other eligible Senior Management.			
<b>Performance period</b>	The performance period is for the 12 months ended 30 June 2020.			
<b>Opportunity</b>	Maximum STI opportunity as a percentage of fixed remuneration is 50%.			
<b>Financial gateway</b>	A minimum Group Normalised EBITDA of at least 75% of target must be achieved before any STIs are payable.			
<b>Performance targets</b>	The achievement of individual performance targets (once the financial gateway has been achieved) shall determine the proportion of the potential incentive that will be awarded. Set out below are the performance goals and weightings that were applied in respect of FY20.			
	<b>Measures</b>	<b>Category</b>	<b>Weighting of STI</b>	<b>Performance Goals</b>
	<b>Financial</b>	Financial and business improvement	50% - 75%	<ul style="list-style-type: none"> <li>Achieve budgeted EBITDA, as relevant on a Group and Divisional level <sup>1</sup></li> </ul>
	The weighting of financial outcomes at a minimum 50% maintains a strong link between actual financial performance of the business and incentives awarded.			
	<b>Non-financial</b>	Individual performance targets	25% - 50%	<ul style="list-style-type: none"> <li>Performance hurdles for Executive KMP are established on an annual basis in conjunction with the Group CEO, and are based on the individual contribution to the achievement of the Group's core values and key strategic and growth objectives</li> <li>In the case of the Group CEO &amp; Group CFO, the individual hurdles are established in conjunction with the Board based on the individual contribution to the achievement of the Group's core values and key strategic and growth objectives.</li> </ul>
<b>Use of discretion</b>	The PCRNC, in its advisory role, reviews any proposed adjustments to STI outcomes and makes recommendations for any changes to performance measures to the Board for consideration and ultimate approval.			

<sup>1</sup> Group budgeted EBITDA is measured taking into account the financial impact of any acquisitions, significant restructuring costs, normalisations, or changes in accounting standards, in order that the target is measured on a comparable basis.

Calculation of STI entitlements will be assessed after the end of each financial year and in conjunction with the completion of the external audit of the Group's Consolidated Financial Statements. Any entitlements will be paid at a date determined by the Board following the release of the Group's financial results to the ASX. Payment of any STI award is at the discretion of the Board.



## REMUNERATION REPORT (AUDITED)

### **D. REMUNERATION COMPOSITION AND MIX (CONT.)**

#### **C) LONG-TERM INCENTIVES (LTI)**

The Group's remuneration structure includes the alignment of LTIs for Executive KMPs with the delivery of sustainable value to shareholders. This enables the Group to attract and retain executives of a high calibre who are focused on delivering long-term growth to shareholders.

##### **Employee Equity Plan**

The Employee Equity Plan (the Plan) was approved by shareholders at the Annual General Meeting (AGM) on 22 November 2018. The objective of the Plan is to assist in the reward, retention and motivation of key employees by providing performance-based remuneration through equity participation. The Plan is for the benefit of all employees (including Directors) of the Group. Awards under the Plan are issued to eligible participants by way of:

- an Option;
- a Right;
- a Share; or
- a Performance Share.

##### **Performance Rights Program**

The PRP was approved by the Board in FY20 and is structured to incentivise eligible employees as well as attract and promote executive retention. Under the PRP eligible participants are invited to receive performance rights in the Company which are subject to long-term performance based vesting conditions. The number of performance rights allocated to each participant is set by the Board based on individual circumstances and performance.

The Board has determined that a combination of Earnings Per Share (EPS) and relative Total Shareholder Return (TSR) are appropriate measures of performance that are linked to sustainable shareholder returns. Relative TSR provides a comparative, external market performance benchmark against a peer group of companies. EPS is a profitability ratio that provides an indication of the Group's capacity to generate earnings and profitability and is considered by the Board to be an appropriately challenging measure in the context of the Group's strategic objectives.

The key aspects of the LTI Program are summarised in **Table 4**.



## REMUNERATION REPORT (AUDITED)

## D. REMUNERATION COMPOSITION AND MIX (CONT.)

TABLE 4 - PRP OBJECTIVES AND MEASURES

<b>Purpose</b>	Assist in attracting and retaining executive talent, focus executive attention on driving sustainable long-term growth and align the interest of executives with those of shareholders.			
<b>Eligibility</b>	LTI grants are generally restricted to Executive KMPs and Senior Management who are most able to influence shareholder value. Non-Executive Directors are not eligible to participate in the PRP.			
<b>Instrument</b>	Awards under the PRP are made in the form of performance rights which are granted by the Company for nil consideration. A performance right is a right to acquire one fully paid AMA share provided specified performance hurdles are met. No dividends/distributions are paid on unvested LTI awards. This ensures that participants are only rewarded when performance hurdles have been achieved at the end of the performance period.			
<b>Allocation methodology</b>	The number of performance rights allocated to each participant is set by the Board and based on individual circumstances and performance. Accounting standards require the estimated valuation of the grants be recognised over the performance period. The maximum value is based on the estimated fair value calculated at the time of the grant and amortised in accordance with the accounting standard requirements.			
<b>Opportunity</b>	The maximum LTI opportunity is equivalent to 150% of fixed remuneration for the Group CEO and Group CFO. The maximum LTI opportunity for Divisional CEOs is equivalent to 100% of fixed remuneration. To compensate the Group CEO, Group CFO and other Senior Management for the absence of a PRP in FY19, an additional one-time grant equal to 50% of the FY20 grant, was awarded in FY20.			
<b>Performance period</b>	Performance is measured over a three-year period. The FY20 grant has a performance period commencing 1 July 2019 and ending 30 June 2022.			
<b>Performance hurdles</b>	The PCRNC will review the performance conditions annually to determine the appropriate hurdles based on the Group's strategy and prevailing market practice. The performance measures applied to the LTI grants made during FY20 are:			
	Relative TSR (20% of LTI Allocation)	Relative TSR is an objective measure of shareholder value creation and is widely understood and accepted by the various key stakeholders. The Group's TSR performance is measured relative to a comparison group consisting of AMA's primary market competitors. The comparison group includes AP Eagers Limited, ARB Corporation Limited, Bapcor Limited, GUD Holdings Limited and Super Retail Group Limited.		
	EPS (80% of LTI allocation)	Growth in EPS is a direct measure of Group performance and a strong correlation with long-term shareholder return. The current EPS growth calculation is a three-year compound annual growth rate (CAGR).		
<b>Vesting schedule</b>	<b>Relative TSR</b>		<b>EPS</b>	
	Relative TSR (percentile)	Percentage of TSR-tested rights to vest	EPS CAGR	Percentage of EPS-tested rights to vest
	<50th	Nil	< 10%	Nil
	50th	50%	10%	50%
	>50 to 75th	Straight line pro-rata vesting from 50% to 100%	> 10% and up to 20%	Straight line pro-rata vesting from 50% to 100%
<b>Vesting/delivery</b>	Vesting of LTI grants is dependent on achieving relative TSR performance and EPS targets over a three-year period. The performance rights will automatically exercise if, and when, the Board determines the performance conditions are achieved. If the performance rights vest, entitlements may be satisfied by either an allotment of new shares to participants or by the purchase of existing shares on-market. Any performance rights that do not vest at the end of the performance period will lapse. The terms of the performance rights do not include re-testing provisions.			
<b>Termination/forfeiture</b>	Participants must be employed at the time of vesting to receive an entitlement to shares. The Board has discretion on vesting of unvested performance rights where an employee leaves due to retirement, retrenchment or redundancy, or termination by mutual consent. Where an employee leaves due to resignation or termination all unvested performance rights will lapse.			
<b>Change of Control Provisions</b>	The vesting of unvested performance rights, in the event of a change of control, is governed by the Performance Rights Regulations pursuant to the Group's Employee Equity Plan rules which includes Board discretion in certain circumstances.			
<b>Clawback policy</b>	LTI arrangements are subject to clawback provisions that enable the Board to clawback any unfair benefits whether vested or unvested as a result of fraud, dishonesty, breach of obligations or knowing material misstatements of financial statements by a participant.			
<b>Hedging</b>	Consistent with the <i>Corporation Act 2001</i> , participants are prohibited from hedging their unvested performance rights.			



## REMUNERATION REPORT (AUDITED)

### **E. EXECUTIVE REMUNERATION OUTCOMES FOR FY20**

#### **A) FIXED REMUNERATION**

As announced on 10 October 2019, the Group CEO, Andrew Hopkins, entered into a new employment contract with the Company. Under the terms of the new contract Andrew Hopkins' annual fixed remuneration was increased to \$1,200,000 (2019: \$900,000). The increase was awarded following a benchmarking exercise against a peer group of similar sized industry participants.

During FY19, Andrew Hopkins transitioned from the role of AMA Panel CEO to AMA Group CEO. The increase in remuneration appropriately reflects the additional responsibilities of the role as well as the expanded accountabilities resulting from the acquisition of Capital Smart and ACM Parts which resulted in a substantial increase in the size, scale and risk profile of the business.

With the appointment of Andrew Hopkins to the role of Group CEO, Steven Bubulj was appointed to the role of CEO AMA Panel on 1 July 2019.

As a result of the Group's current year business acquisitions, David Marino (CEO Capital Smart) and Campbell Jones (CEO APAS) joined the Group on 1 November 2019.

The Board considers that the current Executive remuneration achieves an appropriate balance between recognising the value-adding contribution of Executive KMP and improved shareholder outcomes.

As a response to COVID-19 and to minimise the financial impact to the Group, all Executive KMP agreed to a 20% reduction in remuneration from May to June 2020.

The actual remuneration earned by executives in FY20 is set out in Section F.

#### **B) SHORT TERM INCENTIVES**

##### **(i) STI financial gateway**

An overarching Group financial performance gateway must be achieved for Executive KMP to be awarded any of their target STI. The gateway supports the Group's remuneration strategy, in aligning executive remuneration opportunities with the performance of the business and with shareholder outcomes.

##### **(ii) Financial performance**

A portion of the STI outcome for each Executive KMP is based on the achievement of financial results including budgeted EBITDA.

The assessment based on the Group and Divisional performance, ensures that Executive KMP are rewarded for the financial outcomes of the Divisions within their responsibility, which contributes to the performance of the Group as a whole.

The Group has demonstrated consistently strong performance during the past five years and with the exception of FY20, predominantly due to COVID-19, EBITDA has increased year-on-year.

**Table 5** summarises the Group's achievements over the past five years and highlights the areas that drive shareholder wealth. These include the financial performance measures linked to executive remuneration.



## REMUNERATION REPORT (AUDITED)

**E. EXECUTIVE REMUNERATION OUTCOMES FOR FY20 (CONT.)****TABLE 5 - COMPANY PERFORMANCE**

Performance	FY16	FY17	FY18	FY19	FY20
Revenue (\$'000)	264.3	382.2	509.8	606.7	<b>889.0</b>
Net Profit (\$'000)	7.4	17.4	15.4	21.7	<b>(71.5)</b>
Normalised EBITDAI (\$'000)	31.9	41.1	52.2	58.2	<b>53.2</b>
Basic EPS from continuing operations (cents)	1.5	3.3	2.9	3.4	<b>(9.8)</b>
Annual TSR (%)	41.0	22.8	10.8	38.8	<b>(58.0)</b>
Interim Dividend (cents)	0.50	0.50	0.50	0.50	-
Final Dividend (cents)	1.70	2.00	2.00	2.25	-
Share price at 30 June (\$)	0.81	0.97	1.05	1.43	<b>0.60</b>

**(iii) Individual performance targets**

Performance measures vary by role and from year-to-year for individuals and are linked to the successful achievement of short-term strategic objectives. Targets for individual performance measures are not disclosed as these are considered to be commercially sensitive. Executive KMP have achieved different outcomes with regards to their personal objectives during FY20.

The Board recognises the significant efforts and contribution of the Executive KMP during FY20. However, as a result of COVID-19 and its impact on the Group performance and revenue generation, particularly in Q4 FY20, the PCRNC in consultation with the Board & Executive KMP have determined that no STIs will be awarded in respect of FY20.

**C) LONG TERM INCENTIVES****(i) Performance Rights Program**

The number of performance rights over ordinary shares in the Company granted to KMP under the PRP in FY20 is outlined in **Table 6**. The grants were awarded at no cost to the participants and are subject to performance conditions over a three-year period ending 30 June 2022.

Accounting standards require the estimated valuation of the grants be recognised over the performance period. The maximum value is based on the estimated fair value calculated at the time of the grant and amortised in accordance with the accounting standard requirements.

The valuation of rights is conducted by an independent advisor. The fair value is determined using a Monte-Carlo simulation for the relative TSR component and Black Scholes Model for the EPS component.

Key inputs used in valuing performance rights granted during FY20 are as follows:

Grant date <sup>1</sup>	12 Sep 2019 to 4 Dec 2019
Performance period start	1 July 2019
Performance period end	30 June 2022
Vesting date	1 July 2022

<sup>1</sup> For the purposes of valuation, the grant date is determined in accordance with AASB 2 *Share Based Payments*.



## REMUNERATION REPORT (AUDITED)

### E. EXECUTIVE REMUNERATION OUTCOMES FOR FY20 (CONT.)

TABLE 6 - PERFORMANCE RIGHTS HELD AS AT 30 JUNE 2020

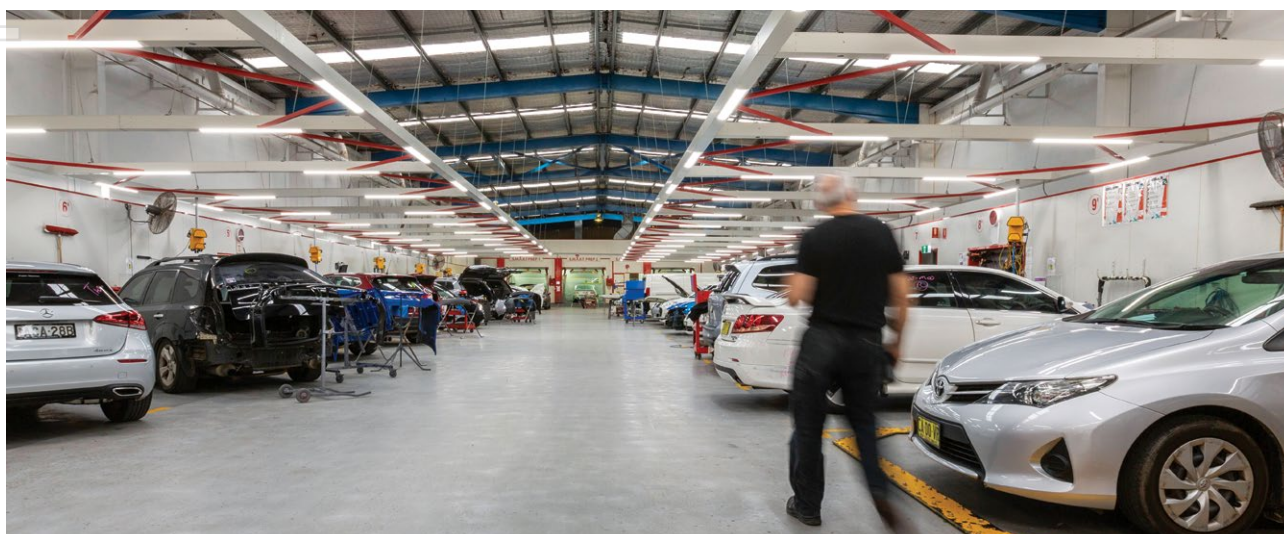
KMP	Performance measure	Performance rights awarded <sup>1</sup>	Fair market value per performance right	Value of performance rights at grant date <sup>2</sup>
Andrew Hopkins	Relative TSR	397,059	\$0.42	\$166,765
	EPS CAGR	1,588,236	\$1.18	\$1,124,471
		<b>1,985,295 <sup>1</sup></b>		<b>\$1,291,236</b>
Steven Becker	Relative TSR	148,897	\$0.50	\$74,449
	EPS CAGR	595,588	\$1.22	\$435,970
		<b>744,485 <sup>1</sup></b>		<b>\$510,419</b>
Steven Bubulj	Relative TSR	58,824	\$0.56	\$32,941
	EPS CAGR	235,294	\$1.27	\$179,294
		<b>294,118</b>		<b>\$212,235</b>
David Marino	Relative TSR	57,356	\$0.57	\$32,693
	EPS CAGR	229,423	\$1.28	\$176,197
		<b>286,779</b>		<b>\$208,890</b>
Campbell Jones	Relative TSR	41,669	\$0.37	\$15,417
	EPS CAGR	166,675	\$1.11	\$111,006
		<b>208,344</b>		<b>\$126,423</b>
<b>Total</b>		<b>3,519,021</b>		<b>\$2,349,203</b>

<sup>1</sup> To compensate management for the absence of a PRP in FY19, an additional one-time grant equal to 50% of the FY20 grant, was awarded in the FY20 year.

<sup>2</sup> The value of the performance rights reflects the fair value at the time of grant. For the LTI grants subject to EPS, 60 percent vesting is assumed in the above valuation.

#### (ii) Options over unissued shares

As at 30 June 2020, 2,000,000 options remain on issue from a prior period. These options were granted during the previous financial year to a KMP on termination of employment. Each option was issued for nil consideration and is exercisable for \$1.20 each. On 26 November 2019, the 2,000,000 options satisfied the vesting conditions. All options remain unexercised as at 30 June 2020 and have an expiry date of 25 April 2021.





## REMUNERATION REPORT (AUDITED)

## F. ACTUAL REMUNERATION RECEIVED IN FY20

The remuneration for Executive KMP of the Group is set out in Table 7 below.

TABLE 7 - FY20 ACTUAL REMUNERATION

		Salary <sup>1</sup>	Bonus <sup>2</sup>	Non-monetary benefit <sup>3</sup>	Other <sup>4</sup>	Long-term benefits <sup>5</sup>	Post-employment benefits <sup>6</sup>	Equity Settled benefits <sup>7</sup>	Performance rights <sup>8</sup>	Termination benefits	Total \$	Performance related %
<b>Executive Directors</b>												
Andrew Hopkins	2020	1,146,698	-	32,192	-	-	14,002	-	430,412	-	1,623,304	26.5%
	2019	900,000	450,000	-	100,000	-	-	-	-	-	1,450,000	31.0%
<b>Former Executive Directors</b>												
Raymond Malone <sup>9</sup>	2020	169,875	-	-	-	1,886	5,251	-	-	650,000	827,012	-
	2019	1,020,210	-	-	700,000	15,818	20,040	-	-	-	1,756,068	-
Raymond Smith-Roberts <sup>9</sup>	2020	113,082	92,431	-	-	13,715	25,000	250,000	-	195,989	690,217	49.6%
	2019	300,040	575,234	-	58,250	4,562	25,000	500,000	-	-	1,463,086	73.5%
<b>Executive Management</b>												
Steven Becker	2020	416,827	-	2,525	-	557	25,000	-	170,140	-	615,049	27.7%
	2019	164,250	225,000	-	-	-	14,206	-	-	-	403,456	55.8%
Steven Bubulj <sup>10</sup>	2020	343,269	-	40,019	-	333	25,000	-	70,745	-	479,366	14.8%
	2019	-	-	-	-	-	-	-	-	-	-	-
David Marino <sup>10</sup>	2020	354,283	-	-	-	1,323	16,667	-	69,630	-	441,903	15.8%
	2019	-	-	-	-	-	-	-	-	-	-	-
Campbell Jones <sup>10</sup>	2020	254,738	-	-	-	3,511	16,744	-	42,141	-	317,134	13.3%
	2019	-	-	-	-	-	-	-	-	-	-	-
<b>Executive remuneration</b>	2020	2,798,772	92,431	74,736	-	21,325	127,664	250,000	783,068	845,989	4,993,985	-
	2019	2,384,500	1,250,234	-	858,250	20,380	59,246	500,000	-	-	5,072,610	-

1 Salary includes short-term absences. In response to COVID-19 and the Group's cost and cash preservation measures, all Executive KMP have taken a 20% reduction in remuneration for the period May to June 2020.

2 Bonuses in respect of FY20 were not awarded to current Executive KMP. Bonus awarded to Raymond Smith-Roberts was in accordance with his employment contract.

3 Non-monetary benefits represent the effective net cost to the Group, consisting of the taxable value of fringe benefits aggregated with the associated fringe benefit tax payable of those benefits.

4 Other, which is only in respect of FY19, consists of the amortisation of Raymond Malone's sign-on bonus (\$500,000) and amounts paid in respect of motor vehicle allowances.

5 Long-term benefits represents the movement in the provision for long service leave for amounts accrued and paid.

6 Post-employment benefits represents amounts paid for pension and superannuation benefits.

7 Equity settled benefits represents the non-cash accounting charge to the Group's operating result relating to prior year amortisation of sign-on bonus issued in shares to Raymond Smith-Roberts.

8 The accounting expense recognised in relation to rights granted in the year is based on the aggregate fair value at grant date recognised over the vesting period. Refer to note F1 (B)(ii) in the Consolidated Financial Statements for further details regarding the fair value of performance rights. These values may not represent the future value that the Executive KMP will receive, as the vesting of the Rights is subject to the achievement of performance conditions.

9 Raymond Malone and Raymond Smith-Roberts resigned from their positions as Executive Directors on 31 August 2019 and 20 November 2019 respectively.

10 Steven Bubulj was appointed a KMP on 1 July 2019. David Marino and Campbell Jones were appointed KMPs on 1 November 2019.



## REMUNERATION REPORT (AUDITED)

### G. EQUITY INSTRUMENT DISCLOSURES RELATING TO EXECUTIVE KMP

#### A) SHAREHOLDINGS

The number of shares in the Company held during the financial year by Executive KMP of the Group is set out in **Table 8** below.

**TABLE 8 - EXECUTIVE KMP INTERESTS IN SHARES**

2020	Opening Balance	Balance on appointment	Other changes (net) <sup>1</sup>	Balance on retirement	Closing Balance
<b>Executive Directors</b>					
Andrew Hopkins	33,561,242	-	4,229,027	-	37,790,269
<b>Former Executive Directors</b>					
Raymond Malone	36,315,349	-	-	(36,315,349)	-
Raymond Smith-Roberts	6,171,959	-	300,316	(6,472,275)	-
<b>Executive Management</b>					
Steven Becker	50,000	-	11,112	-	61,112
Steven Bubulj	-	-	285,714	-	285,714
David Marino	-	-	-	-	-
Campbell Jones	-	-	33,266	-	33,266
<b>Total</b>	<b>76,098,550</b>	<b>-</b>	<b>4,859,435</b>	<b>(42,787,624)</b>	<b>38,170,361</b>

<sup>1</sup> Other changes (net) represents shares that were purchased or sold during the year.

#### B) PERFORMANCE RIGHTS HELD DURING THE YEAR

The number of performance rights in the Company held during the year by Executive KMP is set out in **Table 9** below.

**TABLE 9 - EXECUTIVE KMP INTERESTS IN PERFORMANCE RIGHTS**

2020	Balance at the start of the year	Granted during the year	Exercised during the year	Lapsed/ forfeited during the year	Closing Balance
<b>Executive Director</b>					
Andrew Hopkins	-	1,985,295	-	-	1,985,295
<b>Executive Management</b>					
Steven Becker	-	744,485	-	-	744,485
Steven Bubulj	-	294,118	-	-	294,118
David Marino	-	286,779	-	-	286,779
Campbell Jones	-	208,344	-	-	208,344
<b>Total</b>	<b>-</b>	<b>3,519,021</b>	<b>-</b>	<b>-</b>	<b>3,519,021</b>

There were no performance rights that vested during the year or are exercisable at the end of the year.

## REMUNERATION REPORT (AUDITED)

### H. REMUNERATION GOVERNANCE

The Group's remuneration arrangements for Executive KMP require approval by the Board, following recommendation from the PCRNC. The role of the PCRNC is set out in its charter, which is reviewed regularly to ensure that it applies best-practice remuneration policies. Further information on the role and responsibilities of the PCRNC is available on the Company's website:

<https://amagroupltd.com/corporate-governance>

The PCRNC met on four occasions during FY20 and held numerous informal discussions about broader remuneration topics.

The diagram below provides an overview of the remuneration governance framework that has been established by the Group.

#### THE BOARD

The Board maintains overall accountability for oversight of the Group's remuneration policies. Specifically, the Board reviews, applies judgement and, as appropriate, approves all remuneration and benefit arrangements of KMP, having regard to the recommendations made by the PCRNC.

#### PEOPLE, CULTURE, REMUNERATION & NOMINATION COMMITTEE

The Committee is delegated responsibility by the Board to review and make recommendations on:

Remuneration  
policies and  
framework for  
the Group

Remuneration  
policies in respect  
of Non-Executive  
Directors

Remuneration  
composition for  
Executive KMP

Design features  
of Executive and  
Senior Management  
STI and LTI program  
awards, including  
setting performance  
and other vesting  
conditions

#### SENIOR MANAGEMENT

Provides information relevant to  
remuneration decisions and makes  
recommendations to the PCRNC; and

Implements remuneration policies.

#### INDEPENDENT EXTERNAL REMUNERATION ADVISORS

The PCRNC may seek advice from  
independent remuneration consultants  
in determining appropriate remuneration  
policies for the Group.



## REMUNERATION REPORT (AUDITED)

### H. REMUNERATION GOVERNANCE (CONT.)

#### A) OUR RESPONSE TO SHAREHOLDER FEEDBACK

At the 2019 AGM, 28.86% of votes cast were against the adoption of the FY19 Remuneration Report, constituting a 'first strike' under the *Corporations Act 2001*.

The Board has undertaken a comprehensive review of the Group's executive remuneration framework and engaged with shareholders, proxy advisers and other stakeholders to gain an understanding of their concerns around the Group's remuneration policy and practices. The Board has listened and taken all comments into account and implemented a more structured remuneration strategy for Executive KMP. The structured approach aims to achieve the right balance between the performance of the business and shareholder interests, while at the same time motivating, incentivising, retaining and attracting executive talent.

In addition, the Group has provided additional and improved disclosure in relation to the components of its remuneration framework with its outcomes aimed at providing shareholders with an increased level of understanding of the Group's remuneration considerations.

The Board believes the PRP is an appropriate mechanism to reward the Executive KMP for achieving long-term growth objectives and places a significant proportion of total remuneration 'at risk'.

#### B) INDEPENDENT REMUNERATION ADVISORS

Where appropriate, the Board and PCRNC consult with external remuneration advisors. When such external remuneration advisors are selected, the Board considers potential conflicts of interest. Advisors' terms of engagement regulate their access to, and (where required) set out their independence from, members of the Group's management.

The requirement for external remuneration advisor services is assessed annually in the context of matters the PCRNC needs to address. Advice received from external advisors is used as a guide but does not serve as a substitute for the Directors' thorough consideration of the relevant matters.

No remuneration recommendations, as defined by the *Corporations Act 2001*, were made by remuneration advisors to the PCRNC during FY20.

#### C) SECURITIES TRADING POLICY

AMA has adopted a Securities Trading Policy that applies to all employees of the Group including Non-Executive Directors, Executive KMP and their associated persons. The policy ensures compliance with insider trading laws, to protect the reputation of the Group and maintain confidence in trading in AMA Group Limited securities. The policy also prohibits specific types of transactions being made which are not in accordance with market expectation or may otherwise give rise to reputational risk.

#### D) EXECUTIVE EMPLOYMENT AGREEMENTS

Remuneration and other terms of employment for Executive KMP are formalised in employment agreements. These agreements are of a continuing nature and have no fixed term of service. Specific information relating to the terms of the agreements for current KMP is set out in **Table 10**.

**TABLE 10 – EXECUTIVE KMP EMPLOYMENT AGREEMENTS**

Executive KMP	Base fee inclusive of statutory superannuation	Term of agreement	Notice period and termination entitlement	Review period <sup>1</sup>
Andrew Hopkins	\$1,200,000	Ongoing contract	3 months	Annual
Steven Becker	\$450,000	Ongoing contract	3 months	Annual
Steven Bubulj	\$400,000	Ongoing contract	3 months	Annual
David Marino	\$585,000	Ongoing contract	12 months	Annual
Campbell Jones	\$425,000	Ongoing contract	6 months	Annual

<sup>1</sup> This review will have regard to such matters as the responsibilities, performance and remuneration of the employee.

## REMUNERATION REPORT (AUDITED)

### I. NON-EXECUTIVE DIRECTOR REMUNERATION

#### A) POLICY AND APPROACH TO SETTING FEES

AMA's remuneration policy for Non-Executive Directors aims to ensure the Group can attract and retain skilled, experienced and committed individuals to serve on the Board and remunerate them appropriately for their time and expertise.

The PCRNC is responsible for reviewing and making recommendations to the Board on the Group's remuneration framework and policies and all aspects of KMP remuneration. This includes Board and Committee remuneration, taking into consideration the size and scope of the Group's activities, the responsibilities and liabilities of Directors, and demands placed upon them. In developing its recommendations, the PCRNC may take advice from external consultants.

#### B) CHANGES TO BOARD COMPOSITION

During FY20, and to demonstrate the Board's long-term strategy of growing the composition, capability, gender diversity and independence of its members, Nicole Cook and Carl Bizon were appointed as Independent Non-Executive Directors with effect from 1 December 2019 and 3 February 2020, respectively.

Following the appointment, and in line with their respective expertise, Nicole Cook was appointed a member of the PCRNC and Carl Bizon was appointed a member of the Audit & Risk Committee.

Brian Austin resigned as Non-Executive Director on 21 February 2020.

The Board elected Anthony Day to replace Raymond Malone as Chair of the Board effective 1 September 2019. In addition to his role of Chair, Anthony currently serves as Chair of the PCRNC.

No other changes were made to the composition of the Non-Executive Directors during the year.

#### C) CURRENT FEE STRUCTURE

Under the current fee framework, Non-Executive Directors are remunerated by way of a base fee. Additional fees are not currently paid for participation on Board Committees. Fees are inclusive of superannuation contributions required by the Superannuation Guarantee legislation.

In March 2020, a Conflicts of Interest and Related Party Transaction Policy was implemented which prohibits Directors from earning success and other incentive fees from the provision of professional advisory services.

Non-Executive Directors are not eligible for termination payments and do not receive retirement benefits on resignation or retirement from the Board.

Non-Executive Directors are entitled to reimbursement for reasonable business-related expenses, including travel expenses and are covered by the Group's Directors and Officers liability insurance policy.

In order to maintain independence, and impartiality, Non-Executive Directors are not entitled to any form of incentive payments.

Non-Executive Directors' fees are determined within an aggregate Directors' fee pool approved by shareholders. At the 2019 AGM, shareholders approved an increase in the remuneration pool for Non-Executive Directors to \$1,100,000 per annum (2019: \$400,000). The increase was sought to provide flexibility to attract and retain Non-Executive Directors on remuneration terms commensurate with their skills and expertise and to appropriately remunerate for additional Board and committee roles as deemed appropriate. No increase in the pool limit is proposed for FY21.



## REMUNERATION REPORT (AUDITED)

### I. NON-EXECUTIVE DIRECTOR REMUNERATION (CONT.)

#### C) CURRENT FEE STRUCTURE (CONT.)

Anthony Day was appointed Chair of the Board effective 1 September 2019. In recognition of the increased responsibilities and change in role, and to ensure competitive compensation in relation to industry peers, the Board approved an increase in Anthony's base fee to \$275,000 per annum (2019: \$100,000).

As a response to COVID-19 and to minimise the financial impact to the Group, the Non-Executive Directors agreed to a 20% reduction in remuneration for the period May to June 2020.

The current fees for Non-Executive Directors are set out in **Table 11**. All Non-Executive Directors invoice the Company and the fees set out in **Table 11** and **Table 12** are exclusive of GST.

**TABLE 11 - NON-EXECUTIVE DIRECTORS' CURRENT AND ANNUAL FEES**

Position	2020 \$	2019 <sup>1</sup> \$
Chair and Non-Executive Director	275,000	-
Non-Executive Director	100,000	100,000

<sup>1</sup> In 2019, no additional fee was paid for the role of Chair of the Board, as the Chair during that time was an Executive Director of the Group.

**TABLE 12 - NON-EXECUTIVE DIRECTORS' REMUNERATION**

	2020 \$	2019 \$
<b>Non-Executive Directors</b>		
Anthony Day <sup>1</sup>	222,083	58,333
Leath Nicholson	96,667	100,000
Simon Moore <sup>2</sup>	50,000	58,333
Nicole Cook <sup>3</sup>	55,000	-
Carl Bizon <sup>4</sup>	38,333	-
<b>Former Non-Executive Directors</b>		
Brian Austin <sup>5</sup>	66,667	100,000
<b>Non-Executive Directors remuneration</b>	<b>528,750</b>	<b>316,666</b>

<sup>1</sup> Anthony Day was appointed Chair of the Board on 1 September 2019.

<sup>2</sup> Simon Moore waived his Non-Executive Director fees for the period 1 January 2020 to 31 December 2020.

<sup>3</sup> Nicole Cook was appointed Non-Executive Director on 1 December 2019.

<sup>4</sup> Carl Bizon was appointed Non-Executive Director on 3 February 2020.

<sup>5</sup> Brian Austin resigned as Non-Executive Director on 21 February 2020.

## REMUNERATION REPORT (AUDITED)

## I. NON-EXECUTIVE DIRECTOR REMUNERATION (CONT.)

## D) EQUITY-BASED REMUNERATION

Non-Executive Directors may not participate in equity schemes of the Company.

TABLE 13 – NON-EXECUTIVE DIRECTORS' INTERESTS IN SHARES

2020	Opening Balance	Balance on appointment	Other changes (net) <sup>1</sup>	Balance on retirement	Closing Balance
<b>Non-Executive Directors</b>					
Anthony Day	100,000	-	419,324	-	519,324
Leath Nicholson	1,673,395	-	(56,522)	-	1,616,873
Simon Moore	20,025,000	-	10,302,186	-	30,327,186
Nicole Cook	-	-	55,000	-	55,000
Carl Bizon	-	-	-	-	-
<b>Former Non-Executive Directors</b>					
Brian Austin	112,000	-	24,889	(136,889)	-
<b>Total</b>	<b>21,910,395</b>	<b>-</b>	<b>10,744,877</b>	<b>(136,889)</b>	<b>32,518,383</b>

<sup>1</sup> Other changes (net) represents shares that were purchased or sold during the year.

## J. OTHER TRANSACTIONS AND BALANCES WITH KMP

In addition to specific disclosure requirements, the Group continuously re-assesses judgemental matters surrounding relationships with KMP and completeness of its related party disclosures.

## A) LOANS PROVIDED TO KMP

In FY16 and as part of the acquisition of Gemini Accident Repair Centres Pty Ltd (now AMA Group Solutions Pty Ltd), the Group acquired unsecured loans to certain vendors of that entity. One of the loans is with Andrew Hopkins, a Director of the Company.

Andrew Hopkins' loan has not been repaid and it has been agreed that it will be extinguished against future awards of short-term and long-term incentives, which are currently in place. If long-term incentives are used to settle the loan, Andrew Hopkins must do all things necessary, including promptly realising the value in cash, including by way of the sale or disposal of securities issued to him.

Andrew Hopkins' loan accrues interest at a rate of 5.37% per annum and matures on 30 June 2022.

As at 30 June 2020, the balance outstanding on his loan is \$1,339,130 (2019: \$1,270,884). The movement from prior year to the current balance of \$1,339,130 is due to interest accrued.

## REMUNERATION REPORT (AUDITED)

### J. OTHER TRANSACTIONS AND BALANCES WITH KMP (CONT.)

#### B) OTHER TRANSACTIONS WITH KMP

A number of KMP hold directorships or are associated with other entities. During the year, the Group provisioned services from and transacted with entities that were controlled or significantly influenced by members of the KMP.

Details of other transactions for the year ended 30 June with KMP and their related parties, and recognised in the Consolidated Statement of Profit or Loss, are summarised in **Table 14**.

**TABLE 14 - AMOUNTS RECOGNISED AS EXPENSES**

Service and Entity	KMP	2020 \$	2019 \$
<b>Legal and advisory services</b>			
Colinton Capital Partners Pty Ltd	Simon Moore	3,150,000	-
Nicholson Ryan Lawyers	Leath Nicholson	1,541,683	940,528
		<b>4,691,683</b>	<b>940,528</b>
<b>Property rental fees and outgoings</b>			
AV Ventures Pty Ltd	Andrew Hopkins	201,201	188,093
A&R Property Developments Pty Ltd	Andrew Hopkins	475,587	442,063
A&R Development Holdings Pty Ltd	Andrew Hopkins	901,528	809,474
Bundall Road Pty Ltd	Andrew Hopkins	457,037	-
Silvan Bond Pty Ltd	Raymond Malone	29,707	178,244
Malone Superannuation Fund	Raymond Malone	9,902	59,415
SRFE Pty Ltd	Raymond Smith-Roberts	125,074	317,291
		<b>2,200,036</b>	<b>1,994,580</b>
<b>Claims management</b>			
A & R Insurance Management (t/a Unity Specialised Services)	Andrew Hopkins	653,544	478,335
		<b>653,544</b>	<b>478,335</b>
<b>Training and recruitment</b>			
I-CAR Australia Limited	Steven Bubulj	189,502	-
SRFE Pty Ltd	Raymond Smith-Roberts	-	21,969
		<b>189,502</b>	<b>21,969</b>
<b>Insurance services</b>			
PSC Insurance Brokers (Aust) Pty Ltd	Brian Austin	685	103,000
		<b>685</b>	<b>103,000</b>
<b>Total expenses</b>		<b>7,735,450</b>	<b>3,538,412</b>

The nature of transactions with KMP and their related parties are as follows:

- The Group engaged Colinton Capital Partners Pty Ltd to provide financial advisory and transactional services in relation to the acquisition of Capital Smart and ACM Parts, and the related equity raise and debt refinance.
- The Group utilises Nicholson Ryan Lawyers for ongoing legal and advisory services.
- The Group leases and incurs rental fees and outgoing expenses for sites in the Group, including head office space.
- The Group transacts with Unity Specialised Services, a claims management business which handles and allocates insurance claims from a number of major insurers into vehicle accident repair facilities around Australia.
- The Group transacts with I-CAR Australia Limited, an industry based not-for-profit organisation. I-CAR provides training to the collision repair industry.
- The Group used PSC Insurance Brokers (Aust) Pty Ltd as its General Insurance Broker.



## REMUNERATION REPORT (AUDITED)

## J. OTHER TRANSACTIONS AND BALANCES WITH KMP (CONT.)

## C) BALANCES WITH KMP

Details of balances as at 30 June with KMP and their related parties, and recognised in the Consolidated Statement of Financial Position, are summarised in **Table 15**.

**TABLE 15 - AMOUNTS RECOGNISED AS ASSETS AND LIABILITIES**

Service and entity	KMP	Classification	2020 \$	2019 \$
<b>Right-of-use assets <sup>1</sup></b>				
AV Ventures Pty Ltd	Andrew Hopkins	Right-of-use assets	1,394,672	-
A&R Property Developments Pty Ltd	Andrew Hopkins	Right-of-use assets	1,905,593	-
A&R Development Holdings Pty Ltd	Andrew Hopkins	Right-of-use assets	8,563,770	-
Bundall Road Pty Ltd	Andrew Hopkins	Right-of-use assets	2,536,481	-
			<b>14,400,516</b>	<b>-</b>
<b>Lease commitments until expiry (including all options) <sup>1</sup></b>				
AV Ventures Pty Ltd	Andrew Hopkins	Lease liabilities	1,468,737	-
A&R Property Developments Pty Ltd	Andrew Hopkins	Lease liabilities	1,952,569	-
A&R Development Holdings Pty Ltd	Andrew Hopkins	Lease liabilities	8,918,559	-
Bundall Road Pty Ltd	Andrew Hopkins	Lease liabilities	2,602,746	-
			<b>14,942,611</b>	<b>-</b>
<b>Claims management</b>				
A & R Insurance Management (t/a Unity Specialised Services)	Andrew Hopkins	Trade and other payables	17,760	3,000
			<b>17,760</b>	<b>3,000</b>
<b>Training and recruitment</b>				
I-CAR Australia Limited	Steven Bubulj	Trade and other payables	19,000	-
			<b>19,000</b>	<b>-</b>
<b>Net liabilities</b>			<b>578,855</b>	<b>3,000</b>

<sup>1</sup> The Group adopted the new Australian Accounting standard AASB 16 *Leases* in the current year. The new standard requires the Group to recognise its lease commitments as liabilities in the Consolidated Statement of Financial Position. The Group has adopted AASB 16 *Leases* using the modified retrospective method from 1 July 2019 and has not restated comparatives for the 2019 reporting period. Therefore lease liabilities are not directly comparable.



## OTHER ITEMS

### CORPORATE GOVERNANCE STATEMENT

The Directors and the Group are committed to achieving and demonstrating a high standard of corporate governance. The Group's Corporate Governance Statement is located on the Company's website at [amagroupltd.com/corporate-governance/](http://amagroupltd.com/corporate-governance/)

### ENVIRONMENTAL REGULATION

Management continues to work with local regulatory authorities to achieve, where practical, best practice environmental management so as to minimise risk to the environment, reduce waste and ensure compliance with regulatory requirements. The Group had no adverse environmental issues during the year.

### INSURANCE OF OFFICERS AND INDEMNITIES

#### Insurance of officers

During the financial year, the Company paid a premium in respect of a contract insuring the directors, the company secretaries, and all executive officers of the Company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*.

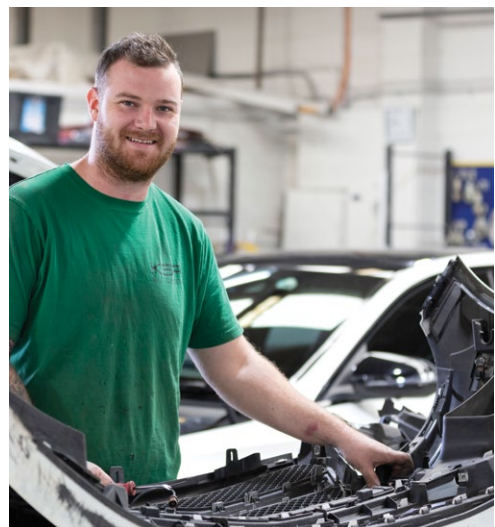
The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability, costs and charges, as such disclosure is prohibited under the terms of the contract.

#### Indemnity of auditors

The Company has not during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

### PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.



## NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor (KPMG) for audit and non-audit services provided during the year are set out in note F2 to the Consolidated Financial Statements.

The Board of Directors has considered the position and, in accordance with advice received from the Audit & Risk Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Audit & Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

## 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 on page 44.

## ROUNDING OF AMOUNTS

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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This Directors' Report is signed in accordance with a resolution of the Board of Directors.



**Andrew Hopkins**  
Director

25 August 2020





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

To the Directors of AMA Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of AMA Group Limited for the financial year ended 30 June 2020 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Adam Twemlow  
Partner

Gold Coast  
25 August 2020

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.









# FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

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These Financial Statements are Consolidated Financial Statements for the Group consisting of AMA Group Limited and its controlled entities. A list of controlled entities is included in note E2.

The Financial Statements are presented in the Australian currency.

AMA Group Limited is a Company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:  
Level 4, 130 Bundall Road, Bundall QLD 4217

The Financial Statements were authorised for issue by the Directors on 25 August 2020. The Directors have the power to amend and reissue the Financial Statements.

All press releases, financial reports and other information are available at our Investor Centre on our website:  
[amagroupltd.com/](http://amagroupltd.com/)



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 \$'000	2019 \$'000
<b>Revenue and other income from continuing operations</b>	B2	<b>888,957</b>	606,722
Raw materials and consumables used		(418,400)	(253,556)
Employee benefits expense	B3(C)	(316,887)	(237,515)
Occupancy expense <sup>1</sup>		(25,924)	(44,115)
Professional services expense		(15,479)	(5,458)
Other expense		(25,729)	(15,951)
Fair value adjustments on contingent vendor consideration	D7(B)	(4,501)	117
Depreciation and amortisation expense <sup>1</sup>	B3(A)	(72,740)	(16,208)
Impairment expense	B3(D)	(56,177)	-
<b>Operating (loss) / profit before interest and tax</b>		<b>(46,880)</b>	34,036
Finance costs <sup>1</sup>	B3(B)	(27,877)	(2,595)
<b>(Loss) / profit before income tax from continuing operations</b>		<b>(74,757)</b>	31,441
Loss before tax from discontinued operations	E5	(1,156)	(232)
<b>(Loss) / profit before income tax</b>		<b>(75,913)</b>	31,209
Income tax benefit / (expense)	B4(A)	4,445	(9,460)
<b>(Loss) / profit for the period</b>		<b>(71,468)</b>	21,749
<b>(Loss) / profit is attributable to:</b>			
Members of AMA Group Limited		(70,265)	21,553
Non-controlling interests	E3	(1,203)	196
		<b>(71,468)</b>	21,749
<b>Earnings per share</b>		<b>2020 Cents</b>	<b>2019 <sup>2</sup> Cents</b>
<b>From continuing operations</b>			
Basic earnings per share	D2	(9.82)	3.41
Diluted earnings per share	D2	(9.82)	3.35
<b>From continuing and discontinued operations</b>			
Basic earnings per share	D2	(9.93)	3.38
Diluted earnings per share	D2	(9.93)	3.33

<sup>1</sup> Impacted by the adoption of AASB 16 Leases - refer note A2(D) and note C7.

<sup>2</sup> Earnings per share for year ended 30 June 2019 is restated - refer note D2.

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



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 \$'000	2019 \$'000
<b>Net (loss) / profit</b>		<b>(71,468)</b>	21,749
<b>Other comprehensive expense</b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		<b>(269)</b>	(63)
Changes in fair value of cash flow hedges	D7(C)	<b>(185)</b>	-
<b>Other comprehensive expense, net of tax</b>		<b>(454)</b>	(63)
<b>Total comprehensive (loss) / income, net of tax</b>		<b>(71,922)</b>	21,686
<b>Total comprehensive (loss) / income is attributable to:</b>			
Members of AMA Group Limited		<b>(70,719)</b>	21,490
Non-controlling interests		<b>(1,203)</b>	196
		<b>(71,922)</b>	21,686

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Notes	2020 \$'000	2019 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	D6	112,916	12,096
Receivables and contract assets	C1	72,099	60,339
Inventories	C2	38,744	28,763
Current tax receivable	B4(C)	3,338	-
Other assets	C4	10,295	9,294
<b>Total current assets</b>		<b>237,392</b>	<b>110,492</b>
<b>Non-current assets</b>			
Property, plant and equipment	C5	93,090	63,340
Right-of-use assets <sup>1</sup>	C7	345,409	-
Intangible assets	C6	694,087	263,056
Other assets	C4	605	7,253
Other financial assets	C3	1,878	2,044
Deferred tax assets	B4(E)	15,160	10,560
<b>Total non-current assets</b>		<b>1,150,229</b>	<b>346,253</b>
<b>Total assets</b>		<b>1,387,621</b>	<b>456,745</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	C8	117,596	66,341
Financial liabilities	D7	21,784	24,496
Lease liabilities <sup>1</sup>	C7	35,207	103
Provisions	C10	33,466	23,038
Other liabilities	C9	15,844	12,500
Current tax payable	B4(C)	-	4,713
<b>Total current liabilities</b>		<b>223,897</b>	<b>131,191</b>
<b>Non-current liabilities</b>			
Financial liabilities	D7	363,620	106,767
Lease liabilities <sup>1</sup>	C7	320,305	29
Provisions	C10	13,116	10,224
Other liabilities	C9	63,196	16,061
Deferred tax liabilities	B4(E)	60,467	-
<b>Total non-current liabilities</b>		<b>820,704</b>	<b>133,081</b>
<b>Total liabilities</b>		<b>1,044,601</b>	<b>264,272</b>
<b>Net assets</b>		<b>343,020</b>	<b>192,473</b>
<b>EQUITY</b>			
Contributed equity	D4	417,117	200,263
Other reserves	D5	880	46
Retained deficit		(91,318)	(8,128)
<b>Total Group interest</b>		<b>326,679</b>	<b>192,181</b>
Non-controlling interest	E3	16,341	292
<b>Total equity</b>		<b>343,020</b>	<b>192,473</b>

<sup>1</sup> Impacted by the adoption of AASB 16 Leases - refer note A2(D) and note C7.

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	Attributable to owners of AMA Group Limited				Non- controlling interests \$'000	Total equity \$'000
		Share capital \$'000	Other reserves \$'000	Retained deficit \$'000	Total \$'000		
<b>Balance at 1 July 2018</b>		187,206	3,004	(19,429)	170,781	296	171,077
Profit for the period		-	-	21,553	21,553	196	21,749
Other comprehensive expense		-	(63)	-	(63)	-	(63)
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>(63)</b>	<b>21,553</b>	<b>21,490</b>	<b>196</b>	<b>21,686</b>
<b>Transactions with owners in their capacity as owners:</b>							
Shares issued, net of transaction costs	D4	11,807	-	-	11,807	-	11,807
Employee equity plan	D4, F1(C)	1,250	153	-	1,403	-	1,403
Lapsed options		-	(3,048)	3,048	-	-	-
Dividends provided for or paid	D3	-	-	(13,300)	(13,300)	(200)	(13,500)
		13,057	(2,895)	(10,252)	(90)	(200)	(290)
<b>Balance at 30 June 2019</b>		<b>200,263</b>	<b>46</b>	<b>(8,128)</b>	<b>192,181</b>	<b>292</b>	<b>192,473</b>

	Notes	Attributable to owners of AMA Group Limited				Non- controlling interests \$'000	Total equity \$'000
		Share capital \$'000	Other reserves \$'000	Retained deficit \$'000	Total \$'000		
<b>Balance at 1 July 2019</b>		200,263	46	(8,128)	192,181	292	192,473
Loss for the period		-	-	(70,265)	(70,265)	(1,203)	(71,468)
Other comprehensive expense		-	(454)	-	(454)	-	(454)
<b>Total comprehensive expense for the period</b>		<b>-</b>	<b>(454)</b>	<b>(70,265)</b>	<b>(70,719)</b>	<b>(1,203)</b>	<b>(71,922)</b>
<b>Transactions with owners in their capacity as owners:</b>							
Shares issued, net of transaction costs	D4	216,854	-	-	216,854	-	216,854
Employee equity plan	F1(C)	-	1,288	-	1,288	-	1,288
Dividends provided for or paid	D3	-	-	(12,215)	(12,215)	(169)	(12,384)
Purchase of shares from Non-controlling interests	E3	-	-	(710)	(710)	(123)	(833)
Non-controlling interests on acquisition of subsidiary	E3	-	-	-	-	17,544	17,544
		216,854	1,288	(12,925)	205,217	17,252	222,469
<b>Balance at 30 June 2020</b>		<b>417,117</b>	<b>880</b>	<b>(91,318)</b>	<b>326,679</b>	<b>16,341</b>	<b>343,020</b>

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



# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 \$'000	2019 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		996,432	628,623
Market incentive received (inclusive of GST)	C9	59,510	33,990
Payments to suppliers and employees (inclusive of GST) <sup>1</sup>		(895,420)	(615,700)
Interest received		330	389
Interest and other costs of finance paid <sup>1</sup>		(27,536)	(2,595)
Income tax paid		(10,858)	(7,794)
<b>Net cash inflows provided by operating activities</b>	D6(B)	122,458	36,913
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		20	158
Proceeds from disposal of business		25	150
Payments for purchases of property, plant and equipment		(13,285)	(10,885)
Payments for intangible assets		(510)	(4)
Payments for businesses acquired and earn-outs		(451,597)	(55,307)
Cash acquired through business combinations	E6	19,488	-
Loan and other investments		-	1,095
<b>Net cash outflows used in investing activities</b>		(445,859)	(64,793)
<b>Cash flows from financing activities</b>			
Equity raised, net of costs		208,711	9,509
Proceeds from borrowings	D6(C)	378,500	52,750
Repayment of borrowings	D6(C)	(119,068)	(24,934)
Payment of new borrowings transaction costs	D6(C)	(4,926)	-
Principal elements of lease payments <sup>1</sup>	D6(C)	(29,552)	-
Dividends paid to AMA shareholders	D3	(9,310)	(13,300)
Dividends paid to non-controlling shareholders	E3(A)	(169)	(200)
<b>Net cash inflows provided by financing activities</b>		424,186	23,825
<b>Net increase / (decrease) in cash and cash equivalents</b>		100,785	(4,055)
Cash and cash equivalents, at the beginning of the financial year		12,096	16,214
Effects of exchange changes on the balances held in foreign currencies		35	(63)
<b>Cash and cash equivalents, at the end of the financial year</b>	D6(A)	112,916	12,096

<sup>1</sup> Impacted by the adoption of AASB 16 *Leases* - refer to note A2(d) and C7.

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



# CONTENTS OF THE NOTES TO THE FINANCIAL STATEMENTS

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# A BASIS OF PREPARATION

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but is not immediately related to individual line items in the financial statements.

- A1 BASIS OF PREPARATION**
- A2 SIGNIFICANT ACCOUNTING POLICIES**
- A3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

## A1 BASIS OF PREPARATION

 This section describes the financial reporting framework within which the Consolidated Financial Statements are prepared and a statement of compliance with the *Corporations Act 2001* and Australian Accounting Standards and Interpretations.

The Group is a for-profit entity which is incorporated and domiciled in Australia. The Consolidated Financial Report of the Group for the year ended 30 June 2020 was authorised for issue in accordance with a resolution of Directors on 25 August 2020.

The Consolidated Financial Statements have been prepared on the historical cost basis except for derivative financial instruments and contingent vendor consideration which have been measured at fair value.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year presentation. Material reclassifications include:

- The amortisation of the market incentive was previously charged to the profit or loss, within revenue and other income from continuing operations. The amortisation of the market incentive has been reclassified to raw materials and consumables used, which is consistent to the offsetting cost in which the amount relates to. Prior period has been reclassified for comparative purposes (\$9,419,000).
- Within total revenue from external customers, a reclassification of prior period's revenue between vehicle panel repair services and sale of goods has been made (\$6,342,000).
- In the Consolidated Statement of Financial Position, contract assets have been reclassified from inventories to receivables and contract assets. Prior period has been reclassified for comparative purposes (\$12,215,000).
- In the Consolidated Statement of Cash Flows, receipts from customers and payments to suppliers and employees have been reclassified to include Goods and Services Tax (GST). This is consistent to the presentation of current period results and has nil impact to net cash inflows provided by operating activities (gross up of \$60,238,000).
- In the Consolidated Statement of Cash Flows, the market incentive received has been separately disclosed from receipts from customers. This is consistent to the presentation of current period results and has nil impact to net cash inflows provided by operating activities (\$33,990,000).
- In the Consolidated Statement of Cash Flows, payments for earn-outs were previously recorded in operating cashflows. This has been reclassified to payments for businesses acquired and earn-outs, consistent to the presentation of current period results. This has an impact to net cash inflows provided by operating activities and net cash outflows used in investing activities (\$17,436,000). The reconciliation of profit before tax to operating cash flows has been updated for this reclassification.

The Consolidated Financial Statements are presented in Australian dollars and amounts have been rounded to the nearest thousand dollars unless otherwise stated, in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*.

The Consolidated Financial Statements of the Group are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, and Australian Accounting Standards and Interpretations.

Compliance with Australian Accounting Standards ensures that the Consolidated Financial Statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Consequently, these Consolidated Financial Statements have been prepared in accordance with and comply with IFRS as issued by the IASB.

## (A) GOING CONCERN

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

As at 30 June 2020, the Group has current assets exceeding current liabilities by \$13,495,000. Whilst this is a positive working capital result, it is still impacted by the non-cash market incentive in other current liabilities (refer note C9). In addition, the implementation of the new accounting standard, AASB 16 *Leases* (refer note C7) impacts net current assets as the right-of-use asset is disclosed in non-current assets, but future lease payments are split between current and non-current.

Management have prepared cash flow forecasts for the next twelve months that support the ability of the Group to continue as a going concern. The cash flow forecasts assume that government restrictions as a result of the COVID-19 pandemic will ease and trading volumes will return to normal run-rates by the last quarter of FY21. The Group's liquidity remains strong and the net debt position as at 30 June 2020 is tracking better than originally anticipated at the outset of the COVID-19 pandemic.

In ongoing support of the business and to allow the Group to withstand a potential extended period of disruption caused by COVID-19 restrictions, the Group's existing unutilised funding facilities were repurposed, increasing our working capital facility by \$35,000,000. In addition, covenant testing was waived until 31 December 2020 and a more favourable covenant testing regime for the balance of FY21 was implemented.

Whilst the Group have forecasted compliance with debt covenants for the next twelve months (31 December 2020, 31 March 2021 and 30 June 2021), the covenant calculations are sensitive to achieving EBITDA including ongoing earnings accretion from synergies associated with acquisitions and generating positive operating cashflows. In the event that COVID-19 restrictions impact the business to a greater extent, the Group may need to request further waivers or deferrals from our financiers in relation to covenant testing or undertake other alternative actions such as raising additional equity, securing additional financing or the sale of assets, the outcome of which is unclear at the date of the approval of this Consolidated Financial Report.

Although the COVID-19 pandemic is unprecedented, in the Directors' opinion the Group remains resilient to the challenges. The Directors consider that the cash flow forecasts and potential financing alternatives available support the Group's ability to continue as a going concern including ongoing compliance with requirements of the Group's finance facilities.

## (B) COVID-19 CONSIDERATIONS

During the year ended 30 June 2020, the Group has been impacted by the global COVID-19 pandemic which has had the following effect on items within the Consolidated Financial Statements:

### Revenue

As a result of COVID-19 and government restrictions in Australia and New Zealand, trading volumes were lower than historical levels and the Group's forecast for April to June 2020.

### Cost saving initiatives

The Group implemented a range of initiatives to minimise the financial impact of the pandemic, including:

- Downscaling our workforce and cost-base to match demand, including site hibernations;
- Proactively engaging with the Group's landlords to seek a combination of waivers and/or deferrals of rental payments;
- Freezing of non-time critical capital expenditure; and
- The Group's senior employees and Board members agreed to a 20% reduction in remuneration packages for the period May to June 2020.





**(B) COVID-19 CONSIDERATIONS (CONT.)****Site closures**

The Group has taken the current opportunity to consolidate a number of panel repair sites, which has in turn resulted in an impairment expense to right-of-use assets.

**Government grants**

A number of entities within the Group have qualified for the Australian Federal Government's JobKeeper Assistance Program (JobKeeper) and the New Zealand Wage Subsidy. Participation in these programs has assisted the Group to support our workforce through this difficult trading period, enabling the Group to make a faster recovery when the economic environment improves.

**Estimation of recoverable amount of assets and CGUs**

A critical accounting estimate and judgement is the estimation of the recoverable amount of assets and goodwill allocated to cash-generating units (CGUs). Due to the risk and uncertainty surrounding COVID-19, and allowances made in respect of potential declines or delays in acquisition growth, the Group recognised an impairment charge against the carrying value of goodwill in the Capital Smart CGU. The Group's current cash flow projections support the carrying value of assets with the assumption that government restrictions will ease and trading volumes will return to normal run-rates by the last quarter of FY21.

**Estimation of fair values of contingent vendor consideration**

A critical accounting estimate and judgement is the estimation of fair values of contingent vendor consideration. The fair value is measured using a discounted cash flow methodology and in making this assessment, management have forecasted future profitability. The Group has forecasted future profitability considering the economic impact of COVID-19 for each individual earn-out.

**A2 SIGNIFICANT ACCOUNTING POLICIES**

This section sets out the significant accounting policies upon which the Consolidated Financial Statements are prepared as a whole. Where a significant accounting policy is specific to a note to the Consolidated Financial Statements, the policy is described within that note. This section also shows information on new accounting standards, amendments, and interpretations not yet adopted and the impact they will have on the Consolidated Financial Statements.

**(A) BASIS OF CONSOLIDATION**

The Consolidated Financial Statements incorporate the assets and liabilities of all controlled entities in the Group as at 30 June 2020 and the results of all controlled entities for the year then ended. A list of the controlled entities is provided in note E2.

The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are shown separately in the Consolidated Statement of Profit or Loss, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position and Consolidated Statement of Changes in Equity.

## (B) GOODS AND SERVICES TAX (GST)

Revenues, expenses, assets and liabilities are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Consolidated Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

## (C) NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2019:

- AASB 16 *Leases*
- AASB 2017-6 *Amendments to Australian Accounting Standards - Prepayment Features with Negative Compensation*
- AASB 2017-7 *Amendments to Australian Accounting Standards - Long-term Interests in Associates and Joint Ventures*
- AASB 2019-1 *Amendments to Australian Accounting Standards - Annual Improvements 2015-2017 Cycle*
- AASB 2019-2 *Amendments to Australian Accounting Standards - Plan Amendment, Curtailment or Settlement*
- Interpretation 23 *Uncertainty over Income Tax Treatments*

The Group had to change its accounting policies as a result of adopting AASB 16 *Leases*. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 July 2019 (refer (D) below).

The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

## (D) CHANGES IN ACCOUNTING POLICIES

The Group has adopted AASB 16 *Leases* using the modified retrospective method from 1 July 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. This method leads to nil impact on net assets at transition. The reclassifications and the adjustments arising from the new leasing standard are therefore recognised in the opening Consolidated Statement of Financial Position on 1 July 2019. The new accounting policies are disclosed in note C7.

The Group leases property, motor vehicles and equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

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

From 1 July 2019, the Group applied a single recognition and measurement approach for all leases of which it is the lessee, except for short-term and low-value assets. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment reduces the lease liability and recognises interest expense within finance costs. The interest expense is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

**(i) Practical expedients applied**

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

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- the accounting for operating leases with a cost value of \$10,000 or less as low value leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

**(ii) Measurement of lease liabilities**

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

Set out below is a reconciliation between operating leases disclosed as Commitments to the Lease Liability on transition:

	1 Jul 2019 \$'000
<b>Operating Lease Commitments disclosed at 30 June 2019</b>	<b>82,011</b>
Discounted using the lessee's incremental borrowing rate at date of initial application	73,686
Add: Finance lease liabilities recognised at 30 June 2019	132
Add: Onerous lease provisions recognised at 30 June 2019	418
Less: Short-term leases recognised on a straight-line basis as an expense	(107)
Add: Adjustments as a result of a different treatment of extension and termination options	153,561
<b>Total lease liabilities</b>	<b>227,690</b>
<b>Lease liabilities</b>	
Current	21,478
Non-current	206,212
<b>Total lease liabilities</b>	<b>227,690</b>

**(iii) Measurement of right-of-use assets**


The associated right-of-use assets for property leases were measured using the modified retrospective method from 1 July 2019. The right-of-use assets were measured at the amount equal to the lease liability, adjusted for existing onerous lease provisions, prepayments and make good assets recognised in the Consolidated Statement of Financial Position as at 30 June 2019.

#### (iv) Adjustments recognised in the Consolidated Statement of Financial Position on 1 July 2019

Set out below are the movements in assets and liabilities recognised on adoption of AASB 16 Leases:

	1 Jul 2019 \$'000
<b>Assets</b>	
Increase in right-of-use assets	232,190
Decrease in property, plant and equipment	(3,616)
Decrease in other current assets	(230)
Decrease in other non-current assets	(786)
<b>Total assets</b>	<b>227,558</b>
<b>Liabilities</b>	
Increase in lease liabilities	227,976
Decrease in current provisions	(344)
Decrease in non-current provisions	(74)
<b>Total liabilities</b>	<b>227,558</b>

### A3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

 This section describes the critical accounting estimates and judgements that have been applied and may have a material impact on the Consolidated Financial Statements.

In applying the Group's policies, the Directors are required to make estimates, judgements, and assumptions that affect amounts reported in this Consolidated Financial Report. The estimates, judgements, and assumptions are based on historical experience, adjusted for current market conditions, and other factors that are believed to be reasonable under the circumstances, and are reviewed on a regular basis. Actual results may differ from estimates.

The estimates and judgements which involve a higher degree of complexity or that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next period are included in the following notes:

- Note C6(B)(iv) - Estimation of recoverable amounts of assets and CGUs
- Note C7(H) - Estimation of lease term contracts with renewal options
- Note D7(B)(ii) - Estimation of fair values of contingent vendor consideration
- Note E6(F) - Estimation of fair values of assets and liabilities in business combinations where provisional amounts have been recognised
- Note F1(D) - Estimation of fair values of equity instruments issued in share-based payments

Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item.

The Directors no longer consider the provision for make good a critical accounting estimate or judgement. As the Group has significantly grown in the past few years, the provision for make good is not considered to have a high degree of complexity in comparison to current critical accounting estimates and judgements. Given the value of make good utilised during the year, the Directors don't consider there a significant risk of causing a material adjustment to the carrying amount of provision for make good within the next period.

# B PERFORMANCE FOR THE YEAR

This section provides information that is most relevant to explaining the Group's performance during the year and where relevant, the accounting policies that have been applied.

- B1** SEGMENT INFORMATION
- B2** REVENUE AND OTHER INCOME
- B3** OTHER EXPENSE ITEMS
- B4** TAXES

## B1 SEGMENT INFORMATION

**i** The Group identifies different business divisions that are regularly reviewed by the Board and executive management in order to allocate resources and assess performance. These divisions offer different products and services and are managed separately. The segment disclosures present the financial performance of each division and other material items.

### (A) DESCRIPTION OF SEGMENTS AND PRINCIPAL ACTIVITIES

The Group determines and presents its operating segments based on the internal reports that are reviewed and used by the Chief Operating Decision Makers (CODM). The Board and executive management, identified as the CODM, assess the performance of the Group and determine the allocation of resources.

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

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

Historically, when the Group was significantly smaller, the segments were presented for the Automotive Components and Accessories Division (ACAD) on a disaggregated basis. In the half-year ended 31 December 2019 and after the acquisition of ACM Parts, the Group combined ACAD and ACM Parts and appointed a new CEO to lead the newly established division, Automotive Parts and Accessory Solutions (APAS).

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

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

- Vehicle Panel Repairs
- Automotive Parts and Accessories

Unless stated otherwise, all amounts reported are determined in accordance with the Group's accounting policies. All inter-segment transactions are eliminated on consolidation for the Consolidated Financial Statements.

Comparative information has been reclassified on account of a change in segments.



**(B) ADJUSTED EBITDAI FROM REPORTABLE OPERATING SEGMENTS**

In addition to using profit as a measure of the Group, the Board and CODM use adjusted EBITDAI as a measure to assess the performance of the segments. Adjusted EBITDAI excludes the impact of AASB 16 Leases, discontinued operations and the effects of significant items which may have an impact on the quality of earnings such as depreciation, amortisation, finance costs, fair value adjustments and impairments where the impairment is the result of an isolated, non-recurring event.

A reconciliation of adjusted EBITDAI to (Loss) / profit from before income tax from continuing operations is provided below:

	Vehicle Panel Repairs		Automotive Parts and Accessories		Total	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Revenue and other income</b>						
Revenue from external customers	787,528	517,268	110,871	85,857	898,399	603,125
Inter-segment revenue	-	-	(10,824)	(1,035)	(10,824)	(1,035)
Other income	999	2,687	227	1,912	1,226	4,599
<b>Total segment revenue from external customers and other income</b>	<b>788,527</b>	<b>519,955</b>	<b>100,274</b>	<b>86,734</b>	<b>888,801</b>	<b>606,689</b>
Unallocated revenue and other income					156	33
<b>Total group revenue from external customers and other income</b>					<b>888,957</b>	<b>606,722</b>
EBITDAI	95,772	46,623	7,842	12,495	103,614	59,118
AASB 16 Leases impact to occupancy costs and other income	(41,839)	-	(5,017)	-	(46,856)	-
<b>Adjusted segment EBITDAI (excluding impact of AASB 16 Leases)</b>	<b>53,933</b>	<b>46,623</b>	<b>2,825</b>	<b>12,495</b>	<b>56,758</b>	<b>59,118</b>
AASB 16 Leases impact to occupancy costs and other income					46,856	-
Unallocated expenses					(17,076)	(8,991)
Depreciation, amortisation and impairment expense					(128,917)	(16,208)
Finance costs					(27,877)	(2,595)
Fair value adjustments on contingent vendor consideration					(4,501)	117
<b>(Loss) / profit before income tax from continuing operations</b>					<b>(74,757)</b>	<b>31,441</b>

**(C) SEGMENT ASSETS AND LIABILITIES**

Segment assets and liabilities are not directly reported to the CODM when assessing the performance of the operating segments and are therefore not relevant to the disclosure.

**(D) GEOGRAPHICAL INFORMATION**

The Group operates in Australia and New Zealand. The table below provides information on the geographical location of revenue from external customers which is allocated to a geography based on the location of the operation it was derived. Revenue related to discontinued operations has been excluded.

	Australia		New Zealand		Total	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Revenue from external customers	867,183	598,522	20,392	3,568	887,575	602,090
Other income	1,375	4,632	7	-	1,382	4,632
<b>Total group revenue from external customers and other income</b>					<b>888,957</b>	<b>606,722</b>



## B2 REVENUE AND OTHER INCOME



The Group is Australia's largest vehicle accident repairer and generates revenue primarily from its panel repair services. Other revenue is derived from the sale of automotive parts and accessories.

### (A) REVENUE FROM EXTERNAL CUSTOMERS AND OTHER INCOME

Set out below is the disaggregation of the Group's revenue from external customers and other income. The Group derives revenue from the transfer of goods and services over time and at a point in time.

	Vehicle Panel Repairs		Automotive Parts and Accessories		Unallocated		Total	
From continuing operations	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Revenue from external customers</b>								
Vehicle panel repair services	787,528	517,268	-	-	-	-	787,528	517,268
Sale of goods	-	-	99,282	82,491	-	-	99,282	82,491
Other services	-	-	765	2,331	-	-	765	2,331
<b>Total revenue from external customers</b>	<b>787,528</b>	<b>517,268</b>	<b>100,047</b>	<b>84,822</b>	<b>-</b>	<b>-</b>	<b>887,575</b>	<b>602,090</b>
<b>Other income</b>								
Interest income	297	25	29	30	156	33	482	88
Other income	702	2,662	198	1,882	-	-	900	4,544
<b>Total other income</b>	<b>999</b>	<b>2,687</b>	<b>227</b>	<b>1,912</b>	<b>156</b>	<b>33</b>	<b>1,382</b>	<b>4,632</b>
<b>Revenue from external customers and other income</b>	<b>788,527</b>	<b>519,955</b>	<b>100,274</b>	<b>86,734</b>	<b>156</b>	<b>33</b>	<b>888,957</b>	<b>606,722</b>
<b>Timing of revenue recognition</b>								
Over time	787,528	517,268	765	2,331	-	-	788,293	519,599
At a point in time	-	-	99,282	82,491	-	-	99,282	82,491
<b>Revenue from external customers</b>	<b>787,528</b>	<b>517,268</b>	<b>100,047</b>	<b>84,822</b>	<b>-</b>	<b>-</b>	<b>887,575</b>	<b>602,090</b>
<b>Geographical markets</b>								
Australia	772,635	513,700	94,552	84,822	-	-	867,187	598,522
New Zealand	14,893	3,568	5,495	-	-	-	20,388	3,568
<b>Revenue from external customers</b>	<b>787,528</b>	<b>517,268</b>	<b>100,047</b>	<b>84,822</b>	<b>-</b>	<b>-</b>	<b>887,575</b>	<b>602,090</b>
<b>Total revenue and other income from discontinued operations</b>	<b>-</b>	<b>-</b>	<b>3,523</b>	<b>1,893</b>	<b>-</b>	<b>-</b>	<b>3,523</b>	<b>1,893</b>

In respect of vehicle panel repair services:

- 89% is derived from insurers (2019: 81%);
- the top two customers amount to \$496,809,000 (2019: \$266,237,000).

## SIGNIFICANT ACCOUNTING POLICIES

### Revenue

Revenue from contracts with customers is recognised to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised in accordance with the following five-step process:

1. Identifying the contract with the customer.
2. Identifying the performance obligations in the contract.
3. Determining the transaction price.
4. Allocating the transaction price to the performance obligations in the contract.
5. Recognising revenue as and when the performance obligations are satisfied.

Revenue is recognised for the major business activities as follows:

### Vehicle Panel Repair Services

Revenue arising from these services relate to performance obligations satisfied over time and in future periods. The output method, based on completed vehicle repairs, is used to recognise revenue from such contracts for the services rendered during the period.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management. Jobs completed not invoiced are reflected as a contract asset within other receivables until billed.

### Sale of goods

The Group manufactures and sells automotive parts and accessories online, in the wholesale market and through retail premises. Sales are recognised when control of the goods has transferred, that is, when the goods are delivered to the wholesaler or sold to the end customer.

Some goods are sold with retrospective volume discounts based on aggregate sales over a specified period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Discounts are estimated based on experience using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional as only the passage of time is required before the payment is due.

### Interest revenue

Interest revenue is recognised on a time proportional basis, taking into account the effective interest rates applicable to the financial assets. It includes amortisation of any discount or premium.

### Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

## B3 OTHER EXPENSE ITEMS



The Group has identified a number of items which are material due to the significance of their nature and/or amount. They are listed separately below to provide a better understanding of the financial performance of the Group.

### (A) DEPRECIATION AND AMORTISATION EXPENSE

	2020 \$'000	2019 \$'000
Depreciation expense on property, plant and equipment	20,498	12,258
Depreciation expense on right-of-use assets	39,796	-
Amortisation on intangibles	12,446	3,950
<b>Total depreciation and amortisation expense</b>	<b>72,740</b>	<b>16,208</b>
Depreciation and amortisation expense from discontinued operations	462	-

### (B) FINANCE COSTS

	2020 \$'000	2019 \$'000
Interest and other finance charges	9,471	2,595
Interest expense on lease liabilities	17,539	-
Amortisation of borrowing costs	867	-
<b>Total finance costs</b>	<b>27,877</b>	<b>2,595</b>
Interest expense on lease liabilities from discontinued operations	133	-



## SIGNIFICANT ACCOUNTING POLICY

### Finance costs

Finance costs are recognised as expenses in the period in which they are incurred. Finance costs comprise interest on borrowings calculated using the effective interest method, interest expense on lease liabilities, and amortisation of capitalised borrowing costs over the term of the borrowings.



## (C) GOVERNMENT GRANTS

The Group is eligible for the Australian Federal Government's JobKeeper Assistance Program and the New Zealand Wage Subsidy as a result of the economic impact from COVID-19.

The temporary wage subsidies are recognised as government grants. The Group recognises the amount received from the respective governments as an offset to employee benefit expenses.

	2020 \$'000	2019 \$'000
Balance at 1 July	-	-
Received in cash during the year	(21,146)	-
Recognised in profit or loss	34,301	-
<b>Balance at 30 June</b>	<b>13,155</b>	<b>-</b>

A reconciliation of the net employee benefits expense recognised in the Consolidated Statement of Profit or Loss is provided below:

	2020 \$'000	2019 \$'000
Employee benefits expense - gross	351,188	237,515
Government grants offset against employee benefits expense	(34,301)	-
<b>Employee benefits expense - net</b>	<b>316,887</b>	<b>237,515</b>



## SIGNIFICANT ACCOUNTING POLICY

### Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. The Group recognises the amount received from government grants as an offset to the related expense item.

## (D) IMPAIRMENT EXPENSE

The Group recognised the following non-cash impairment expense for the year ended 30 June 2020:

	2020 \$'000	2019 \$'000
Impairment of goodwill - Capital Smart	46,971	-
Impairment of goodwill - APAS	3,700	-
Impairment of goodwill - AMA Panel	2,075	-
Impairment of right-of-use assets	3,431	-
<b>Total impairment expense</b>	<b>56,177</b>	<b>-</b>
Impairment of right-of-use assets from discontinued operations	169	-

During the year, the Group has recognised impairment charges in respect of goodwill against all three operating segments. The carrying value of the CGUs have been reduced to the recoverable amount. Refer to note C6 for further details.

Under AASB 16 *Leases*, right-of-use assets are tested for impairment in accordance with AASB 136 *Impairment of Assets*. This replaces the previous requirement to recognise a provision for onerous lease contracts. During the year and in response to the COVID-19 pandemic, the Group has taken the opportunity to consolidate a number of panel repair sites and impair right-of-use assets which are no longer expected to generate future economic benefits. Refer to note C7 for further details.



## B4 TAXES



This section presents the total income tax expense charged to the Group in respect of amounts currently owing for taxable profits and future income taxes recoverable or payable in respect of temporary differences. The Group presents a reconciliation of accounting profit or loss to income tax and a summary of changes in future income tax recoverable or payable by major category.

### (A) INCOME TAX (BENEFIT) / EXPENSE

	2020 \$'000	2019 \$'000
<b>Current tax</b>		
Current tax expense	3,493	12,933
Adjustments for current tax of prior periods	(828)	(41)
<b>Total current tax expense</b>	<b>2,665</b>	<b>12,892</b>
<b>Deferred tax</b>		
Decrease / (increase) in deferred tax assets	1,704	(2,821)
Decrease in deferred tax liabilities	(8,814)	(611)
<b>Total deferred tax benefit</b>	<b>(7,110)</b>	<b>(3,432)</b>
<b>Income tax (benefit) / expense</b>	<b>(4,445)</b>	<b>9,460</b>
Income tax (benefit) / expense is attributable to:		
Continuing operations	(4,098)	9,530
Discontinued operations	(347)	(70)
	<b>(4,445)</b>	<b>9,460</b>

### (B) RECONCILIATION OF ACCOUNTING PROFIT TO INCOME TAX (BENEFIT) / EXPENSE

	2020 \$'000	2019 \$'000
(Loss) / profit before tax from continuing operations	(74,757)	31,441
Loss before tax from discontinued operations	(1,156)	(232)
	<b>(75,913)</b>	<b>31,209</b>
Tax at the Australian tax rate of 30% (2019 - 30%)	<b>(22,774)</b>	<b>9,363</b>
<b>Tax effect of amounts which are not (assessable) / deductible:</b>		
Non-deductible impairment expense	15,824	-
Non-deductible expenses	1,518	147
Fair value adjustments on contingent vendor consideration	1,350	(35)
Employee equity plan expense	588	26
Adjustments for current tax of prior periods	(828)	(41)
Recognition of previously unrecognised tax losses	(113)	-
Other	(10)	-
<b>Income tax (benefit) / expense</b>	<b>(4,445)</b>	<b>9,460</b>



**(C) RECONCILIATION OF INCOME TAX (RECEIVABLE) / PAYABLE**

	2020 \$'000	2019 \$'000
<b>Balance at 1 July</b>	<b>4,713</b>	<b>(188)</b>
<b>Movement:</b>		
Income taxes payable for the current financial year	3,493	12,933
Adjustments for current tax of prior periods	(749)	(408)
Tax paid during the year	(10,858)	(7,794)
Acquired through business combinations	63	170
<b>Balance at 30 June</b>	<b>(3,338)</b>	<b>4,713</b>

**(D) AMOUNTS RECOGNISED DIRECTLY IN EQUITY**

	2020 \$'000	2019 \$'000
Hedging reserve	79	-
Share capital	2,063	106
<b>Total recognised directly in equity</b>	<b>2,142</b>	<b>106</b>

**(E) DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES**

	Deferred tax assets		Deferred tax liabilities	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Receivables and contract assets	261	57	-	-
Inventories	189	219	-	-
Property, plant and equipment	286	60	(1,532)	-
Right-of-use assets	-	-	(102,216)	-
Intangible assets	-	-	(65,151)	365
Trade and other payables	2,022	1,054	-	-
Lease liabilities	106,358	-	-	-
Provisions - employee benefits	11,182	7,929	-	-
Provisions - other	2,300	732	-	-
Deferred income	-	-	(3,947)	(3,015)
Capitalised expenditure	3,493	3,073	-	-
Tax losses	1,515	-	-	-
Other items	79	86	(146)	-
<b>Deferred tax assets / (liabilities) - before set-off</b>	<b>127,685</b>	<b>13,210</b>	<b>(172,992)</b>	<b>(2,650)</b>
Set-off of tax	(112,525)	(2,650)	112,525	2,650
<b>Net deferred tax assets / (liabilities) - after set-off</b>	<b>15,160</b>	<b>10,560</b>	<b>(60,467)</b>	<b>-</b>
<b>Balance at 1 July</b>	<b>13,210</b>	<b>9,223</b>	<b>(2,650)</b>	<b>(3,254)</b>
<b>Movement:</b>				
Adoption of AASB 16 - Leases	68,266	-	(68,266)	-
Adjustments for tax of prior periods	(1,777)	(150)	416	(7)
To profit or loss	(1,704)	2,715	8,814	611
Through equity	2,142	106	-	-
Acquired through business combinations	47,548	1,316	(111,306)	-
<b>Balance at 30 June</b>	<b>127,685</b>	<b>13,210</b>	<b>(172,992)</b>	<b>(2,650)</b>



**(F) TAX LOSSES**

	2020 \$'000	2019 <sup>1</sup> \$'000
<b>Tax losses for which a deferred tax asset has been recognised</b>		
Revenue losses	5,049	-
<b>Tax benefit @ 30%</b>	1,515	-
<b>Unused tax losses for which no deferred tax asset has been recognised</b>		
Unused revenue losses	2,798	3,173
Unused capital losses	6,081	6,081
<b>Total unused tax losses</b>	8,879	9,254
<b>Potential tax benefit @ 30%</b>	2,663	2,776

1 The 2019 losses have been restated due to tax returns amendments lodged during the current year.

The losses for which a deferred tax asset has been recognised represent revenue losses for the Company's partially-owned subsidiary, Capital Smart Group Holdings Pty Ltd (see (G) below). Management consider it probable that future taxable profits would be available against which the tax losses can be recovered and, therefore, the related deferred tax asset can be recognised. The losses can be carried forward indefinitely subject to the loss utilisation tests and have no expiry date.

The unused revenue losses represent transferred tax losses for the Company and its wholly-owned Australian resident entities. These transferred revenue losses have low available fractions. Management has determined that future taxable profits are not sufficient to enable the benefits from the deductions for the losses to be realised.

The unused losses have no expiry date. The benefit of the unused tax losses will only be obtained if:

- The Company derives future assessable income of a nature and an amount sufficient to enable the benefits from the deductions for the losses to be realised.
- The Company continues to comply with the conditions for deductibility imposed by the law.
- No changes in tax legislation adversely affect the companies in realising the benefit from the deductions for the losses.

**(G) TAX CONSOLIDATION**

The Company and its wholly-owned Australian resident entities formed a tax consolidated group with effect from 1 September 2006. AMA Group Limited is the head entity of the tax consolidated group and has assumed the current tax liabilities of the members in its tax consolidated group.

The Australian resident entities of the Capital Smart Group of companies formed a separate tax consolidated group with effect from 31 October 2019. Capital Smart Group Holdings Pty Ltd is the head entity of the tax consolidated group and has assumed the current tax liabilities of the members in its tax consolidated group.

The Consolidated Financial Statements incorporate the tax balances of both tax consolidated groups.

Income tax expense or benefit, deferred tax assets, and deferred tax liabilities arising from temporary differences of the members of the tax consolidated groups are recognised by each subsidiary where the subsidiary would have been able to recognise the deferred tax asset or deferred tax liability on a standalone basis.

The members of the tax consolidated groups have entered into tax funding agreements with each head entity which sets out the funding obligations in respect of income tax amounts. The agreements require payments by the subsidiaries to the head entity equal to the income tax liability assumed by the head entity. The head entity is required to make payments to the subsidiaries equal to the current tax asset assumed by the head entity.

In respect of carried forward tax losses brought into the tax consolidated groups on consolidation by subsidiary members, the head entity will pay the subsidiary member for such losses when these losses are transferred to the tax consolidated groups, where the subsidiary member would have been entitled to recognise the benefit of these losses on a standalone basis.

## SIGNIFICANT ACCOUNTING POLICIES

### Income tax

Income tax expense in the Consolidated Statement of Profit or Loss for the period presented comprises current and deferred tax.

Income tax is recognised in the Consolidated Statement of Profit or Loss except to the extent that it relates to items recognised in other comprehensive income, or directly in equity, in which case the tax is also recognised in other comprehensive income, or directly in equity, respectively.

### Current tax

Current tax payable represents the amount expected to be paid to taxation authorities on taxable income for the period, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous periods.

### Deferred tax

Deferred tax is calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting and taxation purposes. Deferred tax is measured at the rates that are expected to apply in the period in which the liability is settled, or asset realised, based on tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit or in relation to the initial recognition of goodwill.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses and tax offsets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The benefit of intangible assets with an indefinite useful life will flow to the Group on an annual basis, therefore the carrying amount will be recovered through use.


Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

# C ASSETS AND LIABILITIES

This section provides information about the working capital of the Group and major balance sheet items including the accounting policies, judgements and estimates relevant in understanding these items.

- C1** RECEIVABLES AND CONTRACT ASSETS
- C2** INVENTORIES
- C3** OTHER FINANCIAL ASSETS
- C4** OTHER ASSETS
- C5** PROPERTY, PLANT AND EQUIPMENT
- C6** INTANGIBLE ASSETS
- C7** RIGHT-OF-USE ASSETS AND LEASE LIABILITIES
- C8** TRADE AND OTHER PAYABLES
- C9** OTHER LIABILITIES
- C10** PROVISIONS

## C1 RECEIVABLES AND CONTRACT ASSETS

 Receivables and contract assets predominantly consist of amounts owed to the Group by customers for sales of goods and services in the ordinary course of business.

	2020 \$'000	2019 \$'000
Trade receivables	31,725	29,770
Allowance for expected credit losses	(394)	(190)
	31,331	29,580
Other receivables	19,367	8,513
Contract assets	21,401	22,246
	40,768	30,759
<b>Total receivables and contract assets</b>	<b>72,099</b>	<b>60,339</b>

### (A) ALLOWANCE FOR EXPECTED CREDIT LOSSES ON TRADE AND OTHER RECEIVABLES

As at 30 June, trade receivables of the Group were assessed for impairment. Movements in the allowance for expected credit losses of receivables are set out below:

	2020 \$'000	2019 \$'000
<b>Balance at 1 July</b>	<b>190</b>	<b>259</b>
<b>Movement:</b>		
Acquired through business combinations	103	-
Additional expected credit losses recognised / (released)	78	(46)
Receivables written off / (written back) during the year as uncollectible	23	(23)
<b>Balance at 30 June</b>	<b>394</b>	<b>190</b>

**(B) TRADE RECEIVABLES PAST DUE BUT NOT IMPAIRED**

As at 30 June 2020, trade receivables of \$4,103,000 (2019: \$6,193,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default and for which full payment is expected.

An ageing analysis of trade receivables past due but not impaired is set out below:

	2020 \$'000	2019 \$'000
Up to 3 months	3,134	4,497
3 to 6 months	969	1,696
<b>Total</b>	<b>4,103</b>	<b>6,193</b>

**(C) FAIR VALUE DISCLOSURE**

Due to the short-term nature of these receivables and contract assets, their carrying amount is considered to approximate their fair value. For information about the methods and assumptions used in determining the fair value of the Group's receivables and contract assets refer to note D8(D)(i).

**(D) RISK EXPOSURE**

Information concerning the credit risk of receivables and contract assets is set out in note D8(B)(ii).

**SIGNIFICANT ACCOUNTING POLICIES****Trade and other receivables**

Trade and other receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method, less an allowance for expected credit loss. They generally have credit terms ranging from 30 to 60 days.

**Allowance for expected credit losses on trade and other receivables**

The Group assesses the expected credit losses associated with its trade and other receivables on a forward-looking basis. The Group applies the simplified approach to measuring expected credit losses, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, trade and other receivables that share similar credit risk characteristics and days past due are grouped and then assessed for collectability as a whole.

**Contract assets**

The Group presents any unconditional rights to consideration separately as a receivable while those rights arising from satisfaction of performance obligations in a contract are presented as contract assets. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due. Contract assets are measured at the actual amount of transaction price.

## C2 INVENTORIES

	2020 \$'000	2019 \$'000
Raw materials and consumables	17,900	21,324
Finished goods	20,844	7,439
<b>Total inventories</b>	<b>38,744</b>	<b>28,763</b>

### Finished goods

The Group periodically reviews the value of items in inventory and records write-downs or write-offs based on its assessment of slow moving or obsolete inventory. Allowances are recorded against finished goods for any such declines. During the year ended 30 June 2020, the Group recognised an allowance for inventory obsolescence of \$3,080,000 (2019: \$730,000).

	2020 \$'000	2019 \$'000
Finished goods - gross	23,924	8,169
Provision for inventory obsolescence	(3,080)	(730)
<b>Finished goods - net</b>	<b>20,844</b>	<b>7,439</b>



## SIGNIFICANT ACCOUNTING POLICIES

### Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion necessary to make the sale.

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. Allowances are recorded against inventories for any such declines based on historical experience on obsolescence and slow-moving inventory.

Costs incurred in bringing each product to its present location and condition are determined after deducting rebates and discounts received or receivable and are accounted for, as follows:

- Raw materials - purchase cost on a first-in / first-out basis
- Finished goods - cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure.



## C3 OTHER FINANCIAL ASSETS



Other financial assets consist of loans provided to employees and related parties.

	2020 \$'000	2019 \$'000
Employee loans	1,878	2,044
<b>Total other financial assets</b>	<b>1,878</b>	<b>2,044</b>

### Employee loans

In FY16 and as part of the acquisition of Gemini Accident Repair Centres Pty Ltd (now AMA Group Solutions Pty Ltd), the Group acquired unsecured loans to certain vendors of that entity. These loans have not been repaid and it has been agreed that they will be extinguished against future awards of short-term and long-term incentives, which are currently in place.

One of the loans is with Andrew Hopkins, a Director of the Company. Under the terms and conditions of his loan agreement, interest is accrued at a rate of 5.37% per annum and the loan matures on 30 June 2022. For further information refer to note F3(E).



## SIGNIFICANT ACCOUNTING POLICIES

### Financial assets at amortised cost

The Group classifies its financial assets at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

### Amortised cost

Amortised cost is calculated as:

- the amount at which the financial assets or financial liability is measured at initial recognition;
- less principal repayments;
- plus, or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- less any reduction for impairment.

Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.



## C4 OTHER ASSETS

	2020 \$'000	2019 \$'000
<b>Current</b>		
Acquisition deposits	5,000	4,000
Prepayments and other assets	5,295	5,294
<b>Total current</b>	<b>10,295</b>	<b>9,294</b>
<b>Non-current</b>		
Acquisition deposits	600	5,600
Prepayments and other assets	5	1,653
<b>Total non-current</b>	<b>605</b>	<b>7,253</b>
<b>Total other assets</b>	<b>10,900</b>	<b>16,547</b>



### SIGNIFICANT ACCOUNTING POLICY

#### Other assets

Acquisition deposits are held primarily as an offset to contingent vendor consideration and will be released when the respective earn-outs are finalised. Prepayments and other assets are capitalised expenses relating to future periods.

## C5 PROPERTY, PLANT AND EQUIPMENT



Property, plant and equipment represents the investment by the Group in tangible assets.

### (A) NET BOOK AMOUNTS AND MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements \$'000	Plant and equipment \$'000	Furniture and fittings \$'000	Motor vehicles \$'000	Total \$'000
<b>2018</b>					
Cost	20,441	61,353	6,269	6,206	94,269
Accumulated depreciation	(5,370)	(28,725)	(2,311)	(2,442)	(38,848)
<b>Net book amount</b>	<b>15,071</b>	<b>32,628</b>	<b>3,958</b>	<b>3,764</b>	<b>55,421</b>
<b>Movement:</b>					
Additions	1,822	8,965	1,147	811	12,745
Acquired through business combinations	26	7,812	27	130	7,995
Disposals	(92)	(324)	(124)	(23)	(563)
Depreciation	(20)	(11,776)	(349)	(113)	(12,258)
Asset reclassification	(3,401)	5,573	(1,683)	(489)	-
<b>Closing net book amount</b>	<b>13,406</b>	<b>42,878</b>	<b>2,976</b>	<b>4,080</b>	<b>63,340</b>
<b>2019</b>					
Cost	21,111	79,535	5,565	8,037	114,248
Accumulated depreciation	(7,705)	(36,657)	(2,589)	(3,957)	(50,908)
<b>Net book amount</b>	<b>13,406</b>	<b>42,878</b>	<b>2,976</b>	<b>4,080</b>	<b>63,340</b>
<b>Movement:</b>					
Additions	1,895	10,369	313	311	12,888
Acquired through business combinations	5,423	34,823	2,131	333	42,710
Disposals	(300)	(590)	(70)	(392)	(1,352)
Depreciation	(3,001)	(15,611)	(966)	(962)	(20,540)
Effect of foreign exchange	12	17	(3)	(3)	23
Reclass to right-of-use asset	(2,870)	(746)	-	-	(3,616)
Asset reclassification	246	(677)	(551)	982	-
Reclass to intangible assets	(42)	(55)	(266)	-	(363)
<b>Closing net book amount</b>	<b>14,769</b>	<b>70,408</b>	<b>3,564</b>	<b>4,349</b>	<b>93,090</b>
<b>2020</b>					
Cost	34,903	155,949	8,421	9,197	208,470
Accumulated depreciation	(20,134)	(85,541)	(4,857)	(4,848)	(115,380)
<b>Net book amount</b>	<b>14,769</b>	<b>70,408</b>	<b>3,564</b>	<b>4,349</b>	<b>93,090</b>





## SIGNIFICANT ACCOUNTING POLICIES

### Property, plant and equipment

Each class of property, plant and equipment is carried at cost less any accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the assets.

### Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the profit or loss during the reporting period in which they are incurred.

### Depreciation

Assets are depreciated from the date the asset is brought to use, or in business combinations, the date of acquisition. Depreciation is calculated on either a straight line or diminishing value basis as considered appropriate to write off the net cost of each item of plant and equipment over its expected useful life to the Group. The expected useful lives are as follows:

- Plant and equipment: 2 to 15 years
- Vehicles: 4 to 8 years
- Furniture, fittings and equipment: 2 to 10 years
- Leasehold improvements: 5 to 15 years

The cost of improvements to or on leasehold properties is amortised over the unexpired life of the lease or the estimated useful life of the improvement to the Group, whichever is the shorter.

Where items of plant and equipment have separately identifiable components which are subject to regular replacement, those components are assigned useful lives distinct from the item of plant and equipment to which they now relate.

The depreciation and amortisation rates are reviewed annually and adjusted if appropriate. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

### Derecognition

An item of property, plant and equipment is derecognised when it is disposed of or no future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised in the profit or loss.

### Impairment

The carrying amounts of the Group's property, plant and equipment are reviewed for impairment where there is an indication that the asset may be impaired (assessed at least each reporting date) or when there is an indication that a previously recognised impairment may need to be reversed.

## C6 INTANGIBLE ASSETS



Intangible assets represent goodwill, customer contracts, other intangibles and software. Goodwill arises when the Group acquires a business where consideration exceeds the fair value of net assets acquired and represents the future benefits expected to arise from the purchase.

### (A) NET BOOK AMOUNTS AND MOVEMENTS IN INTANGIBLE ASSETS

	Goodwill \$'000	Customer contracts \$'000	Other intangibles \$'000	Software \$'000	Total \$'000
<b>2018</b>					
Cost	207,649	11,977	650	-	220,276
Accumulated amortisation and impairment	(10,652)	(9,635)	(220)	-	(20,507)
<b>Net book amount</b>	<b>196,997</b>	<b>2,342</b>	<b>430</b>	<b>-</b>	<b>199,769</b>
<b>Movement:</b>					
Additions and adjustments	533	-	-	-	533
Acquired through business combinations	61,839	4,866	5	-	66,710
Effect of foreign exchange	(6)	-	-	-	(6)
Amortisation	-	(3,558)	(392)	-	(3,950)
<b>Closing net book amount</b>	<b>259,363</b>	<b>3,650</b>	<b>43</b>	<b>-</b>	<b>263,056</b>
<b>2019</b>					
Cost	270,015	16,843	155	-	287,013
Accumulated amortisation and impairment	(10,652)	(13,193)	(112)	-	(23,957)
<b>Net book amount</b>	<b>259,363</b>	<b>3,650</b>	<b>43</b>	<b>-</b>	<b>263,056</b>
<b>Movement:</b>					
Additions and adjustments	1,264	-	-	655	1,919
Acquired through business combinations	266,197	223,200	2,385	2,494	494,276
Disposals	-	-	(20)	(99)	(119)
Amortisation	-	(11,543)	(166)	(737)	(12,446)
Impairment	(52,746)	-	-	-	(52,746)
Effect of foreign exchange	(216)	-	-	-	(216)
Reclass from property, plant and equipment	-	-	-	363	363
<b>Closing net book amount</b>	<b>473,862</b>	<b>215,307</b>	<b>2,242</b>	<b>2,676</b>	<b>694,087</b>
<b>2020</b>					
Cost	537,260	240,043	2,517	7,721	787,541
Accumulated amortisation and impairment	(63,398)	(24,736)	(275)	(5,045)	(93,454)
<b>Net book amount</b>	<b>473,862</b>	<b>215,307</b>	<b>2,242</b>	<b>2,676</b>	<b>694,087</b>



## (B) GOODWILL AND INDEFINITE LIFE INTANGIBLES

For the purpose of impairment testing, goodwill acquired through business combinations is allocated to each of the Group's CGUs (or group of CGUs) and represents the lowest level within the Group at which management monitors goodwill.

### (i) Allocation of goodwill to groups of cash-generating units

During the current financial year, the Group continued to deliver on its growth strategy through the acquisition and integration of complementary businesses in the automotive aftercare market. Details of these acquisitions are provided in note E6. These acquisitions, consisting predominantly of Capital Smart and ACM Parts, triggered a reorganisation of the Group's structure and resulted in a revision of the Group's CGUs. Historically, goodwill was allocated to four CGUs - Vehicle Panel Repair, Manufacturing, Distribution and Remanufacturing. As a result of current year acquisitions, goodwill is now monitored by management as follows:

	2020 \$'000	2019 \$'000
AMA Panel	242,520	225,605
Capital Smart	191,634	-
APAS <sup>1</sup>	39,708	33,758
<b>Total goodwill</b>	<b>473,862</b>	<b>259,363</b>

<sup>1</sup> APAS includes the amalgamation of the Group's historic CGUs comprising Manufacturing, Distribution and Remanufacturing.

### (ii) Impairment of goodwill

Goodwill is assessed for impairment on an annual basis, or more frequently when there is an indication that the CGU to which it belongs may be impaired. Where indicators exist, impairment testing is undertaken by comparing the carrying and recoverable amounts of goodwill. Impairment losses are recognised in the profit or loss when carrying amounts are higher than recoverable amounts.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group completes a number of acquisitions every period. In most instances, the consideration is made up of an upfront amount and a deferred amount based on profitability over a period. The deferred consideration is generally contingent on profit measures such as EBITDA or EBIT. For any acquisition (business, share, individual site or group of sites) where contingent vendor consideration is still outstanding, the measurement of that liability is an indication that management monitors the goodwill at the acquisition level. Therefore, for any acquisition with contingent vendor consideration outstanding, the Group considers the recoverable amount of the related goodwill. An impairment charge may be recognised as a result of the contingent vendor consideration decreasing, and will generally offset any gain in the profit or loss recorded within fair value adjustments. Once the contingent vendor consideration period has ended, goodwill in relation to the acquisition is aggregated with the remaining goodwill in the CGU.



**(ii) Impairment of goodwill (Cont.)****AMA Panel**

The Group have considered the recoverability of goodwill in conjunction with revaluing the contingent vendor consideration. Within the AMA Panel division, three earn-outs performed worse than originally anticipated at the date of acquisition and as a result, the Group has recognised an impairment charge of \$2,075,000 to the profit or loss. The Group highlight that this impairment charge offsets the gain in the profit or loss recorded within fair value adjustments, and decreases the value of goodwill in respect of these acquisitions.

No other impairment charge of goodwill or other intangibles has been recognised in respect of the AMA Panel division.

**Capital Smart**

The Group performed an annual impairment test to support the carrying value of goodwill. The recoverable amount was calculated based on management's assumptions using a fair value less cost of disposal methodology. Due to the risk and uncertainty surrounding COVID-19, and allowances made in respect of potential declines or delays in acquisition growth, Capital Smart's recoverable amount was less than the carrying value. This resulted in Capital Smart Group Holdings Pty Ltd recognising an impairment charge of \$50,200,000 in their profit or loss. The impairment charge was fully allocated to goodwill.

The Group elected to recognise the non-controlling interests in respect of Capital Smart Group Holdings Pty Ltd as its proportionate share of the acquired entity's net identifiable assets. As a result, the Group has taken its proportionate share of the impairment charge, with a net impact to Group's Consolidated Statement of Profit or Loss of \$46,971,000. The non-controlling interests' share of the result for the period excludes the impairment charge recognised against goodwill.

No other impairment charge of goodwill or other intangibles has been recognised in respect of the Capital Smart division.

**APAS**

As a result of impairment indicators, the Group performed an impairment test on APAS' CGUs at the half-year to support the carrying value of goodwill. The impairment test occurred prior to the Group's restructure and managements revision of CGUs. The recoverable amount was calculated based on management's assumptions using a fair value less cost of disposal methodology. The results of this assessment determined the carrying amount of an individual CGU within the APAS division was higher than its recoverable amount and resulted in the Group recognising an impairment charge of \$3,700,000 to the profit or loss for the half-year ended 31 December 2019. The impairment charge was fully allocated to goodwill.

No other impairment charge of goodwill or other intangibles has been recognised in respect of the APAS division.

**(iii) Key assumptions used in the calculation of the recoverable amount**

Historically, the Group's impairment testing was performed using the value in use methodology. For FY20's annual impairment tests, the Group based the impairment tests on a fair value less costs of disposal methodology.

The recoverable amount was determined using a discounted cash flow model. This was calculated based on the present value of cash flow projections over a five-year period with the period extending beyond five years extrapolated using an estimated growth rate. Management have considered market evidence to help corroborate the resulting value by comparing to relevant market multiples.

The value assigned to key assumptions represent management's assessment of future trends in the industry and are based on historical data from both external and internal sources. The approach and key assumptions used in the calculation of the recoverable amount are summarised in the following table:

Assumption	Approach used to determine values
Pre-tax discount rates	The discount rate is a pre-tax measure estimated based on past experience, industry average weighted average cost of capital and adjusted to incorporate risks associated with each CGU. The cash flows are discounted using the pre-tax discount rate at the beginning of the budget period.
FY21 (Year 1) EBITDA growth rate	FY21 EBITDA is based on the Board approved budget. This has been based on past experience, with adjustments where future activities are expected to differ materially from past performance. The FY21 budget has been impacted by COVID-19 (albeit partially offset by JobKeeper). The Group assumes that government restrictions in response to the COVID-19 pandemic will ease and trading volumes will return to normal run-rates by the last quarter of FY21.
FY22 to FY25 EBITDA	FY22 to FY25 EBITDA is calculated using an EBITDA growth rate based on past experience, industry trends and adjusted to reflect assumptions reasonably expected to be available to a market participant.
Terminal growth rate	The terminal growth rate is used to extrapolate cash flows beyond the forecast period. The terminal value is calculated using the Gordon Growth model.
Acquisition growth	The fair value less of cost of disposal approach is based on the highest and best use, and includes expansionary capital expenditure and acquisition growth. Expansion and acquisition growth has been probability weighted on expected completion, and has only been included if it is consistent with a market participant's perspective.
Costs of disposal	The costs of disposal are estimated based on the Group's experience with disposal of assets and on industry benchmarks.
AASB 16 Leases impact	EBITDA used in the discounted cashflow model is based on a pre-AASB 16 basis, such that rental payments are included in the cashflows. Right-of-use assets and lease liabilities have been included in the carrying value of the CGU as it is assumed that a potential buyer or market participant would assume both the right-of-use assets and lease liabilities.

The goodwill allocated to the CGU's, and the values assigned to a number of key assumptions are as follows:

CGU	Goodwill \$'000	Terminal growth rate %	Pre-tax discount rate <sup>3</sup> %	FY21 EBITDA growth rate %
<b>2020</b>				
AMA Panel	242,520	2.5	11.3	24.0
Capital Smart <sup>1</sup>	191,634	2.5	11.3	64.4
APAS <sup>2</sup>	39,708	2.5	13.3	331.6
<b>2019</b>				
Vehicle Panel Repair	225,605	2.0	6.6	31.7
Manufacturing	26,949	2.0	7.1	16.2
Distribution	5,349	2.0	7.9	34.1
Remanufacturing	1,460	2.0	7.9	4.6

1 The FY21 EBITDA growth rate of 64.4% is due to improvement in gross margin as a result of group synergies, and other cost management strategies.

2 The FY21 EBITDA growth rate of 331.6% is due to ACM Parts being loss-making in FY20 and assumes ACM Parts will at least break-even in FY21.

3 Some of the assumptions included in the calculation of the pre-tax discount rate include a long-term risk free rate of 3.75%, a market risk premium of 6.00%, a beta coefficient of 0.75 and a debt-to-equity ratio of 25.00%.

#### (iv) Critical accounting estimates and judgements

Determining whether goodwill is impaired requires an estimation of the value in use or fair value less cost of disposal of the cash-generating units to which goodwill has been allocated. The Group's impairment testing estimates the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value of those cash flows.

#### (v) Significant estimate: impact of possible changes in key assumptions

Management has determined the recoverable amount of the AMA Panel, Capital Smart and APAS divisions by assessing the fair value less cost of disposal of the underlying assets. The valuation is considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation (refer note D8(D)).

The following table provides quantitative information regarding the key assumptions used for each CGU and the impact of possible changes in key assumptions (with all other inputs remaining the same):

Key assumption	Change in key assumption	Impact of possible change in key assumption
<b>AMA Panel</b>		
Pre-tax discount rate of 11.3%	Pre-tax discount rate of 12.3%	If the pre-tax discount rate of 11.3% was 1.0% higher, there would not be an indicator of impairment.
FY21 EBITDA growth rate of 24.0%	FY21 EBITDA growth rate of 0.0%	If the FY21 EBITDA growth rate was 0.0%, with all other years' cash flows remaining the same, there would not be an indicator of impairment.
Terminal growth rate of 2.5%	Terminal growth rate of 1.5%	If the terminal growth rate of 2.5% was 1.0% lower, there would not be an indicator of impairment.
<b>Capital Smart</b>		
Pre-tax discount rate of 11.3%	Pre-tax discount rate of 12.3%	If the pre-tax discount rate of 11.3% was 1.0% higher, there would be an indicator of impairment. The additional impairment charge would be \$42,000,000, reducing the goodwill to \$149,634,000. If the pre-tax discount rate of 11.3% was 1.0% lower, there would not be an indicator of impairment.
FY21 EBITDA growth rate of 64.4%	FY21 EBITDA growth rate of 20.0%	If the FY21 EBITDA growth rate was 20.0%, with all other years' cash flows remaining the same, there would be an indicator of impairment. The additional impairment charge would be \$4,500,000, reducing the goodwill to \$187,134,000.
FY21 EBITDA growth rate of 64.4%	FY21 EBITDA growth rate of 0.0%	If the FY21 EBITDA growth rate was 0.0%, with all other years' cash flows remaining the same, there would be an indicator of impairment. The additional impairment charge would be \$6,522,000, reducing the goodwill to \$185,112,000.
Terminal growth rate of 2.5%	Terminal growth rate of 1.5%	If the terminal growth rate of 2.5% was 1.0% lower, there would be an indicator of impairment. The additional impairment charge would be \$46,600,000, reducing the goodwill to \$145,034,000.
<b>APAS</b>		
Pre-tax discount rate of 13.3%	Pre-tax discount rate of 14.3%	If the pre-tax discount rate of 13.3% was 1.0% higher, there would not be an indicator of impairment.
FY21 EBITDA growth rate of 331.6%	FY21 EBITDA growth rate of 0.0%	If the FY21 EBITDA growth rate was 0.0%, with all other years' cash flows remaining the same, there would not be an indicator of impairment. The FY21 EBITDA growth rate of 331.6% is due to ACM Parts being loss-making in FY20 and assumes ACM Parts will at least break-even in FY21.
Terminal growth rate of 2.5%	Terminal growth rate of 1.5%	If the terminal growth rate of 2.5% was 1.0% lower, there would not be an indicator of impairment.





## SIGNIFICANT ACCOUNTING POLICIES

### Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost and subsequently measured at cost less accumulated amortisation and impairment losses. Where acquired in a business combination, cost represents the fair value at the date of acquisition.

Intangible assets with finite lives are amortised on a straight-line basis over their estimated useful lives and tested for impairment whenever there is an indication that they may be impaired. The amortisation period and method are reviewed at each financial year-end. Intangible assets with indefinite lives are tested for impairment in the same way as goodwill.

### Goodwill

Goodwill acquired in a business combination is initially measured at cost. Goodwill is measured as the excess of the cost of the business combination over the fair value of the Group's share of the identifiable net assets acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. If fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group recognises the gain in the profit or loss.

### Customer contracts

Customer contracts are recognised at cost, being fair value at the date of acquisition. Customer contracts have a finite life and are carried at cost less accumulated amortisation and any impairment losses. Customer contracts are amortised over the lesser of the remainder of the contract or their estimated useful life relevant to each specific contract. The Group amortises customer contracts using the straight-line method over a period of 4 to 15 years.

### Other intangibles

Other intangibles consist of customer relationships, brands, patents and trademarks and are recognised at the cost, being fair value at the date of acquisition. These intangibles have a finite life and are carried at cost less accumulated amortisation and any impairment losses. The Group amortises other intangibles using the straight-line method over 10 years.

### Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

### Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

## C7 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES



Right-of-use assets and lease liabilities have arisen upon adoption of AASB 16 *Leases* from 1 July 2019. Refer to note A2(D) for further information relating to the change in accounting policy.

### (A) THE GROUP'S LEASING ACTIVITIES

The Group leases various offices, warehouses, site premises, equipment and vehicles. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions including extension options.

Property leases are generally non-cancellable with rent payable monthly in advance. Contingent rental provisions within lease agreements generally require minimum lease payments be increased by CPI or a percentage factor. Certain agreements have option arrangements to renew the lease for additional terms.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Up until 30 June 2019, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

### (B) AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Consolidated Statement of Financial Position shows the following amounts relating to leases:

	2020 \$'000	1 July <sup>1</sup> 2019 \$'000
<b>Right-of-use assets</b>		
Leased properties	344,943	232,190
Leased equipment	369	-
Leased motor vehicles	97	-
<b>Total right-of-use assets</b>	<b>345,409</b>	<b>232,190</b>
<b>Lease liabilities</b>		
Current	35,207	21,478
Non-current	320,305	206,212
<b>Total lease liabilities</b>	<b>355,512</b>	<b>227,690</b>

<sup>1</sup> In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under AASB 117 *Leases*. For adjustments recognised on adoption of AASB 16 *Leases* on 1 July 2019, please refer to note A2(D).

Additions to the right-of-use assets during the 2020 financial year were \$24,084,000 (refer to (E) on the following page).





**(C) AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

The Consolidated Statement of Profit or Loss shows the following amounts relating to leases:

	2020 \$'000
<b>Depreciation on right-of-use assets</b>	
Leased properties	40,032
Leased equipment	141
Leased motor vehicles	43
<b>Total</b>	<b>40,216</b>
Impairment expense	3,600
Interest expense (included in finance costs)	17,672
COVID-19 rent concession (included as a benefit in occupancy expenses) <sup>1</sup>	(614)
Expense relating to short-term leases (included in occupancy expenses)	896
Expense relating to leases of low-value assets (included in occupancy expenses)	189
<b>Total</b>	<b>21,743</b>

<sup>1</sup> The Group has elected to apply the practical expedient to assess whether a COVID-19-related rent concession is a lease modification.

**(D) AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT CASH FLOWS**

The total cash outflow for leases for the year ended 30 June 2020 was \$47,224,000.

**(E) NET BOOK AMOUNTS AND MOVEMENTS IN RIGHT-OF-USE ASSETS**

	Leased properties \$'000	Leased equipment \$'000	Leased Motor Vehicles \$'000	Total \$'000
<b>Opening balance at 1 July 2019 on adoption of AASB 16 Leases</b>	<b>232,190</b>	<b>-</b>	<b>-</b>	<b>232,190</b>
<b>Movement:</b>				
Acquired through business combinations	138,755	415	144	139,314
Additions	23,970	95	19	24,084
Disposals	(2,774)	-	(23)	(2,797)
Depreciation	(40,032)	(141)	(43)	(40,216)
Modification to lease terms	2,148	-	-	2,148
Variable lease payments reassessment	(5,685)	-	-	(5,685)
Impairment	(3,600)	-	-	(3,600)
Effect of foreign exchange	(29)	-	-	(29)
<b>Closing net book amount</b>	<b>344,943</b>	<b>369</b>	<b>97</b>	<b>345,409</b>
<b>2020</b>				
Cost	390,719	510	123	391,352
Accumulated depreciation and impairment	(45,776)	(141)	(26)	(45,943)
<b>Net book amount</b>	<b>344,943</b>	<b>369</b>	<b>97</b>	<b>345,409</b>

**(F) SHORT-TERM LEASES AND LEASES OF LOW-VALUE ASSETS**

The Group applies the recognition exemptions to its short-term and low-value leases of property, equipment and motor vehicles. Short-term leases are leases with a lease term of 12 months or less. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

## (G) EXTENSION AND TERMINATION OPTIONS

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts.

The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

## (H) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In determining the lease term, the Group applies judgement and considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

At the end of each lease term, the Group assumes the lease arrangements will be automatically renewed regardless of whether the lease is no longer enforceable. The lease will remain in effect until one of the parties gives notice to terminate with no more than an insignificant penalty.

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



## SIGNIFICANT ACCOUNTING POLICIES

### Lease liabilities

At commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable and variable lease payments that depend on an index or rate. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date as the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

In May 2020, the International Accounting Standards Board (IASB) published '*Covid-19-Related Rent Concessions (Amendment to IFRS 16)*' amending the standard to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19.

The Group has elected to apply the practical expedient to assess whether a COVID-19-related rent concession is a lease modification. The practical expedient will only apply if:

- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before 30 June 2021; and
- no other substantive changes have been made to the terms of the lease.

## SIGNIFICANT ACCOUNTING POLICIES (CONT.)


### Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities.

The cost of the right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its useful life and the lease term.

Right-of-use assets are tested for impairment which replaces the previous requirement to recognise a provision for onerous lease contracts. Any identified impairment loss is accounted for in line with the Group's accounting policy for property, plant and equipment which is set out in note C5.

## C8 TRADE AND OTHER PAYABLES

 Trade and other payables mainly consist of amounts owing to the Group's suppliers that have been invoiced or accrued.

	2020 \$'000	2019 \$'000
Trade payables	79,119	49,351
Accrued expenses	15,211	7,364
Payroll and statutory liabilities	19,818	9,103
Other payables	3,448	523
<b>Total trade and other payables</b>	<b>117,596</b>	<b>66,341</b>

### (A) FAIR VALUE DISCLOSURE

Due to the short-term nature, the carrying amount of trade and other payables is considered to approximate their fair value. For information about the methods and assumptions used in determining the fair value of the Group's payables refer to note D8(D)(i).

## SIGNIFICANT ACCOUNTING POLICIES

### Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30-45 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. Other payables not due within a year are measured less cumulative amortisation calculated using the effective interest method.

## C9 OTHER LIABILITIES

	2020 \$'000	2019 \$'000
<b>Current</b>		
Market incentive	12,100	12,500
Deferred revenue	3,513	-
Derivatives	231	-
<b>Total current</b>	<b>15,844</b>	<b>12,500</b>
<b>Non-current</b>		
Market incentive	62,331	16,061
Deferred revenue	800	-
Derivatives	65	-
<b>Total non-current</b>	<b>63,196</b>	<b>16,061</b>
<b>Total other liabilities</b>	<b>79,040</b>	<b>28,561</b>

### (A) MARKET INCENTIVE

In a previous financial year, the Group entered into an agreement with a key supplier to purchase the supplier's products on an exclusive basis over an agreed period of time. In exchange for this exclusive arrangement, and subject to certain conditions, the Group receives preferential benefits including the upfront payment of the market incentive and the ongoing competitive price of the products.

The incentive is being amortised based on a percentage of the purchased product. Termination of the arrangement by the Company, or the occurrence of an event of default requires the Company to repay all unamortised balances.

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

During the current year, the Group received a further tranche equal to \$54,100,000 (excluding GST) (2019: \$30,900,000). At 30 June 2020, an amount of \$12,100,000 (2019: \$12,500,000) has been classified as current representing the anticipated reduction in this incentive over the next twelve months. A reconciliation of the movement of the market incentive liability is set out below:

	2020 \$'000	2019 \$'000
<b>Balance at 1 July</b>	<b>28,561</b>	<b>7,080</b>
<b>Movement:</b>		
Market incentive received (excluding GST)	54,100	30,900
Offset against inventory	(2,100)	-
Charged to profit or loss - raw materials and consumables used	(6,130)	(9,419)
<b>Balance at 30 June</b>	<b>74,431</b>	<b>28,561</b>

## C10 PROVISIONS



Provisions are a liability recorded when there is uncertainty over the timing or amount that will be paid but the expected settlement amount can be reliably estimated by the Group. The main provisions held are in relation to employee benefits and make good onsite premises.

	2020 \$'000	2019 \$'000
<b>Current</b>		
Annual leave	20,765	15,305
Long service leave	10,759	7,092
Make good	1,654	-
Dividends	288	289
Onerous contracts <sup>1</sup>	-	344
Other	-	8
<b>Total current</b>	<b>33,466</b>	<b>23,038</b>
<b>Non-current</b>		
Long service leave	5,783	4,033
Make good	7,333	6,117
Onerous contracts <sup>1</sup>	-	74
<b>Total non-current</b>	<b>13,116</b>	<b>10,224</b>
<b>Total provisions</b>	<b>46,582</b>	<b>33,262</b>

<sup>1</sup> The Group has applied AASB 16 *Leases* using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117 *Leases*.

### (A) CARRYING AMOUNTS AND MOVEMENTS IN PROVISIONS

Movements in each class of provision during the financial year, other than employee benefits and other, are set out below:

	Onerous contracts \$'000	Dividends \$'000	Make good \$'000	Total \$'000
<b>Balance at 1 July 2018</b>	<b>608</b>	<b>243</b>	<b>3,974</b>	<b>4,825</b>
<b>Movement:</b>				
Acquired through business combinations	-	-	1,132	1,132
Additional provisions recognised	-	46	1,081	1,127
Unused amounts reversed	(150)	-	(70)	(220)
Amounts used during the year	(40)	-	-	(40)
<b>Balance at 30 June 2019</b>	<b>418</b>	<b>289</b>	<b>6,117</b>	<b>6,824</b>
<b>Movement:</b>				
Transfer to lease liabilities (AASB 16 <i>Leases</i> )	(418)	-	-	(418)
Acquired through business combinations	-	-	2,265	2,265
Additional provisions recognised	-	-	1,770	1,770
Unused amounts reversed	-	-	(2)	(2)
Amounts used during the year	-	(1)	(1,162)	(1,163)
<b>Balance at 30 June 2020</b>	<b>-</b>	<b>288</b>	<b>8,988</b>	<b>9,276</b>





**(B) AMOUNTS NOT EXPECTED TO BE SETTLED WITHIN THE NEXT 12 MONTHS**

The following amounts reflect employee benefits that are classified as a current liability, since the Group does not have an unconditional right to defer settlement for this obligation, but are not expected to be taken within the next 12 months:

	2020 \$'000	2019 \$'000
Annual leave obligation expected to be settled after 12 months	6,973	6,853
Long service leave obligation expected to be settled after 12 months	8,914	836
<b>Total</b>	<b>15,887</b>	<b>7,689</b>



## SIGNIFICANT ACCOUNTING POLICIES

### Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable the Group will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

### Employee benefits

#### Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating annual leave and leave loading that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service, are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The short-term employee benefit obligations are recognised in the provision for employee benefits.

The current provision for employee benefits includes accrued annual leave and long service leave. Long service leave includes all unconditional entitlements where employees have completed the required period of service. Employee benefits are presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave within the next 12 months.

#### Other long-term employee benefit obligations

The liability for long service leave that is not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service, is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date at present value. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

The non-current employee benefit represents a long-service leave provision which covers conditional entitlements where employees have not completed their required period of service, adjusted for the probability of likely realisation.

### Make good

The Group is required to restore the leased premises of its sites to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of right-of-use assets and are amortised over the shorter of the term of the lease and the useful life of the assets.

### Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.



# D CAPITAL STRUCTURE, FINANCING AND FINANCIAL RISK MANAGEMENT

Capital structure, financing and financial risk management provides information about the capital management practices of the Group, shareholder returns for the year and discusses the Group's exposure and management to various financial risks.

- D1 CAPITAL MANAGEMENT**
- D2 EARNINGS PER SHARE**
- D3 DIVIDENDS**
- D4 CONTRIBUTED EQUITY**
- D5 OTHER RESERVES**
- D6 CASH AND CASH EQUIVALENTS**
- D7 BORROWINGS AND OTHER FINANCIAL LIABILITIES**
- D8 FINANCIAL RISK MANAGEMENT**

## D1 CAPITAL MANAGEMENT

**i** This section provides a summary of the capital management activities of the Group during the period. The Group manages its capital structure with the objective of enhancing long-term shareholder value through funding its business at an optimised weighted average cost of capital.

The Group's objectives when managing capital are to:

- safeguard its ability to continue as a going concern, so that they can continue to provide returns for shareholder's and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. As at 30 June 2020, the gearing ratio was 36.2% (2019: 10.8%). The gearing ratio has been calculated with reference to net debt which is presented in accordance with the requirements of the Syndicated Facility Agreement. Comparative information has been recalculated based on current year presentation.

The Group's capital includes ordinary share capital, financial liabilities (drawn cash facilities), cash and cash equivalents and 50% contingent vendor consideration (consistent with the calculation of financial covenants in accordance with the Syndicated Facility Agreement). There are no externally imposed capital requirements.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. This is decided on the basis of maximising shareholder returns over the long term.

	Notes	2020 \$'000	2019 \$'000
<b>Net debt</b>			
Financial liabilities - drawn cash facilities	D7(A)	340,000	80,568
Contingent vendor consideration - 50%	D7(B)	24,731	25,348
Cash and cash equivalents	D6	(112,916)	(12,096)
<b>Net debt used in covenant calculations</b>		<b>251,815</b>	<b>93,820</b>
<b>Fully paid ordinary shares</b>			
Quoted (at market price) <sup>1</sup>		436,673	763,508
Unquoted (at issue price)	D4(A)	7,000	8,100
<b>Total fully paid ordinary shares</b>		<b>443,673</b>	<b>771,608</b>
<b>Total capital</b>		<b>695,488</b>	<b>865,428</b>
Gearing ratio		<b>36.2%</b>	<b>10.8%</b>

<sup>1</sup> Fully Paid Ordinary Shares Quoted value has been calculated using the closing share prices as at 30 June each year.

## D2 EARNINGS PER SHARE



Earnings per share (EPS) presents the amount of profit / (loss) generated for the reporting period attributable to shareholders divided by the weighted average number of shares on issue. The potential for any share rights issued by the Group to dilute existing shareholders' ownership when the share rights are exercised are also presented.

### (A) RECONCILIATION OF EARNINGS USED IN CALCULATING EARNINGS PER SHARE

	2020 \$'000	2019 \$'000
(Loss) / profit attributable to the ordinary equity holders of the Company:		
Continuing operations	(69,456)	21,715
Discontinued operations	(809)	(162)
	(70,265)	21,553

### (B) WEIGHTED AVERAGE NUMBER OF SHARES USED AS THE DENOMINATOR

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

	2020 Shares	2019 <sup>1</sup> Shares
Weighted average number of ordinary shares - basic	707,528,631	637,683,208
Effect of share options, contingent shares and performance rights on issue	-	9,667,438
Weighted average number of ordinary shares and potential ordinary shares - diluted	707,528,631	647,350,646

### (C) BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

	2020 Cents	2019 <sup>1</sup> Cents
Continuing operations	(9.82)	3.41
Discontinued operations	(0.11)	(0.03)
<b>Basic earnings per share</b>	<b>(9.93)</b>	<b>3.38</b>

### (D) DILUTED EARNINGS PER SHARE

Diluted EPS adjusts the basic EPS for the effects of any instruments that could potentially be converted into ordinary shares. Potential ordinary shares shall be treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations. The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options and performance rights is based on quoted market prices for the period that the options and performance rights were outstanding.

	2020 Cents	2019 <sup>1</sup> Cents
Continuing operations	(9.82)	3.35
Discontinued operations	(0.11)	(0.02)
<b>Diluted earnings per share</b>	<b>(9.93)</b>	<b>3.33</b>

At 30 June 2020, 42,677,769 potential ordinary shares (2019: 2,000,000) were excluded from the diluted weighted-average number of ordinary shares calculation because their effect is anti-dilutive.

<sup>1</sup> The calculation of earnings per share for the year ended 30 June 2019 is restated.



## D3 DIVIDENDS



Dividends are distributions of the Group's profit after tax to shareholders and represent one of the ways the Group distributes returns to its shareholders.

	2020 \$'000	2019 \$'000
<b>Declared and paid during the year (fully franked at 30%)</b>		
Final dividend for 2019: 2.25 cents (2018: 2.00 cents)	12,215	10,595
Interim dividend for 2020: Nil (2019: 0.50 cents)	-	2,705
<b>Total</b>	<b>12,215</b>	<b>13,300</b>
<b>Proposed and unrecognised as a liability (fully franked at 30%)</b>		
Final dividend for 2020: Nil (2019: 2.25 cents)	-	12,215

The Group has established a dividend reinvestment plan under which holders of ordinary shares can elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. During the financial year the total number of shares issued under the plan was 2,156,921 at a 2.5% discount to the market price.

	2020 \$'000	2019 \$'000
Dividends settled in cash	9,310	13,300
Dividend reinvestment plan	2,905	-
<b>Total</b>	<b>12,215</b>	<b>13,300</b>

	2020 \$'000	2019 <sup>1</sup> \$'000
<b>Franking credit balance</b>		
Franking credits available for subsequent reporting period based on tax rate of 30.0%	26,907	21,172

The above amounts represent the balances of the franking account as at the end of the financial year, adjusted for:

- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

<sup>1</sup> The 30 June 2019 franking credit balance has been restated. The restatement predominantly relates to corrections to payment of dividends to be treated as franking debits rather than franking credits.

## D4 CONTRIBUTED EQUITY



Contributed equity represents the number of ordinary shares on issue. A reconciliation is presented to show the movement in ordinary shares on issue.

### (A) ORDINARY SHARE CAPITAL

Fully paid ordinary shares	2020 Shares	2020 \$'000	2019 Shares	2019 \$'000
Quoted	733,903,518	410,117	539,166,324	192,163
Unquoted	7,179,430	7,000	8,355,901	8,100
<b>Total share capital</b>	<b>741,082,948</b>	<b>417,117</b>	<b>547,522,225</b>	<b>200,263</b>

### (B) MOVEMENTS IN ORDINARY SHARES

	2020 Shares	2020 \$'000	2019 Shares	2019 \$'000
<b>Quoted</b>				
Opening balance	539,166,324	192,163	527,440,147	181,106
Placement and rights issue <sup>1</sup>	187,490,773	215,614	10,000,000	9,510
Employee share issue	-	-	1,332,993	1,250
Vendor share issue	4,254,152	3,175	393,184	297
Convert from Unquoted shares	1,176,471	1,100	-	-
Dividend reinvestment plan	2,156,921	2,905	-	-
Share buy-back	(341,123)	-	-	-
Transaction costs, net of tax	-	(4,840)	-	-
<b>Total quoted</b>	<b>733,903,518</b>	<b>410,117</b>	<b>539,166,324</b>	<b>192,163</b>
<b>Unquoted</b>				
Opening balance	8,355,901	8,100	6,276,899	6,100
Vendor share issue	-	-	2,079,002	2,000
Convert to Quoted shares	(1,176,471)	(1,100)	-	-
<b>Total unquoted</b>	<b>7,179,430</b>	<b>7,000</b>	<b>8,355,901</b>	<b>8,100</b>
<b>Total share capital</b>	<b>741,082,948</b>	<b>417,117</b>	<b>547,522,225</b>	<b>200,263</b>

<sup>1</sup> During the period 187,490,773 fully paid listed ordinary shares were issued to new sophisticated investors and existing shareholders at \$1.15 each to raise \$215.6 million (before transaction costs).



## SIGNIFICANT ACCOUNTING POLICIES

### Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

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

Unquoted Fully Paid Ordinary shares entitle the holder to all the same benefits and responsibilities of holders of Quoted Fully Paid Ordinary shares with exception that they do not entitle the holder to participate in dividends or vote at general meetings of the Company. As such they are not listed for trade on the ASX. They have been issued as part consideration for the acquisition of various entities and are subject to a restriction period. In the event that the business has met its earnings target at the completion of this restriction period, the shares are then eligible to participate in dividends.



## D5 OTHER RESERVES



Reserves represent the cumulative gains or losses that have been recognised in the Consolidated Statement of Other Comprehensive Income.

	2020 \$'000	2019 \$'000
Share-based payments	1,441	153
Foreign currency translation	(376)	(107)
Hedging	(185)	-
<b>Total other reserves</b>	<b>880</b>	<b>46</b>

The nature and purpose of each reserve is as follows:

### (i) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of equity-settled share-based payments issued to employees, including key management personnel, as part of their remuneration. Equity instrument disclosures relating to key management personnel can be found in note F1 and within the Remuneration Report.

### (ii) Foreign currency translation reserve


The foreign currency translation reserve is used to recognise foreign currency translation differences arising on the translation of financial statements of the Group's foreign entities into Australian Dollars.

### (iii) Hedging reserve

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge, considered an effective hedge, that are recognised in other comprehensive income. Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.



## D6 CASH AND CASH EQUIVALENTS

 This section presents cash and cash equivalents in the Consolidated Statement of Financial Position and a reconciliation of the Group's profit for the period to net cash flows provided by operating activities.

### (A) CASH AND CASH EQUIVALENTS AS PRESENTED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2020 \$'000	2019 \$'000
Cash and cash equivalents	112,916	12,096

### (B) RECONCILIATION OF (LOSS) / PROFIT BEFORE INCOME TAX TO NET CASH INFLOWS PROVIDED BY OPERATING ACTIVITIES

	Notes	2020 \$'000	2019 \$'000
(Loss) / profit before income tax		(75,913)	31,209
<b>Adjustment for:</b>			
Non-cash market incentive	C9	(6,130)	(9,419)
Non-cash employee remuneration		1,960	1,499
Fair value adjustment on contingent vendor considerations	D7(B)	4,501	(117)
Amortisation of borrowing costs	B3(B)	867	-
Depreciation and amortisation (including discontinued operations)	B3(A)	73,202	16,208
Impairment (including discontinued operations)	B3(D)	56,346	-
Loss on disposal of property, plant and equipment		1,247	-
Other		(169)	(557)
Income tax paid	B4(C)	(10,858)	(7,794)
<b>Total adjustments</b>		<b>120,966</b>	<b>(180)</b>
<b>Decrease / (increase) in assets:</b>			
Receivables and contract assets		3,879	(1,250)
Inventories		6,090	(10,881)
Other assets		10,357	(4,635)
<b>Total decrease / (increase) in assets</b>		<b>20,326</b>	<b>(16,766)</b>
<b>Increase / (decrease) in liabilities:</b>			
Trade and other payables		23,908	(3,705)
Provisions		(14,067)	(494)
Other liabilities		47,238	26,849
<b>Total increase in liabilities</b>		<b>57,079</b>	<b>22,650</b>
<b>Net cash inflows provided by operating activities</b>		<b>122,458</b>	<b>36,913</b>

**(C) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES**

The following table provides a reconciliation between opening and closing balances recorded in the Consolidated Statement of Financial Position arising from financing activities.


	Lease liabilities		Long-term borrowings		Derivative liability		Total liabilities from financing activities	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Balance at 1 July</b>	<b>132</b>	<b>332</b>	<b>80,568</b>	<b>52,500</b>	<b>-</b>	<b>-</b>	<b>80,700</b>	<b>52,832</b>
<b>Movement:</b>								
Cash inflows	-	-	378,500	52,750	-	-	378,500	52,750
Cash outflows	(29,552)	(252)	(123,993)	(24,682)	-	-	(153,545)	(24,934)
Non-cash additions	384,932	52	867	-	296	-	386,095	52
<b>Balance at 30 June</b>	<b>355,512</b>	<b>132</b>	<b>335,942</b>	<b>80,568</b>	<b>296</b>	<b>-</b>	<b>691,750</b>	<b>80,700</b>

**SIGNIFICANT ACCOUNTING POLICIES****Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

## D7 BORROWINGS AND OTHER FINANCIAL LIABILITIES

 This section provides a summary of the Group's financial liabilities including borrowings, contingent vendor consideration and derivative financial instruments. The Group manages its liquidity requirements with a bank loan and interest rate swap.

	2020 \$'000	2019 \$'000
<b>Current</b>		
Contingent vendor consideration	21,784	24,496
<b>Total current</b>	21,784	24,496
<b>Non-current</b>		
Bank loan, net of capitalised borrowing costs	335,942	80,568
Contingent vendor consideration	27,678	26,199
<b>Total non-current</b>	363,620	106,767
<b>Total borrowings and other financial liabilities</b>	385,404	131,263

### (A) BORROWINGS

#### (i) Syndicated Facility Agreement

On 30 October 2019, the Group's Facility Agreement with National Australia Bank Limited was terminated and the Group entered into a new Syndicated Facility Agreement. The new agreement provides funding for the Group's ongoing core business and comprises a facility of \$375,000,000 (2019: \$125,000,000).

The key terms of this agreement are outlined below:

Facility	Limit \$'000	Cash drawn \$'000	Guarantees drawn \$'000	Available \$'000	Maturity	Purpose
Facility A	147,500	147,500	-	-	Oct 2022	For specific target share acquisition, acquisition transaction costs and refinance of existing debt.
Facility B	142,500	142,500	-	-	Oct 2024	For specific target share acquisition, acquisition transaction costs and refinance of existing debt.
Facility C	50,000	32,500	-	17,500	Oct 2022	For general corporate purposes, including permitted acquisitions, growth capital expenditure and associated fees, costs and expenses and working capital advances up to a sublimit of \$35,000,000.
Facility D	35,000	17,500	12,414	5,086	Oct 2024	For working capital, general corporate purposes, bank guarantees and letters of credit. At reporting date, \$12,414,000 of bank guarantees had been issued under Facility D. This is not included in the Consolidated Statement of Financial Position (refer note F5).
	<b>375,000</b>	<b>340,000</b>	<b>12,414</b>	<b>22,586</b>		

The Syndicated Facility Agreement also has a \$50,000,000 Accordion Facility, with a tenure no earlier than October 2024. The Accordion Facility is for permitted acquisitions or growth capital expenditure and any associated fees, costs and expenses.

The effective interest rate on borrowings for the year ended 30 June 2020 was 3.75% (2019: 4.58%).



**(i) Syndicated Facility Agreement (Cont.)**

The Group is required to make interest payments on the drawn debt. The repayment of principal is at maturity date. For working capital draw-down there is either a clean-down obligation or a repayment schedule starting from September 2021.

In response to COVID-19, the Group engaged its financiers to ensure it had access to additional liquidity necessary to allow it to withstand a potential period of extended operational disruption. The Group's financiers were supportive and agreed to repurpose its existing facilities to increase our working capital facility by another \$35,000,000.

The Group is required to comply with financial covenants under the terms of the borrowing facilities including a net leverage ratio and a fixed cover charge ratio.

The Group's financiers agreed to waive covenant testing until 31 December 2020 and provide a more favourable covenant testing regime for the balance of FY21.

The Group continues to closely monitor its forecast compliance with debt covenants and in the event that the COVID-19 economic recovery is prolonged beyond management's forecasts, the Group may be required to renegotiate debt covenants in relation to its finance facilities.

**(ii) Security and fair value disclosures**

The Syndicated Facility Agreement is secured by a fixed and floating charge over all of the assets of the Company and its wholly owned subsidiaries.

The carrying amount of the Group's borrowings approximates their fair values, as commercial rates of interest are paid, and the impact of discounting is not significant. For information about the methods and assumptions used in determining the fair value of the Groups borrowings refer to note D8(D)(i).

**(iii) Risk exposures**

Details of the Group's exposure to risks arising from borrowings are set out in note D8(A)(ii).

**SIGNIFICANT ACCOUNTING POLICIES****Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost, using the effective interest rate method. Interest is accrued over the period it becomes due and unpaid interest is recorded as part of current payables.

Borrowings are removed from the Consolidated Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the Consolidated Statement of Profit or Loss as other income or finance costs.

**(B) CONTINGENT VENDOR CONSIDERATION**

Contingent vendor consideration represents the fair value of amounts which may become payable in connection with business combinations. Payment is dependent on achieving predetermined targets based on future performance and profitability.

The Group has recorded contingent vendor consideration to business vendors in accordance with relevant business and share purchase agreements. The amounts are performance based and can be paid in a mixture of shares and/or cash, depending on the agreement.

An analysis of this liability by type of consideration is set out below:

	2020 \$'000	2019 \$'000
<b>Current</b>		
Cash settlement <sup>1</sup>	15,524	18,697
Share settlement	6,260	5,799
<b>Total current</b>	<b>21,784</b>	<b>24,496</b>
<b>Non-current</b>		
Cash settlement <sup>1</sup>	9,698	26,199
Share settlement	17,980	-
<b>Total non-current</b>	<b>27,678</b>	<b>26,199</b>
<b>Total contingent vendor consideration</b>	<b>49,462</b>	<b>50,695</b>

<sup>1</sup> The cash settlement amount disclosed above represents arrangements where some or all of the consideration may be paid in cash and/or shares. Such contingent payment arrangements depend on the specific terms and conditions of the agreement and are only agreed when the earn out period has finished.

**(i) Movement in contingent vendor consideration**

A reconciliation of the fair value of the contingent vendor consideration is provided below. Refer to note D8(D)(ii) for further information on how the fair value has been determined.

	2020 \$'000	2019 \$'000
<b>Balance at 1 July</b>	<b>50,695</b>	<b>35,493</b>
<b>Movement:</b>		
Arising during the year	9,180	33,055
Cash settlements	(11,739)	(17,436)
Share settlements	(3,175)	(300)
Charged to profit or loss - fair value adjustments	4,501	(117)
<b>Balance at 30 June</b>	<b>49,462</b>	<b>50,695</b>

**(ii) Critical accounting estimates and judgements**

The carrying value of the contingent vendor consideration, payable as a result of the acquisition of businesses and entities, incorporate a number of assumptions. In determining this value, management have applied a discount factor and forecasted future profitability. The interest expense and the fair value adjustments have been taken to the Consolidated Statement of Profit or Loss.

**SIGNIFICANT ACCOUNTING POLICY****Contingent vendor consideration**

Contingent vendor consideration is classified as a financial liability and is recognised at fair value at the acquisition date. Amounts classified as a financial liability that are subsequently not required to be paid at the end of the earn out period or are re-estimated during the period are recognised in the Consolidated Statement of Profit or Loss.



**(C) DERIVATIVES**

The Group is party to derivatives in the normal course of business in order to hedge exposure to fluctuation in interest rates. In accordance with the Group's financial risk management policies, the Group does not hold or issue derivatives for trading purposes.

During the year, the Group entered into interest rate swap contracts to fix the interest rate at 0.43% on \$193,500,000 of borrowings. Interest is payable based on a margin over bank bill swap rate. The swap contract matures on 30 October 2024.

**(i) Movement in derivatives**

The Group's hedging reserve disclosed in note D5 relates to the interest rate swap contract which is designated as a cash flow hedge. A reconciliation of the fair value of the derivative is provided below. For information about the methods and assumptions used in determining the fair value of derivatives refer to note D8(D)(iii).

	2020 \$'000	2019 \$'000
<b>Balance at 1 July</b>	-	-
<b>Movement:</b>		
Revaluation - gross	264	-
Deferred tax	(79)	-
<b>Balance at 30 June</b>	185	-

**(ii) Risk exposure**

For information about the Group's net exposure to cash flow interest rate risks refer to note D8(A)(ii)

**SIGNIFICANT ACCOUNTING POLICIES****Derivatives**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates its interest rate swap as a cash flow hedge. The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transaction have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

**Cash flow hedge**

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in the Consolidated Statement of Comprehensive Income and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is immediately charged to the profit or loss within finance costs.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, the hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is recognised in the profit or loss.





## D8 FINANCIAL RISK MANAGEMENT



This section provides a summary of the Group's exposure to market, liquidity, and credit risks, along with the Group's policies and strategies in place to mitigate these risks.

Exposure to market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk arises in the normal course of the Group's business.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The risk management of the Group is carried out by executive management and conducted in a manner consistent with policies approved by the Board. Executive management identifies, evaluates and mitigates financial risks within the Group's operating units.

The Group holds the following financial instruments:

	Notes	2020 \$'000	2019 \$'000
<b>Financial assets at amortised cost</b>			
Cash and cash equivalents	D6	112,916	12,096
Receivables and contract assets	C1	72,099	60,339
Other financial assets	C3	1,878	2,044
Acquisition deposits	C4	5,600	9,600
<b>Total financial assets</b>		<b>192,493</b>	<b>84,079</b>
<b>Financial liabilities at amortised cost</b>			
Trade and other payables	C8	117,596	66,341
Lease liabilities	C7	355,512	132
Borrowings	D7	335,942	80,568
<b>Financial liabilities at fair value</b>			
Contingent vendor consideration	D7(B)	49,462	50,695
Derivatives	C9	296	-
<b>Total financial liabilities</b>		<b>858,808</b>	<b>197,736</b>



**(A) MARKET RISK**

Market risk is the risk that the fair value or future cash flows of a financial asset or financial liability will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange risk, interest rate risk and price risk.

The Group's exposure to market risk arises from adverse movements in foreign exchange and interest rates which affect the Group's financial performance. The Group is not exposed to any significant price risk.

**(i) Foreign exchange risk**

Foreign exchange risk is the risk that a change in foreign exchange rates may negatively impact the Group's cash flow or profitability because the Group has an exposure to a foreign currency or has foreign currency denominated obligations.

The Group's exposure to foreign exchange risk arises from its net investment in foreign subsidiaries, future commercial transactions, and recognised assets and liabilities denominated in a currency that is not the entity's functional currency.

The following table summarises the carrying amounts of the Group's financial assets and liabilities that are denominated in other foreign currencies and discloses the sensitivity of net profit before tax to a 10% change against the foreign currency with all other variables held constant.

	Carrying amount		-10% PBT		+10% PBT	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Assets</b>						
US Dollar	997	140	(100)	(16)	100	16
NZ Dollar	16,930	820	(1,693)	(91)	1,693	91
SA Rand	-	14	-	(2)	-	2
	17,927	974	(1,793)	(109)	1,793	109
<b>Liabilities</b>						
US Dollar	1,289	655	(129)	(73)	129	73
NZ Dollar	13,890	101	(1,389)	(11)	1,389	11
SA Rand	-	81	-	(9)	-	9
	15,179	837	(1,518)	(93)	1,518	93

The exchange rates used in performing the above sensitivity analysis are as follows:

- The US Dollar exchange rate as at 30 June 2020 was \$1.46 and the average exchange rate during the year was \$1.53.
- The NZ Dollar exchange rate as at 30 June 2020 was \$0.94 and the average exchange rate during the year was \$0.93.

The Group does not employ foreign currency hedges and has no official foreign currency policy. If the transactional value, net asset position and overall exposure were to increase it is likely that a policy will be adopted to mitigate risk.

The aggregate net foreign exchange gains / losses recognised in profit or loss were:

	2020 \$'000	2019 \$'000
Net foreign exchange gain / (loss) in profit or loss	13	(39)

## SIGNIFICANT ACCOUNTING POLICIES

### FOREIGN CURRENCY TRANSLATION

#### Functional and presentation currency

Items included in the Consolidated Financial Statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Consolidated Financial Statements are presented in Australian dollars (AUD).

#### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the Consolidated Statement of Profit or Loss, within finance costs. All other foreign exchange gains and losses are presented in the Consolidated Statement of Profit or Loss on a net basis within other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified at fair value through other comprehensive income.

#### Group companies

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated in the presentation currency as follows:

- Assets and liabilities for each Consolidated Statement of Financial Position presented are translated at the closing rate at the date of that Consolidated Statement of Financial Position.
- Income and expenses for each Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions; and
- All relating exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and are translated at the closing rate.

**(A) MARKET RISK (CONT.)****(ii) Interest rate risk**

The Group holds both interest-bearing assets and interest bearing-liabilities, and therefore the Group's income and cash flows are subject to changes in market interest rates.

The Group's main interest rate risk arises from long-term borrowings which expose the Group to interest rate risk. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group uses derivative financial instruments to hedge its exposure to fluctuations in interest rates and manages its cash flow interest rate risk by using floating to fixed interest rate swaps. The Group agrees to exchange, at specified intervals, the difference between fixed and variable interest rate amounts calculated by reference to an agreed notional principal amount. These swaps are designated to hedge interest costs associated with underlying debt obligations. The interest swap contract is designated as a cash flow hedging instrument.

The Group entered into an interest rate swap contract in June 2020 to fix the interest rate at 0.43% on \$193,500,000 of borrowings. Interest payments are net settled every 6 months.

At reporting date, the Group has exposure to the following variable rate borrowings and interest rate swap contracts:

	Interest rate 2020 %	2020 \$'000	Interest rate 2019 %	2019 \$'000
Syndicated Facility Agreement <sup>1</sup>	0.14%	340,000	1.25%	80,568
Interest rate swaps - syndicated loans <sup>2</sup>	0.43%	(193,500)	-%	-
<b>Net exposure to cash flow interest rate risk</b>		<b>146,500</b>		<b>80,568</b>

<sup>1</sup> The Interest rate for the Syndicated Facility Agreement is BBSY at latest rate setting notice (19 June 2020 and 27 June 2019 respectively).  
The rate presented does not include any margin and line fees applicable under the loan agreement.

<sup>2</sup> The rate presented does not include any margin and line fees applicable under the loan agreement.

An analysis by maturities is provided in note D8(C)(i).

The following table summarises the impact of interest rate changes, relating to existing borrowings and financial instruments, on profit before tax and equity, net of tax. For the purpose of this disclosure, sensitivity analysis is isolated to a 50 basis points increase / decrease in interest rates assuming all other variables remain constant.

	Impact on profit before tax		Impact on equity, net of tax	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Floating rate</b>				
Increase of 50 bps	1,130	(284)	(2,091)	-
Decrease of 50 bps	(1,192)	284	2,177	-

**(B) CREDIT RISK**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount, net of any provisions for impairment for each class of the following financial assets.

**(B) CREDIT RISK (CONT.)****(i) Cash and cash equivalents**

Credit risk from cash arises from balances held with counterparty financial institutions. Credit risk is managed by the Group's finance department which restrict the Group's exposure to financial institutions by credit rating band. For banks and financial institutions, only independently rated parties with a minimum rating of "A" are accepted.

**(ii) Receivables and contract assets**

Customer credit risk is managed by each division's established policies, procedures and controls relating to customer credit risk management. Credit risk arising on receivables and contract assets is monitored on an ongoing basis, mitigating exposure to impairment of receivables and contract assets.

The Group applies the AASB 9 *Financial instruments* simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables and contract assets. Historically, there has been no significant change in customers' credit risk and the lifetime expected loss assessment of the Group remains unchanged.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses based on historical credit loss experience, adjusted for forward looking factors specific to the debtor and the economic environment. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include failure to make contractual payments for a period of greater than 60 days past due. The Group does not hold any collateral in relation to these receivables.

The Group is exposed to concentrations of credit risk with its top two customers representing approximately 26% of total trade receivables. The Group's receivables are largely collected from national insurers who have strong long-term credit ratings. The Group focuses largely on experienced payment history and does not expect that these customers will fail to meet their obligations.

For the year ended 30 June 2020, the Group recognised an expected credit loss of \$394,000 (2019: \$190,000).

**(C) LIQUIDITY RISK**

Liquidity risk is the risk the Group will encounter difficulties in meeting the obligations associated with its financial liabilities. The Group's approach to managing liquidity is to ensure, as far as possible, sufficient liquidity is available to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising the undrawn borrowing facilities and cash and cash equivalents) on the basis of expected cash flows. This is generally carried out at an operational level on a weekly basis in accordance with practice and limits set by the Group. This is to ensure ongoing liquidity, prompt decision making, and allow proactive communication with its financiers.

Details of financing arrangements are disclosed in note D7(A). At the reporting date, the Group has total undrawn committed facilities of \$22,586,000 (2019: \$38,282,000) available. These facilities may be drawn at any time, subject to the terms of the lending agreements.

**(i) Maturities of financial instruments**

The tables below provide an analysis of the Group's financial assets and liabilities into relevant maturity groupings based on the remaining period between the reporting date and the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

## (i) Maturities of financial instruments (Cont.)

	Within 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000
<b>Contractual maturities of financial instruments</b>				
<b>2020</b>				
<b>Non-derivatives</b>				
<b>Financial assets realisable cash flows</b>				
Cash and cash equivalents	112,916	-	-	112,916
Receivables and contract assets	72,099	-	-	72,099
Other financial assets	-	1,878	-	1,878
Acquisition deposits	5,000	600	-	5,600
<b>Total anticipated inflow on financial assets</b>	<b>190,015</b>	<b>2,478</b>	<b>-</b>	<b>192,493</b>
<b>Financial liabilities due for payment</b>				
Trade and other payables	(117,596)	-	-	(117,596)
Lease liabilities	(56,582)	(206,722)	(225,781)	(489,085)
Borrowings	(8,510)	(358,725)	-	(367,235)
Contingent vendor consideration - cash settlement	(15,524)	(9,698)	-	(25,222)
<b>Total anticipated outflow on financial liabilities</b>	<b>(198,212)</b>	<b>(575,145)</b>	<b>(225,781)</b>	<b>(999,138)</b>
<b>Derivatives</b>				
Net Settled (Interest rate swaps)	(231)	(65)	-	(296)
<b>Total outflow on derivatives</b>	<b>(231)</b>	<b>(65)</b>	<b>-</b>	<b>(296)</b>
<b>Total outflow on financial instruments</b>	<b>(8,428)</b>	<b>(572,732)</b>	<b>(225,781)</b>	<b>(806,941)</b>
<b>2019</b>				
<b>Financial assets realisable cash flows</b>				
Cash and cash equivalents	12,096	-	-	12,096
Receivables and contract assets	60,339	-	-	60,339
Other financial assets	-	2,044	-	2,044
Acquisition deposits	4,000	5,600	-	9,600
<b>Total anticipated inflow on financial assets</b>	<b>76,435</b>	<b>7,644</b>	<b>-</b>	<b>84,079</b>
<b>Financial liabilities due for payment</b>				
Trade and other payables	(66,341)	-	-	(66,341)
Lease liabilities	(103)	(29)	-	(132)
Borrowings	-	(80,568)	-	(80,568)
<b>Total expected outflow on financial liabilities</b>	<b>(66,444)</b>	<b>(80,597)</b>	<b>-</b>	<b>(147,041)</b>
<b>Net inflow / (outflow) on financial instruments</b>	<b>9,991</b>	<b>(72,953)</b>	<b>-</b>	<b>(62,962)</b>

## (D) FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The Group measures certain financial instruments at fair value at each reporting date using a hierarchy based on the lowest level of input that is significant to the fair value measurement.



## (D) FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONT.)

The fair value hierarchy consists of the following levels:

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

There were no transfers between levels during the financial year.

### (i) Carrying amount approximate fair values

The carrying amount of receivables and contract assets and trade and other payables are assumed to approximate their fair values due to their short-term nature. The fair value of non-current borrowings is estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Group for similar financial instruments. The carrying amount of the Group's borrowings approximates their fair values, as commercial rates of interest are paid, and the impact of discounting is not significant.

### (ii) Fair value of contingent vendor consideration

During the financial year, the Group has acquired various entities and businesses. In undertaking these acquisitions, the Group has incurred contingent vendor consideration which consists of an obligation to settle purchase consideration either by shares or cash in the future.

The carrying value of the contingent vendor consideration reflects its fair value and is classified as Level 3 of the fair value hierarchy. The fair value of the financial liabilities included in Level 3 of the hierarchy has been determined using valuation techniques incorporating observable direct and indirect market data relevant to the Group.

	2020 \$'000	2019 \$'000
Total contingent vendor consideration	49,462	50,695

The expected payment is determined separately in respect of each individual earn-out agreement taking into consideration the expected level of profitability of each acquisition.

The significant unobservable inputs are:

- Pre-specified earnings target, such as EBIT or EBITDA; and
- Discount rate in the range of 1.7% to 3.5% depending on the circumstances specific to each contingent vendor consideration being measured.

Significant estimate: impact of possible changes in key assumptions:

The estimated fair value would increase / (decrease) if:

- the earnings (EBITDA or EBIT) growth was 10% higher, the gross value of the contingent consideration would increase by \$3,056,000.
- the earnings (EBITDA or EBIT) growth was 10% lower, the gross value of the contingent consideration would decrease by \$3,056,000.
- the discount rate was 1% higher, the present value of the contingent vendor consideration would decrease by \$558,000.
- the discount rate was 1% lower, the present value of the contingent vendor consideration would increase by \$576,000.

### (iii) Fair value of derivative financial instruments

The fair value of the interest rate swap is the estimated amount that the entity would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates, forward interest yield curves and the current creditworthiness of the swap counterparties. The fair value of the interest rate swap is calculated as the present value of the estimated future cash flows and is classified as Level 2 under the fair value hierarchy. Refer to D8(A)(ii) for sensitivity on floating interest rates.




# E GROUP STRUCTURE

Group structure provides information about subsidiaries and how changes have affected the financial position and performance of the Company, AMA Group Limited.

- E1** PARENT ENTITY INFORMATION
- E2** INVESTMENTS IN CONTROLLED ENTITIES
- E3** NON-CONTROLLING INTERESTS
- E4** DEED OF CROSS GUARANTEE
- E5** DISCONTINUED OPERATIONS
- E6** BUSINESS COMBINATIONS

## E1 PARENT ENTITY INFORMATION

 This section presents the stand-alone financial information of AMA Group Limited.

### (A) SUMMARY FINANCIAL INFORMATION

	2020 \$'000	2019 \$'000
<b>Assets</b>		
Current assets	50,122	9,867
<b>Total assets</b>	<b>516,772</b>	<b>189,868</b>
<b>Liabilities</b>		
Current liabilities	54,856	26,571
<b>Total liabilities</b>	<b>343,496</b>	<b>182,527</b>
<b>Net assets</b>	<b>173,276</b>	<b>7,341</b>
<b>Equity</b>		
Contributed equity	417,117	200,263
Reserves	1,256	153
Accumulated losses	(245,097)	(193,075)
<b>Total equity</b>	<b>173,276</b>	<b>7,341</b>
<b>Loss for the period</b>	<b>(39,808)</b>	<b>(20,808)</b>
<b>Total comprehensive expense</b>	<b>(39,993)</b>	<b>(20,808)</b>

### (B) GUARANTEES ENTERED INTO BY THE PARENT ENTITY

The Parent entity has given unsecured guarantees in respect of financial trade arrangements entered into by its subsidiaries. It is not practical to ascertain or estimate the maximum amount for which the Company may become liable. At 30 June 2020, no subsidiary was in default in respect of any arrangement guaranteed by the Company and all amounts owed have been brought to account as liabilities in the financial statements.



## SIGNIFICANT ACCOUNTING POLICIES

Financial information for the parent entity has been prepared on the same basis as the Consolidated Financial Statements with the exception of investments in controlled entities which are accounted for at cost.

## E2 INVESTMENTS IN CONTROLLED ENTITIES



The following section sets out the list of the Group's significant investments in controlled entities.

The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of controlled entities are included in the Consolidated Financial Statements from the date on which control commences until the date on which control ceases.

### (A) SIGNIFICANT INVESTMENTS IN CONTROLLED ENTITIES

The Consolidated Financial Statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in note A2(A):

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2020 %	2019 %
A.C.N. 107 954 610 Pty Ltd <sup>1,2</sup>	Australia	Ordinary	100	100
A.C.N. 124 414 455 Pty Ltd <sup>1,2</sup>	Australia	Ordinary	100	100
A.C.N.624 895 772 Pty Ltd <sup>1,2</sup>	Australia	Ordinary	100	100
A.C.N. 624 896 000 Pty Ltd <sup>1,2</sup>	Australia	Ordinary	100	100
ACAD Limited <sup>1</sup>	Australia	Ordinary	100	100
Accident Management Australia Pty Ltd <sup>1</sup>	Australia	Ordinary	100	100
Accident Repair Management Pty Ltd <sup>1</sup>	Australia	Ordinary	100	100
Accident Repair Management No. 2 Pty Ltd <sup>1</sup>	Australia	Ordinary	100	100
Accident Repair Management No. 3 Pty Ltd <sup>1</sup>	Australia	Ordinary	100	100
ACM Parts Pty Ltd <sup>1,5</sup>	Australia	Ordinary	100	-
Alloy Motor Accessories Australia Pty Ltd <sup>1</sup>	Australia	Ordinary	100	100
AECAA Pty Ltd <sup>1</sup>	Australia	Ordinary	100	100
AMA1 Pty Ltd <sup>1,2</sup>	Australia	Ordinary	100	100
AMA Fully Equipped NZ Holdings Pty Limited <sup>6</sup>	New Zealand	Ordinary	100	-
AMA Group Solutions Pty Ltd <sup>1</sup>	Australia	Ordinary	100	100
AMA Procurement Pty Ltd <sup>1</sup>	Australia	Ordinary	100	100
Automotive Solutions Group Pty Ltd <sup>1,2</sup>	Australia	Ordinary	100	100
BMB Collision Repairs Pty Ltd <sup>1</sup>	Australia	Ordinary	100	100
Capital Smart Group Holdings Pty Ltd <sup>4</sup>	Australia	Ordinary	90	-
Capital S.M.A.R.T. Repairs Australia Pty Ltd <sup>5</sup>	Australia	Ordinary	90	-
Capital S.M.A.R.T. Repairs New Zealand Pty Ltd <sup>5</sup>	New Zealand	Ordinary	90	-
Carmax Australia Pty Ltd <sup>1,2</sup>	Australia	Ordinary	100	100
Carmax New Zealand Limited <sup>2</sup>	New Zealand	Ordinary	100	100
Custom Alloy Pty Ltd <sup>1,2</sup>	Australia	Ordinary	100	100
Deering Autronics Australia Pty Ltd <sup>1</sup>	Australia	Ordinary	100	100
Direct One Accident Repair Centre Pty Ltd <sup>1</sup>	Australia	Ordinary	100	100
ECB Pty Ltd <sup>1</sup>	Australia	Ordinary	100	100
Fleet Alliance Pty Ltd <sup>1,2</sup>	Australia	Ordinary	100	100
FluidDrive Holdings Pty Ltd <sup>1</sup>	Australia	Ordinary	100	100
Fully Equipped Auckland Limited <sup>7</sup>	New Zealand	Ordinary	100	-
Fully Equipped Group Limited <sup>7</sup>	New Zealand	Ordinary	100	-



## (A) SIGNIFICANT INVESTMENTS IN CONTROLLED ENTITIES (CONT.)

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2020 %	2019 %
Fully Equipped Limited <sup>7</sup>	New Zealand	Ordinary	100	-
Fully Equipped Wellington Limited <sup>7</sup>	New Zealand	Ordinary	100	-
Geelong Consolidated Repairs Pty Ltd <sup>1</sup>	Australia	Ordinary	100	100
Gemini Accident Repair Centres NZ Limited <sup>2</sup>	New Zealand	Ordinary	100	100
Micra Accident Repair Centre Pty Ltd <sup>1</sup>	Australia	Ordinary	100	100
Mr Gloss Holdings Pty Ltd <sup>1</sup>	Australia	Ordinary	100	100
Mt Druitt Autobody Repairs Pty Ltd <sup>1</sup>	Australia	Ordinary	100	100
Phil Munday's Panel Works Pty Ltd <sup>1</sup>	Australia	Ordinary	100	100
QPlus Production Pty Ltd <sup>2,5</sup>	Australia	Ordinary	90	-
Rapid Accident Management Services Pty Ltd <sup>1</sup>	Australia	Ordinary	100	100
Repair Management Australia Pty Ltd <sup>1</sup>	Australia	Ordinary	100	100
Repair Management Australia Bayswater Pty Ltd <sup>1</sup>	Australia	Ordinary	100	100
Repair Management Australia Dandenong Pty Ltd <sup>1</sup>	Australia	Ordinary	100	100
Repair Management New Zealand Limited	New Zealand	Ordinary	100	100
Ripoll Pty Ltd <sup>1,2</sup>	Australia	Ordinary	100	100
Roo Systems Australia Pty Ltd <sup>1</sup>	Australia	Ordinary	100	100
Service Body Manufacturing Australia Pty Ltd <sup>1</sup>	Australia	Ordinary	100	100
Shipstone Holdings Pty Ltd <sup>1</sup>	Australia	Ordinary	100	100
Smash Repair Canberra Pty Ltd <sup>1</sup>	Australia	Ordinary	100	100
Tuff Accessories Limited <sup>7</sup>	New Zealand	Ordinary	100	-
Uneek 4x4 Australia Pty Ltd <sup>1</sup>	Australia	Ordinary	100	100
Woods Auto Shops (Cheltenham) Pty Ltd <sup>1,2</sup>	Australia	Ordinary	100	100
Woods Auto Shops (Dandenong) Pty Ltd <sup>1,3</sup>	Australia	Ordinary	100	60
Woods Auto Shops (Holdings) Pty Ltd <sup>1</sup>	Australia	Ordinary	100	100

<sup>1</sup> These companies are parties to the Deed of Cross Guarantee and members of the Closed Group as at 30 June 2020 (refer note E4).

<sup>2</sup> These companies are dormant.

<sup>3</sup> The Group acquired the remaining 40% of this company on 1 July 2019.

<sup>4</sup> The Group incorporated this company on 25 October 2019.

<sup>5</sup> The Group acquired these companies on 31 October 2020.

<sup>6</sup> The Group incorporated this company on 9 January 2020.

<sup>7</sup> The Group acquired these companies on 31 January 2020.



## SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the Group's controlled entities have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

## E3 NON-CONTROLLING INTERESTS

On 1 July 2015, the Group acquired 60% of the issued capital of Woods Auto Shops (Dandenong) Pty Ltd; the operator of the Trackright businesses. On 1 July 2019, the Group acquired the remaining 40% interest in Woods Auto Shops (Dandenong) Pty Ltd, increasing its ownership from 60% to 100%.

On 25 October 2019, the Group incorporated Capital Smart Group Holdings Pty Ltd with 90% of the issued capital held by the Company. Capital Smart Group Holdings Pty Ltd is the head company of the Capital Smart group of entities.

### (A) FINANCIAL INFORMATION OF NON-CONTROLLING INTERESTS

Set out below is summarised financial information for these entities. The amounts disclosed for each subsidiary are before intercompany eliminations.

Summarised Consolidated Statement of Financial Position	2020 \$'000	2019 \$'000
Current assets	46,666	1,015
Current liabilities	(59,568)	(1,907)
<b>Current net assets</b>	<b>(12,902)</b>	<b>(892)</b>
Non-current assets	550,054	2,897
Non-current liabilities	(259,891)	(1,275)
<b>Non-current net assets</b>	<b>290,163</b>	<b>1,622</b>
<b>Net assets</b>	<b>277,261</b>	<b>730</b>
<b>Accumulated non-controlling interests</b>	<b>16,341</b>	<b>292</b>
Summarised Statement of Comprehensive Income	2020 \$'000	2019 \$'000
Revenue	196,178	6,546
<b>(Loss) / profit for the period</b>	<b>(62,228)</b>	<b>491</b>
Other comprehensive income	1	-
<b>Total comprehensive (loss) / income</b>	<b>(62,227)</b>	<b>491</b>
<b>(Loss) / profit allocated to non-controlling interests</b>	<b>(1,203)</b>	<b>196</b>
<b>Dividends paid to non-controlling interests</b>	<b>169</b>	<b>200</b>
Summarised Consolidated Statement of Cash Flows	2020 \$'000	2019 \$'000
Net cash inflows from operating activities	11,035	1,677
Net cash outflows from investing activities	(415,779)	(134)
Net cash inflows / (outflows) from financing activities	433,082	(1,314)
<b>Net increase in cash and cash equivalents</b>	<b>28,338</b>	<b>229</b>
<b>Balance at 1 July</b>	<b>292</b>	<b>296</b>
<b>Movement:</b>		
Dividends paid	(169)	(200)
Purchase of shares from non-controlling interests	(123)	-
Non-controlling interests on acquisition of subsidiary	17,544	-
Share of result for the period	(1,203)	196
<b>Balance at 30 June</b>	<b>16,341</b>	<b>292</b>



**(A) FINANCIAL INFORMATION OF NON-CONTROLLING INTERESTS (CONT.)**

The Group elected to recognise the non-controlling interests in respect of Capital Smart Group Holdings Pty Ltd as its proportionate share of the acquired entity's net identifiable assets. As part of the annual impairment test, Capital Smart Group Holdings Pty Ltd recognised an impairment charge of \$50,200,000 against the carrying value of goodwill. The Group has taken its proportionate share of the impairment charge, with a net impact to Group's Consolidated Statement of Profit or Loss of \$46,971,000. The non-controlling interests' share of the result for the period excludes the impairment charge recognised against goodwill.

**(B) ACQUISITION OF REMAINING INTEREST IN WOODS AUTO SHOP (DANDENONG) PTY LTD**

The Group acquired the remaining 40% interest in Woods Auto Shops (Dandenong) Pty Ltd on 1 July 2019, increasing its ownership from 60% to 100%. The acquisition resulted in a difference recognised in retained earnings which is set out in the table below:

	2020 \$'000	2019 \$'000
Cash consideration paid to non-controlling shareholders	833	-
Carrying value of the non-controlling interests at 30 June 2019	(292)	-
Dividend paid to non-controlling shareholders in respect of FY19	169	-
<b>Difference recognised in retained earnings</b>	<b>710</b>	<b>-</b>

**SIGNIFICANT ACCOUNTING POLICIES****Non-controlling interests**

The Group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interests' proportionate share of the acquired entity's net identifiable assets. The decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in Capital Smart Group Holdings Pty Ltd the Group elected to recognise the non-controlling interest as its proportionate share of the acquired net identifiable assets.

Where the non-controlling interests are acquired or sold without loss of control, any excess or deficit of consideration paid over the carrying amount is recognised in equity transactions. The Group has elected to recognise this effect in retained earnings.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.



## E4 DEED OF CROSS GUARANTEE



The following section presents the Consolidated Statement of Profit or Loss and the Consolidated Statement of Financial Position of the Company and certain wholly-owned companies that are parties to a deed of cross guarantee.

The Company and each of the Australian wholly-owned subsidiaries identified in note E2 (together referred to as the Closed Group) have entered into a Deed of Cross Guarantee (the Deed), as defined in *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785* (the Instrument). The effect of the Deed is that each entity in the Closed Group guarantees the payment in full of all debts of the other entities in the Closed Group in the event of their winding up. The Closed Group have also given a similar guarantee in the event that the Company is wound up or if it does not meet its obligations under the terms of overdrafts, loans, leases, or other liabilities subject to the guarantee.

Pursuant to the Instrument, the wholly-owned subsidiaries within the Closed Group are relieved from the requirement to prepare, audit, and lodge separate financial reports. The Trustee to this deed of cross guarantee is Ripoll Pty Ltd; a member of the consolidated group. The Alternate Trustee to this deed of cross guarantee is Woods Auto Shops (Cheltenham) Pty Ltd; which is also a member of the consolidated group.

### (A) CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND MOVEMENT IN RETAINED DEFICIT OF THE CLOSED GROUP

	2020 \$'000	2019 \$'000
<b>Revenue and other income from continuing operations</b>	<b>683,839</b>	<b>607,914</b>
Raw materials and consumables used	(312,495)	(258,016)
Employee benefits expense	(250,029)	(235,414)
Occupancy expense	(19,947)	(43,477)
Professional services expense	(13,928)	(5,530)
Other expense	(19,408)	(16,579)
Fair value adjustments on contingent vendor consideration	(4,501)	117
Depreciation and amortisation expense	(46,745)	(15,982)
Impairment expense	(48,871)	-
<b>Operating (loss) / profit before interest and tax</b>	<b>(32,085)</b>	<b>33,033</b>
Finance costs	(19,365)	(2,595)
<b>(Loss) / profit before income tax from continuing operations</b>	<b>(51,450)</b>	<b>30,438</b>
Loss before tax from discontinued operations	(1,156)	-
<b>(Loss) / profit before income tax</b>	<b>(52,606)</b>	<b>30,438</b>
Income tax benefit / (expense)	125	(9,231)
<b>(Loss) / profit for the period</b>	<b>(52,481)</b>	<b>21,207</b>
	2020 \$'000	2019 \$'000
<b>Retained deficit at the beginning of the financial year</b>	<b>(8,342)</b>	<b>(19,597)</b>
(Loss) / profit for the period	(52,481)	21,207
Lapsed options	-	3,048
Dividends - AMA shareholders	(12,215)	(13,300)
Dividends - Minority Interest	401	300
Purchase of shares from non-controlling interests	(710)	-
<b>Retained deficit at the end of the financial year</b>	<b>(73,347)</b>	<b>(8,342)</b>



**(B) CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE CLOSED GROUP**

	2020 \$'000	2019 \$'000
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	83,685	11,236
Receivables and contract assets	54,869	47,177
Inventories	35,418	40,798
Other assets	8,365	9,270
Current tax receivable	3,339	(4,466)
Receivables from related entities	4,349	-
<b>Total current assets</b>	<b>190,025</b>	<b>104,015</b>
<b>Non-current assets</b>		
Property, plant and equipment	61,120	61,764
Right-of-use assets	238,976	-
Intangible assets	276,538	262,290
Other assets	600	7,253
Other financial assets	1,878	2,044
Deferred tax assets	15,039	10,556
Receivables from related entities	101,566	994
Investments in controlled entities	276,886	750
<b>Total non-current assets</b>	<b>972,603</b>	<b>345,651</b>
<b>Total assets</b>	<b>1,162,628</b>	<b>449,666</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	78,587	64,443
Financial liabilities	21,784	-
Lease liabilities	24,520	-
Provisions	24,974	22,970
Other liabilities	12,344	37,099
<b>Total current liabilities</b>	<b>162,209</b>	<b>124,512</b>
<b>Non-current liabilities</b>		
Financial liabilities	360,581	80,568
Lease liabilities	221,381	-
Provisions	11,043	10,224
Other liabilities	62,396	42,288
<b>Total non-current liabilities</b>	<b>655,401</b>	<b>133,080</b>
<b>Total liabilities</b>	<b>817,610</b>	<b>257,592</b>
<b>Net assets</b>	<b>345,018</b>	<b>192,074</b>
<b>EQUITY</b>		
Contributed equity	417,117	200,263
Other reserves	1,248	153
Retained deficit	(73,347)	(8,342)
<b>Total equity</b>	<b>345,018</b>	<b>192,074</b>

## E5 DISCONTINUED OPERATIONS



This section presents the profit or loss from components of the Group that have either been disposed of or sold during the year.

During the year, management undertook a strategic review of the Group's business operations and decided to discontinue the following entities:

- Alloy Motor Accessories Australia Pty Ltd
- Deering Autronics Australia Pty Ltd
- Roo Systems Australia Pty Ltd

Financial information relating to all discontinued operations for the reporting period is set out below.

	2020 \$'000	2019 \$'000
<b>Operating result</b>		
Revenue	3,523	1,893
Expenses	(4,679)	(2,125)
Loss before income tax	(1,156)	(232)
Income tax benefit	347	70
<b>Loss after income tax of discontinued operations</b>	<b>(809)</b>	<b>(162)</b>
<b>Movement in cash flows:</b>		
Net cash (outflows) / inflows from operating activities	(1,019)	471
Net cash inflows from investing activities	909	150
Net cash outflows from financing activities	(110)	(1,036)
<b>Net decrease in cash and cash equivalents</b>	<b>(220)</b>	<b>(415)</b>



## SIGNIFICANT ACCOUNTING POLICIES

### Discontinued operations

A discontinued operation is a component of the Group that represents a separate major line of business that is part of a disposal plan.

A business is classified as a discontinued operation when a decision is made to dispose of, or close down, the whole or a substantial part of that business unit. Assets and liabilities of the business unit are subsequently measured at the lower of their carrying amount and fair value, less estimated costs to sell.

The results of discontinued operations are presented separately in the Consolidated Statement of Profit or Loss.



## E6 BUSINESS COMBINATIONS



The following section provides a summary of the businesses acquired by the Group during the year including details of the purchase consideration, net assets acquired and goodwill of each acquisition.

During the year, the Group acquired the operating assets and shares of various businesses throughout Australia and New Zealand. These acquisitions are expected to increase the Group's market share, product offering and reduce costs through economies of scale.

### (A) FINANCIAL INFORMATION FOR CURRENT YEAR ACQUISITIONS

Details of the purchase consideration, net assets acquired, and goodwill of each business acquired by the Group during the year are presented in the following table.

Goodwill comprises the value of expected future benefits arising from the acquisitions. These include synergies, growth opportunities and significant value creation through cost savings for the Group. The goodwill recognised is not expected to be deductible for income tax purposes.

	Capital Smart and ACM Parts \$'000	Fully Equipped \$'000	Smash- care \$'000	BF Panels \$'000	All Transport \$'000	Other \$'000	Total \$'000
<b>Consideration:</b>							
Cash paid	416,904	11,520	8,516	1,381	3,276	2,381	443,978
Contingent vendor consideration	-	3,111	-	2,581	-	2,447	8,139
<b>Total consideration</b>	<b>416,904</b>	<b>14,631</b>	<b>8,516</b>	<b>3,962</b>	<b>3,276</b>	<b>4,828</b>	<b>452,117</b>
<b>Net assets acquired:</b>							
Cash and cash equivalents	19,170	318	-	-	-	-	19,488
Receivables and contract assets	13,614	1,327	277	-	439	279	15,936
Inventories	13,234	2,787	-	-	50	-	16,071
Other current assets	4,372	50	9	-	3	173	4,607
Property, plant and equipment	36,451	1,988	1,598	399	345	1,120	41,901
Right-of-use assets	113,646	4,759	8,227	2,461	3,499	6,722	139,314
Identifiable intangibles	228,079	-	-	-	-	-	228,079
Other non-current assets	103	-	-	-	-	-	103
Trade and other payables	(26,278)	(1,069)	-	-	-	-	(27,347)
Other current liabilities	(3,077)	-	-	-	-	-	(3,077)
Lease liabilities	(114,571)	(4,759)	(8,227)	(2,461)	(3,499)	(6,722)	(140,239)
Current tax (liabilities) / assets	(134)	71	-	-	-	-	(63)
Provisions	(24,594)	(170)	(1,533)	(321)	(278)	(491)	(27,387)
Other non-current liabilities	(164)	-	-	-	-	-	(164)
Net deferred tax (liabilities) / assets	(64,592)	47	460	96	84	147	(63,758)
<b>Net identifiable assets acquired</b>	<b>195,259</b>	<b>5,349</b>	<b>811</b>	<b>174</b>	<b>643</b>	<b>1,228</b>	<b>203,464</b>
Non-controlling interests	(17,544)	-	-	-	-	-	(17,544)
<b>Net assets acquired</b>	<b>177,715</b>	<b>5,349</b>	<b>811</b>	<b>174</b>	<b>643</b>	<b>1,228</b>	<b>185,920</b>
<b>Goodwill</b>	<b>239,189</b>	<b>9,282</b>	<b>7,705</b>	<b>3,788</b>	<b>2,633</b>	<b>3,600</b>	<b>266,197</b>

## (B) SUMMARY OF ACQUISITIONS

### (i) Capital Smart and ACM Parts

On 25 October 2019, Capital Smart Group Holdings Pty Ltd was incorporated with ownership split between AMA (90%) and Suncorp Insurance Ventures Pty Ltd (Suncorp) (10%).

On 31 October 2019, Capital Smart Group Holdings Pty Ltd acquired Capital S.M.A.R.T. Repairs Australia Pty Ltd and its subsidiaries for a headline purchase price of \$420 million. On 31 October 2019, AMA also acquired ACM Parts Pty Ltd from Suncorp for headline purchase price of \$20 million. The acquisition of Capital Smart and ACM Parts were funded through an equity raise and debt refinance.

Capital Smart specialises in vehicle panel repair services, specifically in drivable vehicles that have sustained low to medium collision damage. Capital Smart operates across 45 sites in Australia and 5 sites in New Zealand.

ACM Parts is an automotive parts distributor and Australia's largest recycler of collision and mechanical parts for the automotive repair industry. ACM Parts operates in Victoria, Queensland and New South Wales.

### (ii) Fully Equipped

On 9 January 2020, AMA Fully Equipped NZ Holdings Pty Limited was incorporated by the Group.

On 31 January 2020, AMA Fully Equipped NZ Holdings Pty Limited acquired Fully Equipped Group Limited and its subsidiaries. Fully Equipped is headquartered in Hamilton, New Zealand and operates out of a further two distribution facilities in Auckland and Wellington. Fully Equipped is one of New Zealand's leading manufacturers and distributors of aftermarket automotive accessories. The acquisition extends the Group's footprint in the New Zealand market and complements the newly established Automotive Parts and Accessory Solutions division.

### (iii) Smashcare

On 29 August 2019, the Group acquired the Smashcare Group of businesses. The acquisition has added a total of four panel repair sites in Victoria and New South Wales (at 30 June 2020, after site consolidation).

### (iv) BF Panels

On 31 December 2019, the Group acquired BF Panels, one panel repair site located in regional New South Wales.

### (v) All Transport

The Group acquired All Transport Crash Repairs on 30 September 2019. The acquisition aligns with the Group's strategic direction of expanding into the heavy vehicle collision repair industry.

### (vi) Other acquisitions

- Diplocks Collision Repair Centre (acquired 13 September 2019)
- Luxury BodyShop (acquired 24 February 2020)
- Graeme Hull Smash Repairs (acquired 6 March 2020)

**(C) REVENUE AND PROFIT CONTRIBUTION**

The revenue and profit contribution to the Group from acquisitions from date of acquisition to reporting date is presented below:

	Capital Smart and ACM Parts \$'000	Fully Equipped \$'000	Smash- care \$'000	BF Panels \$'000	All Transport \$'000	Other \$'000	Total \$'000
Revenue	234,545	5,462	21,207	3,628	5,164	6,284	276,290
(Loss) / profit before tax	(73,556)	223	897	58	824	75	(71,479)

From the date of acquisition to 30 June 2020, these acquisitions generated revenue and other income of \$276,290,000 and a loss before tax of \$71,479,000, including impairment expense. On a pro-rata basis, the Group expects that if the above businesses were acquired on 1 July 2019, the acquisitions would have generated revenue and other income of \$412,530,000 and loss before tax of \$82,497,000, including impairment expense.

**(D) ACQUISITION RELATED COSTS**

Acquisition costs are predominantly included in professional services expense in the Consolidated Statement of Profit or Loss and in operating cash flows in the Consolidated Statement of Cash Flows. The acquisition related costs are set out below:

	Capital Smart and ACM Parts \$'000	Fully Equipped \$'000	Smash- care \$'000	BF Panels \$'000	All Transport \$'000	Other \$'000	Total \$'000
Acquisition related costs	7,232	387	653	55	77	130	8,534

**(E) PROVISIONAL ASSESSMENT OF FAIR VALUE**

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at acquisition date. The measurement period ends on either the earlier of (i) 12 months from the date of acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

**(i) Current year acquisitions**

The net assets recognised in the 31 December 2019 Interim Financial Statements were based on a provisional assessment of the fair value of each business acquired while the Group sought an independent valuation for tangible assets (namely property, plant and equipment, leased assets and customer contracts).

During H2 FY20, the valuations were completed. This resulted in the following changes to the acquisition accounting:

- Net decrease to net identifiable assets acquired of \$599,000;
- Net increase to goodwill of \$599,000; and
- Nil change to contingent vendor consideration.



## (ii) Prior year acquisitions

During the current year, the Group has finalised the acquisition accounting for prior year acquisitions.

The net assets recognised in the 30 June 2019 Consolidated Financial Statements were based on a provisional assessment of the fair value of each business acquired while the Group sought independent valuations for tangible assets (namely property, plant and equipment).

The valuations were completed during the current year. This resulted in the following changes to the acquisition accounting:

- Net increase to net identifiable assets acquired of \$723,000;
- Net decrease to goodwill of \$38,000; and
- An increase to contingent vendor consideration of \$685,000.

## (F) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Business combinations are accounted for under AASB 3 *Business Combinations* and are initially accounted for on a provisional basis. Acquisition accounting for business combinations requires identifiable assets to be valued at fair value which often requires assumptions, estimates and judgements. Assumptions required may include but are not limited to cash flows, weighted average cost of capital, replacement cost, useful lives and an assessment of the market terms on leases. The Group often engages third-party experts to conduct independent valuations of identifiable assets. The Group takes into consideration all available information at the date of acquisition and any fair value adjustments in the final acquisition accounts are retrospectively applied back to the acquisition date.



## SIGNIFICANT ACCOUNTING POLICIES

### Business combinations

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

The group accounts for business combinations using the acquisition method when control is transferred to the Group (refer note E2). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at its proportionate share of the acquiree's identifiable net assets.

Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately.

Any contingent vendor consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent vendor consideration are recognised in profit or loss.

# F OTHER INFORMATION

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

- F1 SHARE-BASED PAYMENTS**
- F2 AUDITORS' REMUNERATION**
- F3 RELATED PARTY TRANSACTIONS**
- F4 COMMITMENTS**
- F5 CONTINGENT LIABILITIES**
- F6 EVENTS OCCURRING AFTER THE REPORTING DATE**

## F1 SHARE BASED PAYMENTS



This section presents the Group's benefits provided to employees through share-based incentives. Employees are remunerated for their services or incentivised for their performance in part through shares or rights to shares.

The Employee Equity Plan (the "Plan") was approved by shareholders at the AGM on 22 November 2018. The Plan is designed to align employee and shareholder interests through share ownership. The Plan is for the benefit of all employees (including Executive Directors) of the Company. Awards under the Plan are issued to eligible participants by way of:

- an Option;
- a Right;
- a Share;
- a Performance Share.

### (A) OPTIONS GRANTED UNDER THE EMPLOYEE EQUITY PLAN

Options are granted under the Plan for no consideration and carry no dividend or voting rights. When exercisable, each option is converted into one fully paid ordinary share in the Company.

The vesting requirements of each option are not subject to the satisfaction of any specific performance or service conditions.

#### (i) Movements during the year

There were no options granted during the current financial year. As at 30 June 2020, the Plan consists of 2,000,000 unissued shares under option.

	2020 Number of options	2019 Number of options
<b>Balance at 1 July</b>	<b>2,000,000</b>	14,000,000
<b>Movement:</b>		
Granted during the year	-	2,000,000
Forfeited / lapsed during the year	-	(14,000,000)
<b>Balance at 30 June</b>	<b>2,000,000</b>	2,000,000

The weighted average remaining contractual life at 30 June 2020 is 0.8 years (2019: 2.4 years).

## (ii) Vesting conditions of options

The vesting requirements of each option are not subject to the satisfaction of any specific performance or service conditions. On 26 November 2019, the 2,000,000 options satisfied the vesting conditions.

All options remain unexercised as at 30 June 2020 and have an expiry date of 25 April 2021.

Summaries of the terms of each grant of options are set out below:

Grant Date	Expiry Date	Vesting Date	Options Granted	Vested	Exercised	Forfeited / Lapsed
14/09/2015	27/11/2018	27/11/2016	12,000,000	100%	-	100%
25/04/2016	25/04/2019	25/04/2017	2,000,000	100%	-	100%
26/11/2018	25/04/2021	26/11/2019	2,000,000	100%	-	-

## (iii) Fair value of options granted

The Group uses the Black Scholes pricing methodology to measure the fair value of the options at grant date. The inputs used for estimating fair value of the options are disclosed in the below table.

Grant date share price (\$)	\$0.90
Fair value (\$)	\$0.08
Exercise price (\$)	\$1.20
Volatility (%)	25%
Dividend yield (%)	2.47%
Risk-free rate (%)	2.02%

## (B) PERFORMANCE RIGHTS PROGRAM

The Performance Rights Program (PRP) was implemented in FY20 (in accordance with the Plan) and acts as the Group's long-term incentive scheme to reward participants through variable remuneration. Under the PRP, executives and other eligible senior employees are invited to receive performance rights in the Company. Detailed remuneration disclosures including the link between the PRP and shareholder wealth are provided in the Remuneration Report.

Under the PRP, each performance right enables the participant to acquire a share in the Company, at a future date, subject to agreed vesting conditions. The number of performance rights allocated to each participant is set by the Board and based on individual circumstances and performance.

### (i) Vesting conditions of rights

Vesting of the performance rights is subject to continued employment with the Group and achievement of performance hurdles which are based on the Group's TSR (20%) and EPS (80%) performance over a three-year period. Further details regarding these performance measures and how they are calculated can be found in the Remuneration Report.

**(ii) Fair value of rights granted**

The fair value of the EPS rights has been determined based on a Black Scholes Model as they are subject to non-market performance conditions. Under this method the fair value is based on the share price at the valuation date with an adjustment for the dividends foregone during the vesting period.

To reflect the impact of the market-based performance conditions, the fair value of the rights subject to the TSR have been calculated using Monte-Carlo simulation techniques. The variables in the table below are used as inputs into the model to determine the fair value of performance rights.

Grant date <sup>1</sup>	12 Sep 2019	21 Oct 2019	1 Nov 2019	20 Nov 2019	29 Nov 2019	4 Dec 2019
Performance rights granted	1,369,687	1,269,117	591,697	1,985,295	413,603	208,344
Grant date share price (\$)	1.32	1.37	1.38	1.27	1.24	1.20
Volatility (%) <sup>2</sup>	30	30	30	30	30	30
Dividend yield (%)	2.8	2.8	2.8	2.8	2.8	2.8
Risk-free rate (%)	0.88	0.78	0.78	0.71	0.65	0.68
Fair value per TSR right (\$)	0.50	0.56	0.57	0.42	0.41	0.37
Fair value per EPS right (\$)	1.22	1.27	1.28	1.18	1.15	1.11
Vesting date	1 Jul 2022	1 Jul 2022	1 Jul 2022	1 Jul 2022	1 Jul 2022	1 Jul 2022

<sup>1</sup> For the purposes of valuation, the grant date is determined in accordance with AASB 2 *Share Based Payments*.

<sup>2</sup> The Company share price volatility is based on the Company's average historical share price volatility at the grant date.

**(C) EXPENSES ARISING FROM SHARE-BASED PAYMENT TRANSACTIONS**

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2020 \$'000	2019 \$'000
Share-based payments expense	1,288	153

**(D) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The cost of share-based payments plans is determined on the basis of the fair value of the equity instrument at grant date. Determining the fair value assumes choosing the most suitable valuation model for these equity instruments, by which the characteristics of the grant have a decisive influence. The input into the valuation model includes relevant judgments such as the estimated probability of vesting and the volatility of the underlying share.

**SIGNIFICANT ACCOUNTING POLICIES****Share-based payments**

The grant date fair value of equity-settled share-based payments is recognised as an expense proportionally over the vesting period, with a corresponding increase in equity.

The fair value of instruments with market-based performance conditions (TSR) is calculated at the date of grant using a Monte Carlo simulation model. The probability of achieving market-based performance conditions is incorporated into the determination of the fair value per instrument.

The fair value of instruments with non-market-based performance conditions (EPS) and service conditions and retention rights are calculated using a Black-Scholes option pricing model.

The amount recognised as an expense over the vesting period is adjusted to reflect the actual number of instruments that vest except where forfeiture is failure to achieve market-based performance conditions.

## F2 AUDITORS' REMUNERATION



This section presents the total remuneration of the Group's external auditors for audit, assurance, and other services.

KPMG was appointed external auditor at the 2019 AGM. ShineWing Australia was the auditor for the year ended 30 June 2019.

The following fees were paid or payable for services provided by the respective external auditor:

	2020 \$	2019 \$
<b>Audit and other assurance services</b>		
Audit and review of financial statements	876,705	421,050
Other assurance services	2,277	-
<b>Total remuneration for audit and other assurance services</b>	<b>878,982</b>	<b>421,050</b>
<b>Other non-audit services</b>		
Due diligence services	1,277,490	-
Tax compliance services	62,335	-
Other services	13,223	-
<b>Total remuneration for other non-audit services</b>	<b>1,353,048</b>	<b>-</b>
<b>Total auditors' remuneration</b>	<b>2,232,030</b>	<b>421,050</b>

It is the Group's policy to employ KPMG on assignments additional to their statutory audit duties where KPMG's expertise and experience with the Group are important. These assignments are principally tax advice and due diligence on acquisitions, or where KPMG is awarded assignments on a competitive basis. It is the Group's policy to seek competitive quotes for all major consulting projects.

## F3 RELATED PARTY TRANSACTIONS



This section highlights the Group's transactions with its related parties and the extent these transactions impacted the Group's financial performance and position.

### (A) PARENT ENTITY

The ultimate holding entity is AMA Group Limited. Information about the Group's structure, including details of the controlled entities and holding company are set out in note E2.

### (B) KMP COMPENSATION

The total remuneration for KMP of the Group is set out below:

	2020 \$	2019 \$
Short-term benefits	3,419,953	4,139,733
Other benefits	74,736	858,250
Long-term benefits	21,325	20,380
Post-employment benefits	127,664	59,246
Equity settled benefits	1,033,068	500,000
Termination benefits	845,989	150,000
<b>Total KMP compensation</b>	<b>5,522,735</b>	<b>5,727,609</b>

Detailed remuneration disclosures and information regarding compensation of KMP is provided in the Remuneration Report.



**(C) OTHER TRANSACTIONS WITH KMP**

A number of KMP hold directorships or are associated with other entities who transacted with the Group during the year. The Group provisioned services from entities that are controlled or are significantly influenced by members of the Group's KMP. Details of other transactions (excluding GST) with KMP and their related parties is summarised below.

Service and entity	KMP	2020 \$	2019 \$
<b>Legal and advisory services</b>			
Colinton Capital Partners Pty Ltd	Simon Moore	3,150,000	-
Nicholson Ryan Lawyers	Leath Nicholson	1,541,683	940,528
		<b>4,691,683</b>	<b>940,528</b>
<b>Property rental fees and outgoings</b>			
AV Ventures Pty Ltd	Andrew Hopkins	201,201	188,093
A&R Property Developments Pty Ltd	Andrew Hopkins	475,587	442,063
A&R Development Holdings Pty Ltd	Andrew Hopkins	901,528	809,474
Bundall Road Pty Ltd	Andrew Hopkins	457,037	-
Silvan Bond Pty Ltd	Raymond Malone	29,707	178,244
Malone Superannuation Fund	Raymond Malone	9,902	59,415
SRFE Pty Ltd	Raymond Smith-Roberts	125,074	317,291
		<b>2,200,036</b>	<b>1,994,580</b>
<b>Claims management</b>			
A & R Insurance Management (t/a Unity Specialised Services)	Andrew Hopkins	653,544	478,335
		<b>653,544</b>	<b>478,335</b>
<b>Training and recruitment</b>			
I-CAR Australia Limited	Steven Bubulj	189,502	-
SRFE Pty Ltd	Raymond Smith-Roberts	-	21,969
		<b>189,502</b>	<b>21,969</b>
<b>Insurance services</b>			
PSC Insurance Brokers (Aust) Pty Ltd	Brian Austin	685	103,000
		<b>685</b>	<b>103,000</b>
<b>Total other transactions with KMP</b>		<b>7,735,450</b>	<b>3,538,412</b>

The nature of transactions with KMP and their related parties are as follows:

- The Group engaged Colinton Capital Partners Pty Ltd to provide financial advisory and transactional services in relation to the acquisition of Capital Smart and ACM Parts, and the related equity raise and debt refinance.
- The Group utilises Nicholson Ryan Lawyers for ongoing legal and advisory services.
- The Group leases and incurs rental fees and outgoing expenses for sites in the Group, including head office space.
- The Group transacts with Unity Specialised Services, a claims management business which handles and allocates insurance claims from a number of major insurers into vehicle accident repair facilities around Australia.
- The Group transacts with I-CAR Australia Limited, an industry based not-for-profit organisation. I-CAR provides training to the collision repair industry.
- The Group used PSC Insurance Brokers (Aust) Pty Ltd as its General Insurance Broker.



**(D) BALANCES WITH KMP**

Details of balances as at 30 June, and recognised in the Consolidated Statement of Financial Position with KMP and their related parties is summarised below:

Service and entity	KMP	Classification	2020 \$	2019 \$
<b>Right-of-use assets <sup>1</sup></b>				
AV Ventures Pty Ltd	Andrew Hopkins	Right-of-use assets	1,394,672	-
A&R Property Developments Pty Ltd	Andrew Hopkins	Right-of-use assets	1,905,593	-
A&R Development Holdings Pty Ltd	Andrew Hopkins	Right-of-use assets	8,563,770	-
Bundall Road Pty Ltd	Andrew Hopkins	Right-of-use assets	2,536,481	-
			<b>14,400,516</b>	<b>-</b>
<b>Lease commitments until expiry (including all options) <sup>1</sup></b>				
AV Ventures Pty Ltd	Andrew Hopkins	Lease liabilities	1,468,737	-
A&R Property Developments Pty Ltd	Andrew Hopkins	Lease liabilities	1,952,569	-
A&R Development Holdings Pty Ltd	Andrew Hopkins	Lease liabilities	8,918,559	-
Bundall Road Pty Ltd	Andrew Hopkins	Lease liabilities	2,602,746	-
			<b>14,942,611</b>	<b>-</b>
<b>Claims management</b>				
A & R Insurance Management (t/a Unity Specialised Services)	Andrew Hopkins	Trade and other payables	17,760	3,000
			<b>17,760</b>	<b>3,000</b>
<b>Training and recruitment</b>				
I-CAR Australia Limited	Steven Bubulj	Trade and other payables	19,000	-
			<b>19,000</b>	<b>-</b>
<b>Net liabilities</b>			<b>578,855</b>	<b>3,000</b>

<sup>1</sup> The Group adopted the new Australian Accounting standard AASB 16 *Leases* in the current year. The new standard requires the Group to recognise its lease commitments as liabilities in the Consolidated Statement of Financial Position. The Group has adopted AASB 16 *Leases* using the modified retrospective method from 1 July 2019 and has not restated comparatives for the 2019 reporting period. Therefore lease liabilities are not directly comparable.

**(E) LOANS PROVIDED TO RELATED PARTIES**

In FY16 and as part of the acquisition of Gemini Accident Repair Centres Pty Ltd (now AMA Group Solutions Pty Ltd), the Group acquired unsecured loans to certain vendors of that entity. One of the loans is with Andrew Hopkins, a Director of the Company.

Andrew Hopkins' loan has not been repaid and it has been agreed that it will be extinguished against future awards of short-term and long-term incentives, which are currently in place. If long-term incentives are used to settle the loan, Andrew Hopkins must do all things necessary including promptly realising the value in cash, including by way of the sale or disposal of securities issued to him.

Andrew Hopkins' loan accrues interest at a rate of 5.37% per annum and matures on 30 June 2022.

As at 30 June 2020, the balance outstanding of his loan is \$1,339,130 (2019: \$1,270,884). The movement from prior year to the current balance of \$1,339,130 is due to interest accrued.

There are no other loans with related parties outstanding as at the date of this report.



## F4 COMMITMENTS



This section presents the Group's contractual obligation to make a payment in the future in relation to purchases of property, plant and equipment, and lease commitments.

	2020 \$'000	2019 \$'000
<b>Capital expenditure commitments</b>		
<i>Committed at the end of the reporting period but not recognised as liabilities, payable:</i>		
Within one year	-	30
Later than one year but not later than five years	-	-
Later than five years	-	-
<b>Total capital expenditure commitments</b>	-	30
<b>Operating lease commitments</b>		
<i>Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:</i>		
Within one year	237	25,342
Later than one year but not later than five years	270	51,939
Later than five years	-	4,730
<b>Total operating lease commitments</b>	507	82,011
<b>Total commitments for expenditure</b>	507	82,041

## F5 CONTINGENT LIABILITIES



Contingent liabilities are potential future cash payments where the likelihood of payment is not considered probable or cannot be measured reliably.

Undertakings have been given by the Company in the normal course of business. It is not practicable to ascertain or estimate the maximum amount for which the Company may become liable in respect thereof. At 30 June 2020 no subsidiary was in default in respect of any arrangement guaranteed by the Company and all amounts owed have been brought to account as liabilities in the financial statements.

	2020 \$'000	2019 \$'000
Bank guarantees	12,414	6,150

## F6 EVENTS OCCURRING AFTER THE REPORTING PERIOD



This section outlines events which have occurred between the reporting date and the date the Financial Report is authorised for issue.

Subsequent to year end, the Group terminated a supply agreement with a key supplier. The supply agreement contained termination fees upon early termination. The Group reached a settlement with the supplier for \$9,437,000 (to be expensed in the year ending 30 June 2021). The supplier has agreed to pay rebates owed to the Group of \$3,216,000 as at 30 June 2020. The net cash settlement of \$6,221,000 is expected to be paid by the Group in the financial year ending 30 June 2021.

No other matters or circumstances have occurred subsequent to period end that have significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years.



# DIRECTORS' DECLARATION

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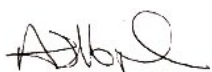
## In the Directors' opinion:

- (a) the attached Financial Statements and notes thereto are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the closed group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note E4.

Note A1 confirms that the Financial Statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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



**Andrew Hopkins**  
Director

Gold Coast  
25 August 2020





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# Independent Auditor's Report

To the shareholders of AMA Group Limited

## Report on the audit of the Financial Report

### Opinion

We have audited the **Financial Report** of AMA Group Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- complying with Australian Accounting Standards and the Corporations Regulations 2001.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2020;
- Consolidated statement of profit or loss, Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

### Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with *the Corporations Act 2001* and 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 Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

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## Key Audit Matters

The **Key Audit Matters** we identified are:

- Goodwill and intangible assets;
- Business combination and recognition of goodwill and customer contracts; and
- AASB 16 *Leases*.

**Key Audit Matters** are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Goodwill and intangible assets (Goodwill - \$473.9m, Impairment - \$52.7m)

Refer to Note C6 Intangible assets to the financial report

#### The key audit matter

A key audit matter for us was the Group's annual testing of goodwill assets for impairment, given the size of the balance (being 34% of total assets) and the significantly higher estimation uncertainty continuing from the business disruption impact of the COVID-19 global pandemic. Certain conditions impacting the Group increased the judgement applied by us when evaluating the evidence available. We focussed on the significant forward-looking assumptions the Group applied in their fair value less costs of disposal models including:

- Forecast cash flows, growth rates and terminal growth rates – the Group has experienced significant business disruption and incurred a loss during the year as a result of COVID-19 and impacts of reductions in market spend. This impacted the Group through the hibernation of selected businesses, loss of revenue and a reduction in the demand for products and services. These conditions and the uncertainty of their continuation increase the possibility of goodwill and intangible assets being impaired, plus the risk of inaccurate forecasts or a significantly wider range of possible outcomes for us to consider. We focused on the

#### How the matter was addressed in our audit

Working with our valuation specialists, our procedures included:

- We considered the appropriateness of the fair value less costs of disposal method applied by the Group to perform the annual test of goodwill for impairment against the requirements of the accounting standards;
- We assessed the integrity of the fair value less costs of disposal models used, including the accuracy of the underlying calculation formulas;
- We considered the Group's determination of their CGUs based on our understanding of the operations of the Group's business, impact of the Capital Smart and ACM Parts acquisitions, and how independent cash inflows were generated, against the requirements of the accounting standards;
- We met with management to understand the impact of COVID-19 to the Group and impact of government response programs to the FY20 results;
- We compared the forecast cash flows contained in the fair value less costs of disposal models to revised forecasts reflecting the Group's COVID-19 expected recovery rate approved by the Board;
- We assessed the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the models. We applied increased scepticism to current period forecasts in areas where previous

<p>expected rate of recovery for the Group and what the Group considers as their future business model as a result of expected synergies from business acquisitions and identified growth platforms when assessing the feasibility of the Group's forecast cash flows. Assumptions included in the Group's forecast cash flows are also sensitive to technology advancement, business expansion and market changes;</p> <ul style="list-style-type: none"> <li>• Forecast growth rates and terminal growth rates – In addition to the uncertainties described above, the Group's models are highly sensitive to small changes in these assumptions, reducing available headroom. This drives additional audit effort specific to their feasibility and consistency of application to the Group's strategy; and</li> <li>• Discount rate - these are complicated in nature and vary according to the conditions and environment the specific Cash Generating Unit (CGU) is subject to from time to time, and the models approach to incorporating risks into the cash flows or discount rates. The Group's modelling is highly sensitive to small changes in the discount rate. We involve our valuations specialists with the assessment.</li> </ul> <p>The Group uses complex models to perform their annual testing of goodwill for impairment. The models are largely manually developed, use adjusted historical performance, and a range of internal and external sources as inputs to the assumptions. Complex modelling, using forward-looking assumptions tend to be prone to greater risk for potential bias, error and inconsistent application. These conditions necessitate additional scrutiny by us, in particular to address the objectivity of sources used for assumptions, and their consistent application.</p> <p>The Group has a large number of operating businesses and completed a significant acquisition of Capital Smart Group Holdings Pty Ltd (Capital Smart) and ACM Parts Pty</p>	<p>forecasts were not achieved and/or where future uncertainty is greater or volatility is expected;</p> <ul style="list-style-type: none"> <li>• We considered the sensitivity of the models by varying key assumptions, such as expected rate of recovery for the Group, forecast growth rates, terminal growth rates and discount rates, within a reasonably possible range. We considered the interdependencies of key assumptions when performing the sensitivity analysis and what the Group consider to be reasonably possible. We did this to identify those CGUs at higher risk of impairment and those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures;</li> <li>• We challenged the Group's significant forecast cash flow and growth assumptions in light of the expected continuation of unprecedented uncertainty of business disruption and impacts of the COVID-19 global pandemic. We compared forecast growth rates and terminal growth rates to authoritative published studies of industry trends and expectations, and considered differences for the Group's operations. We assessed key assumptions such as expected rate of recovery for the group and what the group considers as their future business model. We used our knowledge of the Group, business and customers, and our industry experience. We sourced authoritative and credible inputs from our specialists and market advisors;</li> <li>• We checked the consistency of the growth rates to the Group's revised plans and our experience regarding the feasibility of these in the industry in which they operate;</li> <li>• We assessed the impact of technology, business expansion and market changes on the Group's key assumptions, specifically forecast EBIT growth expected to be achieved through identified synergies, EBIT contribution from identified growth platforms, capital spend requirements and head office costs, for indicators of bias and inconsistent application, using our industry knowledge;</li> <li>• We independently developed a discount rate range considered comparable using publicly available market data for comparable entities, adjusted by risk factors specific to the Group and the industry it operates in;</li> <li>• We analysed the significant acquisitions of Capital Smart and ACM during the year and the Group's internal reporting to assess the Group's monitoring and</li> </ul>
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<p>Ltd (ACM Parts) during the year necessitating our consideration of the Group's determination of CGUs, based on the smallest group of assets to generate largely independent cash inflows.</p> <p>The Group reorganised its segments and made a significant acquisition of Capital Smart and ACM Parts during the year necessitating our consideration of the Group's allocation of goodwill to the CGUs to which they belong based on the monitoring of the business.</p> <p>In addition to the above, the Group recorded an impairment charge of \$47.0m against goodwill in relation to Capital Smart. This further increased our audit effort in this key audit area.</p> <p>We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.</p>	<p>management of activities, and the consistency of the allocation of goodwill to CGUs;</p> <ul style="list-style-type: none"> <li>• We recalculated the impairment charge against the recorded amount disclosed; and</li> <li>• We assessed the disclosures in the financial report using our understanding of the issue obtained from our testing and against the requirements of the accounting standards.</li> </ul>
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#### Business combination and recognition of goodwill and customer contracts

Refer to Note E6 Business combinations to the financial report

The key audit matter	How the matter was addressed in our audit
<p>On 31 October 2019, the Group acquired 90% of Capital Smart and 100% of ACM Parts for consideration of \$416.9m, resulting in the recognition of customer contracts and other intangible assets of \$228.1m and goodwill of \$239.2m.</p> <p>These transactions are considered to be a key audit matter due to the:</p> <ul style="list-style-type: none"> <li>• Size of the acquisition having a significant impact on the Group's financial statements; and</li> <li>• Group's judgement and complexity relating to the determination of the fair values of assets and liabilities acquired in the transaction requiring significant audit effort. The Group engaged various external valuation experts to assess the fair value of certain assets including</li> </ul>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• We evaluated the acquisition accounting by the Group against the requirements of the accounting standards;</li> <li>• We read the underlying transaction agreements to understand the terms of the acquisition and nature of the assets and liabilities acquired;</li> <li>• We assessed the accuracy of the calculation and measurement of consideration paid to acquire Capital Smart and ACM Parts;</li> <li>• We evaluated the valuation methodology used by the Group to determine the fair value of assets and liabilities acquired, considering accounting standard requirements and observed industry practices;</li> <li>• Working with our valuation specialists, we assessed the Group's external expert reports and: <ul style="list-style-type: none"> <li>• Considered the objectivity, competence,</li> </ul> </li> </ul>

<p>intangibles, right-of-use assets and property, plant and equipment.</p> <p>The Group's valuation model used to determine the fair value of acquired intangibles assets is complex and sensitive to changes in a number of key assumptions. This drives additional audit effort specifically on the feasibility of these key assumptions and consistency of application to the Group's strategy. The key assumptions we focussed on in the valuations of intangible assets included forecast earnings, discount rates and useful lives.</p> <p>We involved our valuation specialists to supplement our senior audit team members in assessing this key audit matter.</p>	<p>experience and scope of the Group's external valuation experts;</p> <ul style="list-style-type: none"> <li>• Compared a sample of the Group's external expert property, plant and equipment valuation reports to underlying fixed asset schedules of the acquirees; and</li> <li>• Examined and assessed the key assumptions in the Group's external valuation expert report prepared in relation to the identification and valuation of intangible assets including: <ul style="list-style-type: none"> <li>• Assessing the useful life of key customer contracts by using our industry experience and knowledge of the terms and conditions of the underlying agreements and against the accounting standard requirements ;</li> <li>• Checking forecast earnings assumptions were consistent with the Group's valuation model used as part of the pre-acquisition due diligence process; and</li> </ul> </li> <li>• Independently developing a discount rate range considered comparable using publicly available market data for comparable entities, adjusted by risk factors specific to the Group and the industry it operates in. Using our industry knowledge and publicly available market data of comparable properties, we considered a sample of market rent estimates prepared by the Group's external valuation experts utilised in the calculation of the fair value of right-of-use assets acquired in the transactions;</li> <li>• We recalculated the goodwill balance recognised as a result of the transactions and compared it to the goodwill amount recorded by the Group; and</li> <li>• We assessed the adequacy of disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standard.</li> </ul>
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## AASB 16 Leases (Right-of-use asset – \$345.4m, lease liability – \$355.5m, depreciation, interest expense and other lease related expenditure– \$62.0m)

Refer to Note C7 Right-of-use assets and lease liabilities to the financial report

### The key audit matter

Accounting for leases using AASB 16 *Leases* (AASB 16) is a key audit matter as it is inherently complex and specific and individualised lease-features drive different accounting outcomes, increasing the need for interpretation, judgement and audit effort. We focused on:

- First time adoption – the Group was required to determine interpretations for AASB 16 new and complex accounting requirements for the first time in the year, including new accounting policies. Interpreting an accounting standard is more challenging in its first year of existence. This necessitated the involvement of our accounting specialists. The Group also had to build new processes and controls to apply the requirements, which we had not tested before;
- High volume of leases – the Group has a high volume of individualised lease agreements used to estimate the lease liability and right-of-use asset. A focus for us was the completeness of the lease population and the accuracy of multiple and varied inputs which may drive different accounting outcomes, including key terms of the lease agreements, such as key dates, fixed and variable rent payments, incentives and renewal options; and
- Relative magnitude – the size of balances has a significant financial impact on the Group's financial position and performance.

The most significant areas of judgement we focused on was in assessing the Group's:

- Incremental borrowing rates used – these are meant to reflect the Group's entity specific credit risk and vary based on each lease term;
- Lease terms where leases have

### How the matter was addressed in our audit

Our procedures included:

- Working together with our accounting specialists, we considered the appropriateness of the Group's new accounting policies against the requirements of the accounting standard and our understanding of the business;
- We obtained an understanding of the Group's new processes and IT systems used to calculate the lease liability, right-of-use asset, depreciation and interest expense;
- We assessed the completeness of the Group's leases taking into consideration the selected transition approach and practical expedients upon adoption by the Group by:
  - Inquiring with the Group to understand their process to compile the Group's listing of leases;
  - Inspecting a sample of lease agreements entered into by the Group and comparing these to the Group's listing of leases; and
  - Inspecting relevant expense accounts for routine payments during the year to identify the existence of leases not included in the Group's listing of leases;
- We compared the Group's inputs in the AASB 16 lease calculation model, such as, key dates, fixed and variable rent payments, incentives and renewal options, for consistency to the relevant terms of a sample of underlying source documents including signed lease agreements, lessor's invoices, and the Group's bank statements. We also compared the rate used by the Group in computing the variable rent payments to the Australian consumer price index;
- We assessed the Group's determination of lease terms based on the probability of the Group exercising the lease extension or termination options. We compared key management decisions for consistency to board approved plans, strategies and past practices;
- We considered the sensitivity of the Group's AASB 16 lease calculation model by varying the incremental borrowing rate, within a reasonably possible range. We did this to identify the risk of bias or inconsistency in

<p>extension or termination options – assessing the probability of exercising the extension or termination options to determine each lease term impacts the measurement of the lease, therefore is critical to the accuracy of the accounting.</p> <p>We involved our senior audit team members in assessing this key audit matter, along with our debt advisory specialists.</p>	<p>application and to focus our further procedures;</p> <ul style="list-style-type: none"> <li>• Working together with our debt advisory specialists, we assessed the Group's incremental borrowing rates applied to the leases, considering risk factors specific to the Group, the industry it operates in, and each lease term;</li> <li>• We assessed the integrity of the Group's AASB 16 lease calculation model used, including the accuracy of the underlying calculation formulas. For a sample of leases, we recalculated the amount of lease liability, right-of-use asset, depreciation and interest expense relevant to this financial year and compared our recalculated amounts against the amounts recorded by the Group; and</li> <li>• We assessed the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standard.</li> </ul>
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## Other Information

Other Information is financial and non-financial information in AMA Group Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

## Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- Preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- Assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.





## Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- To obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- To issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar1\\_2020.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf). This description forms part of our Auditor's Report.

## Report on the Remuneration Report

### Opinion

In our opinion, the Remuneration Report of AMA Group Limited for the year ended 30 June 2020, complies with *Section 300A of the Corporations Act 2001*.

### Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A of the Corporations Act 2001*.

### Our responsibilities

We have audited the Remuneration Report included in pages 21 to 41 of the Directors' report for the year ended 30 June 2020.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.



KPMG



Adam Twemlow  
Partner

Gold Coast  
25 August 2020

## ASX ADDITIONAL INFORMATION

In accordance with the ASX Listing Rules the following information, as at 17 August 2020, is provided:

### SUBSTANTIAL HOLDERS

The Company hold current substantial holder notifications in accordance with section 671B of the *Corporations Act 2001* for the following:

Name	Number of shares held	% of total shares held
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	145,569,932	19.84
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	137,608,812	18.75
CITICORP NOMINEES PTY LIMITED	73,437,627	10.01
NATIONAL NOMINEES LIMITED	42,236,746	5.76
CEDARFIELD HOLDINGS PTY LTD <THE CEDARFIELD A/C>	37,290,269	5.08

### DISTRIBUTION OF EQUITABLE SECURITIES

Range	Holders	Number of shares held
1 - 1,000	514	265,246
1,001 - 5,000	1,418	4,001,343
5,001 - 10,000	776	6,055,499
10,001 - 100,000	1,643	54,667,230
100,001 Over	298	668,914,200
<b>Total</b>	<b>4,649</b>	<b>733,903,518</b>

There were 370 shareholders with less than a marketable parcel of 124,389 shares.

### UNQUOTED EQUITY SECURITIES

As at 30 June 2020, there were 7,179,430 Fully Paid Ordinary Unquoted shares held by 2 individual holders; with all holders having in excess of 100,000 units.

As at 30 June 2020, there were 5,837,743 performance rights (with the potential to take up ordinary shares) issued to 13 participating employees under the AMA Group Limited Performance Rights Program.

As at 30 June 2020, there were 2,000,000 unquoted options (with the potential to take up ordinary shares) exercisable at \$1.20 each before 25 April 2021 held by 1 holder; with the holder having in excess of 100,000 units.

There are no voting rights attached to the unquoted equity securities.

### QUOTED EQUITY SECURITIES

As at 17 August 2020 there were 4,649 individual holders (21 August 2019: 1,974).

The voting rights attaching to the ordinary shares are:

- On a show of hands every shareholder present at a meeting in person or by proxy shall have one vote; and
- Upon a poll, each share shall have one vote.

For details of registered office and share registry details refer to inside front cover – Shareholder Information.

## TOP 20 SHAREHOLDERS (AS AT 17 AUGUST 2020)

Name	Number of shares held	% of total shares held
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	145,569,932	19.84
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	137,608,812	18.75
CITICORP NOMINEES PTY LIMITED	73,437,627	10.01
NATIONAL NOMINEES LIMITED	42,236,746	5.76
CEDARFIELD HOLDINGS PTY LTD <THE CEDARFIELD A/C>	37,290,269	5.08
UBS NOMINEES PTY LTD	34,440,301	4.69
CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	32,674,837	4.45
COLINTON CAPITAL PARTNERS PTY LTD <COLINTON CP FUND 1 (A) A/C>	18,922,581	2.58
SANDMAN 1 NOMINEES PTY LTD	9,777,779	1.33
MISSY NOMINEES PTY LTD <FRANK CRISPO FAMILY A/C>	5,035,830	0.69
YERRUS HOLDINGS PTY LTD <SURREY PANELS PENSION A/C>	4,200,001	0.57
BNP PARIBAS NOMS PTY LTD <DRP>	3,037,535	0.41
MR LACHLAN ALEXANDER MCGILLIVRAY	2,916,624	0.40
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	2,908,247	0.40
CARLIAOLV INVESTMENTS PTY LTD <CARLIAOLV INVESTMENTS A/C>	2,600,000	0.35
PLYMOUTH PTY LTD	2,600,000	0.35
ROMSEYVALE PTY LTD <ROMSEYVALE A/C>	2,523,459	0.34
MR PETER RAYMOND HEARD	2,433,410	0.33
SRFI PTY LTD <SMITH-ROBERTS SUPER A/C>	2,382,000	0.32
STANLEY'S BODY WORKS PTY LTD	2,296,857	0.31
<b>Total: Top 20 holders of Fully Paid Ordinary Shares</b>	<b>564,892,847</b>	<b>76.97</b>

## SECURITIES SUBJECT TO ESCROW

Name	Number of shares held	% of total shares held
Fully Paid Ordinary Quoted	18,859,663	27 Nov 2020
Fully Paid Ordinary Quoted	530,634	*
Fully Paid Ordinary Quoted	413,950	20 Jul 2021
Fully Paid Ordinary Unquoted	5,100,428	30 Sep 2020
Fully Paid Ordinary Unquoted	2,079,002	30 Sep 2021

\* Subject to non-date escrow terms

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Automotive Solutions



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