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AMA GROUP

# INTERIM FINANCIAL REPORT

For the Half-Year Ended  
31 December 2021

AMA Group Limited ABN 50 113 883 560



# We invest in people

Creating the leaders of today, developing the skills for tomorrow, and a commitment to a healthy and safe work environment.

## **AMA Group Limited**

ABN 50 113 883 560

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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.



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# Directors' Report

## Introduction

The Directors present their report on the consolidated entity (referred to hereafter as the "Group") consisting of AMA Group Limited (AMA Group or Group) and its controlled entities for the half-year ended 31 December 2021.

This Directors' Report has been prepared in accordance with the requirements of the *Corporations Act 2001* (Cth).

### Directors

The following persons were Directors of AMA Group Limited during the six months ended 31 December 2021 and up to the date of this report, unless otherwise stated:

| Name            | Position   |
|-----------------|--|
| Anthony Day     | Non-Executive Director and Chair                     |
| Carl Bizon      | Executive Director and Group Chief Executive Officer |
| Nicole Cook     | Non-Executive Director                               |
| Kyle Loades     | Non-Executive Director                               |
| Simon Moore     | Non-Executive Director                               |
| Leath Nicholson | Non-Executive Director (retired 18 November 2021)    |
| Paul Ruiz       | Non-Executive Director                               |

### Principal activities

AMA Group is the largest collision repair group in Australia, with a network of sites across Australia and New Zealand. The Group also operates an associated automotive parts business, supplying new and recycled parts to the collision and mechanical industries. There has been no significant change in the nature of this activity during the period.



## Review and results of operations

### Operating results

1H22 conditions remained challenging as the impacts of COVID-19 continued to affect the business. Key operating markets in New South Wales and Victoria were in COVID-19 related lockdowns throughout much of 1H22, and AMA Group experienced its lowest total repair volumes in a six-month period since the onset of the pandemic in early calendar year 2020.

Revenue and other income from continuing operations decreased to \$418.141 million in 1H22 from \$435.099 million in the six months ended 31 December 2020 (1H21), reflective of decreased repair volumes experienced during the half-year. The Group reported an operating loss before interest and tax of \$52.435 million in 1H22 (profit of \$7.098 million in 1H21). This result was primarily driven by reduced revenue, increased cost of raw materials and consumables, increased employee benefits expense as no JobKeeper subsidies were received from the Australian Federal Government in 1H22 (benefit of \$28.350 million in 1H21), and \$16.684 million in impairment expense. These impairments resulted from the consideration of the additional impacts of the COVID-19 pandemic operating environment, the risk of delays in economic recovery and subsequent impact on performance.

The Group took the opportunity to hibernate and consolidate a number of collision repair sites during the half-year. Consequently, the Group recognised impairment losses of \$16.684 million primarily against right-of-use assets, leasehold improvements and plant and equipment no longer expected to generate future economic benefits.

As at 31 December 2021, the Group had 173 sites across its collision repair network, a decrease of four since 30 June 2021 and 12 warehouses in its Supply business.

Some non-recurring and abnormal items have impacted the Group's result. The following table enables the Group's stakeholders to calculate the 'Normalised EBITDAI' of the Group. Normalised EBITDAI is used by the Group to define the underlying results, adjusted for abnormal and non-recurring costs that are determined as not in the ordinary course of business. The presentation of non-IFRS financial information provides stakeholders with the ability to compare against prior periods in a consistent manner.

| Reconciliation to Normalised EBITDAI<br>Unaudited, non-IFRS Financial Information   | 31 Dec 2021<br>\$'000 | 31 Dec 2020<br>\$'000 |
|---|-----------------------|-----------------------|
| <b>Operating (loss) / profit before interest and tax</b>  | <b>(52,435)</b>       | <b>7,098</b>          |
| <b>Adjustments:</b>   |                       |                       |
| Depreciation and amortisation expense   | 38,577                | 41,275                |
| Impairment expense  | 16,684                | 1,950                 |
| Fair value adjustment on contingent vendor consideration  | (4)                   | 5,398                 |
| <b>Post-AASB 16 Earnings before interest, tax, depreciation, amortisation, impairment, and fair value adjustments ("Post-AASB 16 EBITDAI", <i>unaudited, non-IFRS term</i>)<sup>1</sup></b> | <b>2,822</b>          | <b>55,721</b>         |
| <b>Normalisations:</b>  |                       |                       |
| Occupancy costs and obsolete inventory on hibernated sites  | 900                   | -                     |
| Professional services costs on investigations and earn-outs   | 506                   | -                     |
| Supplier termination fee  | -                     | 9,437                 |
| <b>Normalised Post-AASB 16 EBITDAI (<i>unaudited, non-IFRS term</i>)</b>  | <b>4,228</b>          | <b>65,158</b>         |

<sup>1</sup> EBITDAI is earnings before interest, tax, depreciation, amortisation, impairment and fair value adjustments for continuing operations.

Normalisations for the period were \$1.406 million. There are no normalisations for the impact of the COVID-19 pandemic.

### Significant changes in the state of affairs - Financial Position and Cashflow

In September 2021, AMA Group successfully completed an accelerated 1 for 2.80 pro rata non-renounceable entitlement offer (Entitlement Offer) and a \$50.000 million senior unsecured convertible notes offer (Convertible Notes Offer), together "the Capital Raising".

The Capital Raising was the outcome of the Group's capital structure review and designed to achieve enhanced balance sheet flexibility, funding diversification and extended duration, enhanced liquidity to navigate short-term disruptions associated with COVID-19, and a platform for the Group to execute its growth strategy.

The Institutional Entitlement Offer raised gross proceeds of approximately \$53.000 million at the offer price of \$0.375 per new Ordinary Share. The Retail Entitlement Offer raised approximately \$46.000 million at the offer price of \$0.375 per new Ordinary Share. The Group also successfully placed \$50.000 million of Subordinated Notes which are convertible into Ordinary Shares and will mature in March 2027 unless otherwise redeemed, repurchased, or converted earlier in accordance with their terms and conditions.

AMA Group was pleased with the support for the Capital Raising and positive feedback to management with respect to its strategy for the business. \$72.500 million of the proceeds from the Capital Raising were used to permanently repay a portion of AMA Group's debt.

As at 31 December 2021, the net debt (inclusive of 50% of the contingent vendor consideration) was \$87.158 million. Set out below is the net debt calculation, which is presented in accordance with the calculation requirements of the Group's Syndicated Facility Agreement.

| Net Debt  | 31 Dec 2021<br>\$'000 | 30 Jun 2021<br>\$'000 |
|---|-----------------------|-----------------------|
| Borrowings – cash drawn                               | 165,000               | 237,500               |
| Cash and cash equivalents                             | (81,302)              | (64,203)              |
| Contingent vendor consideration - 50% of cash settled | 3,460                 | 7,010                 |
| <b>Net senior debt used in covenant calculations</b>  | <b>87,158</b>         | <b>180,307</b>        |

Given the slower than expected recovery from COVID-19 in Q3 FY22, the Group further renegotiated its financial covenants and net senior debt limit to amend the calculation for its next covenant test on 30 June 2022 and the amount of the net senior debt limit to reflect the delay in the return to more normal trading conditions.

Thanks to the prudent actions taken during 1H22, and despite the ongoing situational challenges of current operating conditions, the Group maintains a strong financial position. The group ended 1H22 with a cash balance of \$81.302 million, undrawn bank guarantee facilities of \$8.190 million and net assets at 31 December of \$307.609 million. With substantial cash reserves, the business is well positioned to manage the ongoing uncertainty created by the ongoing impacts of COVID-19.

Cash flows for the period were impacted by the challenging operating environment. Key points to note:

- During the period, the Group received net proceeds from the Entitlement Offer of \$95.285 million and proceeds from the Convertible Notes Offer of \$50.000 million. The Group repaid \$72.500 million of borrowings out of the proceeds of the Capital Raising and also applied some of the proceeds to costs associated with the Capital Raising.
- The group paid earn-outs totalling \$6.476 million in respect of existing acquisitions.
- Net operating cash outflows of \$22.814 million for 1H22 reflect the challenging conditions experienced over the period.



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### Events occurring after the reporting period

On 1 February 2021, Geoff Trumbull commenced as AMA Group Chief Financial Officer (CFO). Geoff is a senior business leader with over 15 years' experience in corporate advisory and finance leadership roles across the infrastructure, industrial and consumer sectors. He joins AMA Group from ASX listed, Transurban Group (Transurban) where he was General Manager Finance / Regional CFO for Transurban's NSW operations. Darren Basford, Interim Group CFO will remain with AMA Group throughout the Half Year 2022 results period to ensure an orderly transition, and the Group thanks him for his contributions to the business.

The Group had hoped the six-months ending 30 June 2022 would bring a more "normal" set of operating conditions. However, the impacts of COVID-19 on the Australian and New Zealand economies continue to challenge all labour dependent businesses, including AMA Group. COVID-19 related absenteeism is further affecting an already constrained labour market and AMA Group continues to work to minimise the effects of these shortages through careful labour force management. The difficulties resulting from a reduced labour force have been further compounded by increased incidence of repair booking cancellations and no-shows for booked repair drop-offs and pick-ups.

Despite these situational challenges, the Group remains well placed for the future, with a strong cash position following prudent management actions undertaken since the Capital Raising in September 2021.

Subsequent to half-year end, as a result of the prolonged impact of COVID-19, the Group further renegotiated its financial covenants and net senior debt limit to amend the calculation for its next covenant test on 30 June 2022 and the amount of the net senior debt limit to reflect the delay in the return to more normal trading conditions.

Other than the above, there has not been any other matter or circumstance occurring since 31 December 2021, in the reasonable opinion of the Directors, that may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

### Dividends

As a result of the continuing impact and uncertainties of the COVID-19 pandemic on the financial performance of the Group, an interim dividend for the half-year ended 31 December 2021 has not been declared. This decision also allows the business to focus on its strategic growth plans.

### Auditors' independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* (Cth) is set out on page 8.

### Rounding of amounts

The Group is of a kind referred to in *Instrument 2016/191*, issued by the *Australian Securities and Investments Commission*, relating to the 'rounding off' of amounts in the Financial / Directors' Report. Amounts in this report and the financial report have been rounded off to the nearest thousand dollars in accordance with the Instrument.

This Directors' Report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors.



**Anthony Day**  
Non-Executive Director  
& Chair of the Board

22 February 2022



**Carl Bizon**  
Executive Director  
& Group Chief Executive Officer



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

To the Directors of AMA Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review of AMA Group Limited for the half-year ended 31 December 2021 there have been:

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

KPMG

KPMG

Adam Twemlow  
Partner

Bundall  
22 February 2022

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# Interim Financial Report

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This Interim Financial Report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, this report should be read in conjunction with the Annual Report for the year ended 30 June 2021 and any public announcements made by AMA Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

## Condensed Consolidated Statement of Profit or Loss

For the half-year ended 31 December 2021

|  | Notes | 31 Dec 2021<br>\$'000 | 31 Dec 2020<br>\$'000 |
|--|-------|-----------------------|-----------------------|
| <b>Revenue and other income from continuing operations</b> | B2    | 418,141               | 435,099               |
| Raw materials and consumables used                         |       | (217,365)             | (200,556)             |
| Employee benefits expense                                  | B3(B) | (167,199)             | (142,911)             |
| Occupancy expense  |       | (13,385)              | (11,311)              |
| Supplier termination fee                                   |       | -                     | (9,437)               |
| Professional services expense                              |       | (6,220)               | (3,310)               |
| Other expense  |       | (11,150)              | (11,853)              |
| Fair value adjustments on contingent vendor consideration  | D3(C) | 4                     | (5,398)               |
| Depreciation and amortisation expense                      |       | (38,577)              | (41,275)              |
| Impairment expense   | B3(C) | (16,684)              | (1,950)               |
| <b>Operating (loss) / profit before interest and tax</b>   |       | (52,435)              | 7,098                 |
| Finance costs  | B3(A) | (15,598)              | (15,783)              |
| <b>Loss before income tax from continuing operations</b>   |       | (68,033)              | (8,685)               |
| Income tax benefit / (expense)                             |       | 20,018                | (932)                 |
| <b>Loss after income tax from continuing operations</b>    |       | (48,015)              | (9,617)               |
| Profit from discontinued operations                        | E1    | -                     | 14,234                |
| <b>(Loss) / profit for the period</b>                      |       | (48,015)              | 4,617                 |
| <b>(Loss) / profit is attributable to:</b>                 |       |                       |                       |
| Members of AMA Group Limited                               |       | (46,294)              | 5,827                 |
| Non-controlling interests                                  |       | (1,721)               | (1,210)               |
|  |       | (48,015)              | 4,617                 |

|  | Notes | 31 Dec 2021<br>Cents | 31 Dec 2020<br>Cents |
|--|-------|----------------------|----------------------|
| <b>Earnings per share</b>                          |       |                      |                      |
| <b>From continuing operations</b>                  |       |                      |                      |
| Basic earnings per share                           | D1    | (5.18)               | (1.11)               |
| Diluted earnings per share                         | D1    | (5.18)               | (1.11)               |
| <b>From continuing and discontinued operations</b> |       |                      |                      |
| Basic earnings per share                           | D1    | (5.18)               | 0.77                 |
| Diluted earnings per share                         | D1    | (5.18)               | 0.77                 |

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

## Condensed Consolidated Statement of Comprehensive Income

For the half-year ended 31 December 2021

|  | 31 Dec 2021<br>\$'000 | 31 Dec 2020<br>\$'000 |
|--|-----------------------|-----------------------|
| <b>Net (loss) / profit</b>                                     | <b>(48,015)</b>       | <b>4,617</b>          |
| <b>Other comprehensive income</b>                              |                       |                       |
| <i>Items that may be reclassified to profit or loss</i>        |                       |                       |
| Exchange differences on translation of foreign operations      | 24                    | 461                   |
| Changes in fair value of cash flow hedges                      | 1,330                 | (459)                 |
| <b>Other comprehensive income, net of tax</b>                  | <b>1,354</b>          | <b>2</b>              |
| <b>Total comprehensive (loss) / income, net of tax</b>         | <b>(46,661)</b>       | <b>4,619</b>          |
| <b>Total comprehensive (loss) / income is attributable to:</b> |                       |                       |
| Members of AMA Group Limited                                   | (44,942)              | 5,825                 |
| Non-controlling interests                                      | (1,719)               | (1,206)               |
|  | <b>(46,661)</b>       | <b>4,619</b>          |

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

## Condensed Consolidated Statement of Financial Position

As at 31 December 2021

|                                      | Notes | 31 Dec 2021<br>\$'000 | 30 Jun 2021<br>\$'000 |
|--------------------------------------|-------|-----------------------|-----------------------|
| <b>ASSETS</b>                        |       |                       |                       |
| <b>Current assets</b>                |       |                       |                       |
| Cash and cash equivalents            |       | 81,302                | 64,203                |
| Receivables and contract assets      |       | 46,197                | 72,912                |
| Inventories                          |       | 31,352                | 32,354                |
| Other financial assets               | C5    | 1,448                 | 1,555                 |
| Other assets                         |       | 10,717                | 6,019                 |
| <b>Total current assets</b>          |       | <b>171,016</b>        | <b>177,043</b>        |
| <b>Non-current assets</b>            |       |                       |                       |
| Property, plant and equipment        | C1    | 58,002                | 72,729                |
| Right-of-use assets                  | C3    | 281,127               | 306,877               |
| Intangible assets                    | C2    | 543,380               | 551,912               |
| Other financial assets               | C5    | 2,291                 | 712                   |
| Deferred tax assets                  |       | 29,559                | 17,879                |
| <b>Total non-current assets</b>      |       | <b>914,359</b>        | <b>950,109</b>        |
| <b>Total assets</b>                  |       | <b>1,085,375</b>      | <b>1,127,152</b>      |
| <b>LIABILITIES</b>                   |       |                       |                       |
| <b>Current liabilities</b>           |       |                       |                       |
| Trade and other payables             |       | 88,575                | 119,169               |
| Financial liabilities                | D3    | 28,680                | 32,547                |
| Lease liabilities                    | C3    | 33,767                | 33,784                |
| Provisions                           |       | 30,815                | 32,773                |
| Other liabilities                    | C4    | 17,556                | 14,007                |
| Current tax payable                  |       | 74                    | 1,456                 |
| <b>Total current liabilities</b>     |       | <b>199,467</b>        | <b>233,736</b>        |
| <b>Non-current liabilities</b>       |       |                       |                       |
| Financial liabilities                | D3    | 203,835               | 237,691               |
| Lease liabilities                    | C3    | 263,705               | 293,134               |
| Provisions                           |       | 28,612                | 12,853                |
| Other liabilities                    | C4    | 40,162                | 47,550                |
| Deferred tax liabilities             |       | 41,985                | 51,270                |
| <b>Total non-current liabilities</b> |       | <b>578,299</b>        | <b>642,498</b>        |
| <b>Total liabilities</b>             |       | <b>777,766</b>        | <b>876,234</b>        |
| <b>Net assets</b>                    |       | <b>307,609</b>        | <b>250,918</b>        |
| <b>EQUITY</b>                        |       |                       |                       |
| Contributed equity                   | D2    | 521,564               | 424,404               |
| Other reserves                       |       | 2,915                 | 568                   |
| Convertible notes                    | D3(B) | 5,197                 | -                     |
| Retained deficit                     |       | (234,562)             | (188,268)             |
| <b>Total Group interest</b>          |       | <b>295,114</b>        | <b>236,704</b>        |
| Non-controlling interests            |       | 12,495                | 14,214                |
| <b>Total equity</b>                  |       | <b>307,609</b>        | <b>250,918</b>        |

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

## Condensed Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2021

|  | Notes | Attributable to owners of AMA Group Limited |                          |                       |                         |                | Non-controlling interests \$'000 | Total equity \$'000 |
|--|-------|---|--------------------------|-----------------------|-------------------------|----------------|----------------------------------|---------------------|
|  |       | Share capital \$'000                        | Convertible notes \$'000 | Other reserves \$'000 | Retained deficit \$'000 | Total \$'000   |                                  |                     |
| <b>Balance at 1 July 2020</b>                                |       | 417,117                                     | -                        | 880                   | (91,318)                | 326,679        | 16,341                           | 343,020             |
| Profit / (loss) for the period                               |       | -   | -                        | -                     | 5,827                   | 5,827          | (1,210)                          | 4,617               |
| Other comprehensive income / (expense)                       |       | -   | -                        | (2)                   | -                       | (2)            | 4                                | 2                   |
| <b>Total comprehensive income / (expense) for the period</b> |       | -   | -                        | (2)                   | 5,827                   | 5,825          | (1,206)                          | 4,619               |
| <b>Transactions with owners in their capacity as owners:</b> |       |   |                          |                       |                         |                |                                  |                     |
| Shares issued, net of transaction costs                      | D2    | 8,287                                       | -                        | -                     | -                       | 8,287          | -                                | 8,287               |
| Employee equity plan   |       | -   | -                        | 1,558                 | -                       | 1,558          | -                                | 1,558               |
|  |       | 8,287                                       | -                        | 1,558                 | -                       | 9,845          | -                                | 9,845               |
| <b>Balance at 31 December 2020</b>                           |       | <b>425,404</b>                              | <b>-</b>                 | <b>2,436</b>          | <b>(85,491)</b>         | <b>342,349</b> | <b>15,135</b>                    | <b>357,484</b>      |

|  | Notes | Attributable to owners of AMA Group Limited |                          |                       |                         |                 | Non-controlling interests \$'000 | Total equity \$'000 |
|--|-------|---|--------------------------|-----------------------|-------------------------|-----------------|----------------------------------|---------------------|
|  |       | Share capital \$'000                        | Convertible notes \$'000 | Other reserves \$'000 | Retained deficit \$'000 | Total \$'000    |                                  |                     |
| <b>Balance at 1 July 2021</b>                                  |       | 424,404                                     | -                        | 568                   | (188,268)               | 236,704         | 14,214                           | 250,918             |
| Loss for the period  |       | -   | -                        | -                     | (46,294)                | (46,294)        | (1,721)                          | (48,015)            |
| Other comprehensive income                                     |       | -   | -                        | 1,352                 | -                       | 1,352           | 2                                | 1,354               |
| <b>Total comprehensive income / (expense) for the period</b>   |       | <b>-</b>                                    | <b>-</b>                 | <b>1,352</b>          | <b>(46,294)</b>         | <b>(44,942)</b> | <b>(1,719)</b>                   | <b>(46,661)</b>     |
| <b>Transactions with owners in their capacity as owners:</b>   |       |   |                          |                       |                         |                 |                                  |                     |
| Shares issued, net of transaction costs                        | D2    | 97,160                                      | -                        | -                     | -                       | 97,160          | -                                | 97,160              |
| Equity component of convertible bond, net of transaction costs |       | -   | 5,197                    | -                     | -                       | 5,197           | -                                | 5,197               |
| Employee equity plan   |       | -   | -                        | 995                   | -                       | 995             | -                                | 995                 |
|  |       | 97,160                                      | 5,197                    | 995                   | -                       | 103,352         | -                                | 103,352             |
| <b>Balance at 31 December 2021</b>                             |       | <b>521,564</b>                              | <b>5,197</b>             | <b>2,915</b>          | <b>(234,562)</b>        | <b>295,114</b>  | <b>12,495</b>                    | <b>307,609</b>      |

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

## Condensed Consolidated Statement of Cash Flows

For the half-year ended 31 December 2021

|  | Notes | 31 Dec 2021<br>\$'000 | 31 Dec 2020<br>\$'000 |
|--|-------|-----------------------|-----------------------|
| <b>Cash flows from operating activities</b>                            |       |                       |                       |
| Receipts from customers (inclusive of GST)                             |       | 503,062               | 530,867               |
| Payments to suppliers and employees (inclusive of GST)                 |       | (511,236)             | (515,212)             |
| Government grants received   | B3(B) | 501                   | 43,891                |
| Interest received  |       | 78                    | 209                   |
| Interest and other costs of finance paid                               |       | (13,713)              | (13,179)              |
| Income taxes paid  |       | (1,506)               | (3,481)               |
| <b>Net cash (outflow) / inflow provided by operating activities</b>    |       | <b>(22,814)</b>       | <b>43,095</b>         |
| <b>Cash flows from investing activities</b>                            |       |                       |                       |
| Proceeds from sale of property, plant and equipment                    |       | 168                   | 259                   |
| Payments for purchases of property, plant and equipment                | C1    | (3,318)               | (7,641)               |
| Payments for intangible assets   | C2    | (561)                 | (191)                 |
| Payments for businesses acquired (including earn-outs)                 | D3(C) | (6,476)               | (6,543)               |
| Proceeds from disposal of business (net of costs and cash disposed)    |       | -                     | 63,128                |
| <b>Net cash (outflow) / inflow from investing activities</b>           |       | <b>(10,187)</b>       | <b>49,012</b>         |
| <b>Cash flows from financing activities</b>                            |       |                       |                       |
| Equity raised, net of costs  |       | 95,285                | -                     |
| Proceeds from convertible notes  | D3(B) | 50,000                | -                     |
| Repayment of borrowings  | D3(A) | (72,500)              | (102,500)             |
| Principal elements of lease payments                                   |       | (16,715)              | (16,241)              |
| Payment of new borrowings transaction costs                            |       | (5,993)               | -                     |
| <b>Net cash inflow / (outflow) from financing activities</b>           |       | <b>50,077</b>         | <b>(118,741)</b>      |
| <b>Net increase / (decrease) in cash and cash equivalents</b>          |       | <b>17,076</b>         | <b>(26,634)</b>       |
| Cash and cash equivalents, at the beginning of the financial year      |       | 64,203                | 112,916               |
| Effects of exchange changes on the balances held in foreign currencies |       | 23                    | 115                   |
| <b>Cash and cash equivalents, at the end of the period</b>             |       | <b>81,302</b>         | <b>86,397</b>         |

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

# 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** Critical accounting estimates and judgements

## A1 Basis of preparation

This Condensed Consolidated Interim Financial Report for the half-year ended 31 December 2021 was authorised for issue in accordance with a resolution of Directors on 22 February 2022.

This Condensed Consolidated Interim Financial Report is a general purpose financial report which has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

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

Where necessary, comparative information has been re-presented to achieve consistency in disclosure with the current financial year presentation.

This report should be read in conjunction with the Group's last Annual Report as at and for the year ended 30 June 2021.

This report does not include all of the information required for a complete set of financial statements prepared in accordance with accounting standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

### (A) Going concern

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

Authorities have continued to respond to the COVID-19 pandemic with extensive lockdowns across the Group's key markets of greater Sydney and greater Melbourne and ongoing border closures. These restrictions significantly decrease traffic volumes and also have a negative effect on costs inputs such as labour (decrease worker mobility and fewer skilled migrant workers), and supply chain inputs (parts and consumables). These factors reduce the Group's revenue and profitability.

Despite the adverse conditions resulting from impacts of COVID-19 during 1H22, the Group raised funding of approximately \$150,000,000 before costs. Management has 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 the impacts of the COVID-19 pandemic will ease, and AMA will continue to work closely and constructively with its major customers. The Board approved the forecast for the 2022 calendar year based on current experience and considered a range of scenarios and management actions available.

Following the Group's fund-raising activities during the period, the Group has managed its liquidity, with a net senior debt position as at 31 December 2021 of \$83,698,000 (excluding future contingent vendor consideration) and a further \$8,190,000 of undrawn bank guarantee facilities. As at 31 December 2021, the Group had borrowings of \$165,000,000 (excluding bank guarantee facilities) and \$81,302,000 in cash and cash equivalents.

As at 31 December 2021, the Group has current liabilities exceeding current assets by \$28,451,000. This is impacted by the:

- repayment of debt during 1H22 (repayment of \$72,500,000);
- market incentive that will be amortised against future purchases from a key supplier that is included in other current liabilities (\$15,064,000, refer note C4);
- implementation of AASB 16 *Leases* (refer note C3(B)) which requires of the right-of-use asset to be entirely classified in non-current, whilst future lease payments are split between current (\$33,767,000) and non-current, resulting in a mismatch.

Management expects any working capital deficiency will be met out of operating cash flows.

The Group renegotiated its borrowing facilities during the period and is required to comply with financial covenants of a net senior leverage ratio and a fixed charge cover ratio and has a maximum net senior debt limit. Subsequent to half-year end, as a result of the prolonged impact of COVID-19, the Group further renegotiated its financial covenants and net senior debt limit to amend the calculation for its next covenant test on 30 June 2022 and the amount of the net senior debt limit to reflect the delay in the return to more normal trading conditions. No restrictions were imposed by the financiers during the reporting period and the Group was compliant with all covenant testing during the period, including as at 31 December 2021.

With respect to financial covenant tests for the remainder of FY22 and due to ongoing uncertainties of the COVID-19 pandemic and with the support of its financiers, the Group is not required to test financial covenants in respect to the 31 March 2022 testing period.

The ongoing impact of COVID-19 is inherently uncertain, and if required, management is able to undertake a range of actions including raising equity, securing additional financing, restructuring operations and/or the sale of assets.



## A Basis of preparation

### A1 Basis of preparation (Cont.)

#### (A) Going concern (Cont.)

There remains uncertainty regarding how the COVID-19 pandemic will evolve, including the duration of the pandemic, the severity of its impact and the speed of economic recovery. In the event the effects of COVID-19 continue for an extended period and result in significant adverse financial impacts to the Group, this may impact the Group's ability to execute on the plans referenced above and/or pay its debts as and when they fall due in the longer term.

In the Directors' opinion the Group remains resilient and, as at the date of approving this report, the cash flow forecast supports the Group's ability to continue as a going concern.

#### (B) New and amended standards adopted by the Group

The accounting policies applied in these Condensed Consolidated Financial Statements are the same as those applied in the Group's Consolidated Financial Statements for the year ended 30 June 2021. A number of new standards are effective from 1 July 2021 but they do not have a material effect on the Group's Financial Statements.

## A2 Critical accounting estimates and judgements

In preparing the Condensed Consolidated Interim Financial Statements, the Directors have made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.

The significant judgements made by the Directors in applying the Group's accounting policies and key sources of estimation uncertainty are the same as those described in the Group's Consolidated Financial Statements for the year ended 30 June 2021. 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 these estimates.

## B PERFORMANCE FOR THE HALF-YEAR

This section provides information that is most relevant to explaining the Group's performance during the reporting period.

- B1 Segment information
- B2 Revenue and other income
- B3 Other expense items

### B1 Segment information

#### (A) Description of segments

The Group's operating segments are organised and managed separately according to the nature of the products and services provided. Geographically, the Group operates in Australia and New Zealand.

The Board and Executive Management Team, the Chief Operating Decision Makers (CODM), monitor the operating results of the business units separately for the purpose of making decisions about resource allocation and performance assessment.

On 2 July 2021, following a change in the management reporting structure, the Group announced the realignment of its operating segments. This new structure reflects the Group's growth and provides a platform for the Group to execute its strategic and operational objectives. The new segment presentation provides improved visibility into the Group's underlying performance and results, and aligns to the internal reports that are regularly reviewed and used by the CODM.

The Group identifies and presents three new reportable segments - Vehicle Collision Repairs, Heavy Motor and Supply. Reportable segments 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.

A description of the operations in each of the Group's reportable segments is outlined below.

#### **Vehicle Collision Repairs**

Repairs cars and light vehicles. Represents the aggregation of the Drive and Non-Drive business units.

##### *Drive Business Unit*

Specialises in performing rapid repairs on cars that have sustained low-to-medium collision damage and are still driveable. Includes Capital S.M.A.R.T and rapid repair businesses previously part of AMA Panel.

##### *Non-Drive Business Unit*

Provides larger, more complex repairs of cars that have sustained high severity collision damage and are undriveable.

#### **Heavy Motor**

Provides dedicated and highly specialised facilities for all commercial vehicle repairs, from light commercial to prime movers, B-doubles, buses and earthmoving equipment.

#### **Supply**

Provides a large range of recycled and new automotive parts and accessory solutions to a wide range of customer segments, including collision repair sites, wholesale and retail. Includes ACM Parts previously part of APAS.

The Group excludes certain corporate costs from its segment profitability measures which consist largely of general and administrative expenses not allocated to an operating segment. The Group reports these costs to provide increased transparency and comparability of our operating segment performance.

The change in Group operating structure and subsequent realignment of operating segments solely impacts the Group's segment reporting and there is no change to previously reported consolidated results. Comparative information has been re-presented to reflect the above changes.

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 Condensed Consolidated Financial Statements.

## B Performance for the half-year

### B1 Segment information (Cont.)

#### (B) Adjusted EBITDAI from reportable 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 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.

A reconciliation of adjusted EBITDAI to loss before income tax from continuing operations is set out below.

| For the half-year ended 31 December                                  | Vehicle Collision Repairs |                | Heavy Motors  |               | Supply         |               | Corporate / Eliminations |                 | Total           |                |
|--|---------------------------|----------------|---------------|---------------|----------------|---------------|--------------------------|-----------------|-----------------|----------------|
|  | 2021 \$'000               | 2020 \$'000    | 2021 \$'000   | 2020 \$'000   | 2021 \$'000    | 2020 \$'000   | 2021 \$'000              | 2020 \$'000     | 2021 \$'000     | 2020 \$'000    |
| <b>Revenue and other income</b>                                      |                           |                |               |               |                |               |                          |                 |                 |                |
| Revenue from external customers                                      | 356,192                   | 378,489        | 27,788        | 25,406        | 42,647         | 40,036        | (10,042)                 | (10,848)        | 416,585         | 433,083        |
| Other income   | 1,385                     | 1,828          | 55            | 9             | 52             | 71            | 64                       | 108             | 1,556           | 2,016          |
| <b>Total segment revenue and other income</b>                        | <b>357,577</b>            | <b>380,317</b> | <b>27,843</b> | <b>25,415</b> | <b>42,699</b>  | <b>40,107</b> | <b>(9,978)</b>           | <b>(10,740)</b> | <b>418,141</b>  | <b>435,099</b> |
| <b>EBITDAI</b>   | <b>11,997</b>             | <b>50,302</b>  | <b>5,650</b>  | <b>6,307</b>  | <b>(1,822)</b> | <b>3,366</b>  | <b>(13,003)</b>          | <b>(4,254)</b>  | <b>2,822</b>    | <b>55,721</b>  |
| AASB 16 Leases impact to occupancy costs and other income            | (21,721)                  | (22,652)       | (2,111)       | (1,621)       | (2,023)        | (1,780)       | (61)                     | -               | (25,916)        | (26,053)       |
| <b>Adjusted segment EBITDAI (excluding impact of AASB 16 Leases)</b> | <b>(9,724)</b>            | <b>27,650</b>  | <b>3,539</b>  | <b>4,686</b>  | <b>(3,845)</b> | <b>1,586</b>  | <b>(13,064)</b>          | <b>(4,254)</b>  | <b>(23,094)</b> | <b>29,668</b>  |
| AASB 16 Leases impact to occupancy costs and other income            |                           |                |               |               |                |               |                          |                 | 25,916          | 26,053         |
| Depreciation, amortisation and impairment expense                    |                           |                |               |               |                |               |                          |                 | (55,261)        | (43,225)       |
| Finance costs  |                           |                |               |               |                |               |                          |                 | (15,598)        | (15,783)       |
| Fair value adjustments on contingent vendor consideration            |                           |                |               |               |                |               |                          |                 | 4               | (5,398)        |
| <b>Loss before income tax from continuing operations</b>             |                           |                |               |               |                |               |                          |                 | <b>(68,033)</b> | <b>(8,685)</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 presented.

#### (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.

| For the half-year ended 31 December                                 | Australia   |             | New Zealand |             | Total          |                |
|---|-------------|-------------|-------------|-------------|----------------|----------------|
|   | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 | 2021 \$'000    | 2020 \$'000    |
| Revenue from external customers                                     | 405,919     | 422,719     | 10,666      | 10,364      | 416,585        | 433,083        |
| Other income  | 1,388       | 2,012       | 168         | 4           | 1,556          | 2,016          |
| <b>Total Group revenue from external customers and other income</b> |             |             |             |             | <b>418,141</b> | <b>435,099</b> |

## B2 Revenue 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.

Comparative information has been re-presented to achieve consistency in disclosure with the current financial year presentation.

| For the half-year ended<br>31 December                             | Vehicle Collision<br>Repairs |                | Heavy<br>Motor |                | Supply         |                | Corporate /<br>Eliminations |                | Total          |                |
|--|------------------------------|----------------|----------------|----------------|----------------|----------------|-----------------------------|----------------|----------------|----------------|
|  | 2021<br>\$'000               | 2020<br>\$'000 | 2021<br>\$'000 | 2020<br>\$'000 | 2021<br>\$'000 | 2020<br>\$'000 | 2021<br>\$'000              | 2020<br>\$'000 | 2021<br>\$'000 | 2020<br>\$'000 |
| <b>From continuing operations</b>                                  |                              |                |                |                |                |                |                             |                |                |                |
| <b>Revenue from external customers</b>                             |                              |                |                |                |                |                |                             |                |                |                |
| Collision repair services  | 356,192                      | 378,489        | 27,788         | 25,406         | -              | -              | -                           | -              | 383,980        | 403,895        |
| Sale of goods  | -                            | -              | -              | -              | 32,472         | 29,017         | -                           | -              | 32,472         | 29,017         |
| Other services   | -                            | -              | -              | -              | 133            | 171            | -                           | -              | 133            | 171            |
| <b>Total revenue from external customers</b>                       | <b>356,192</b>               | <b>378,489</b> | <b>27,788</b>  | <b>25,406</b>  | <b>32,605</b>  | <b>29,188</b>  | <b>-</b>                    | <b>-</b>       | <b>416,585</b> | <b>433,083</b> |
| <b>Other income</b>  |                              |                |                |                |                |                |                             |                |                |                |
| Interest income  | 13                           | 123            | 1              | 1              | 1              | 5              | 64                          | 108            | 79             | 237            |
| Other income   | 1,372                        | 1,705          | 54             | 8              | 51             | 66             | -                           | -              | 1,477          | 1,779          |
| <b>Total other income</b>  | <b>1,385</b>                 | <b>1,828</b>   | <b>55</b>      | <b>9</b>       | <b>52</b>      | <b>71</b>      | <b>64</b>                   | <b>108</b>     | <b>1,556</b>   | <b>2,016</b>   |
| <b>Revenue from external customers and other income</b>            | <b>357,577</b>               | <b>380,317</b> | <b>27,843</b>  | <b>25,415</b>  | <b>32,657</b>  | <b>29,259</b>  | <b>64</b>                   | <b>108</b>     | <b>418,141</b> | <b>435,099</b> |
| <b>Timing of revenue recognition</b>                               |                              |                |                |                |                |                |                             |                |                |                |
| Over time  | 356,192                      | 378,489        | 27,788         | 25,406         | 133            | 171            | -                           | -              | 384,113        | 404,066        |
| At a point in time   | -                            | -              | -              | -              | 32,472         | 29,017         | -                           | -              | 32,472         | 29,017         |
| <b>Revenue from external customers</b>                             | <b>356,192</b>               | <b>378,489</b> | <b>27,788</b>  | <b>25,406</b>  | <b>32,605</b>  | <b>29,188</b>  | <b>-</b>                    | <b>-</b>       | <b>416,585</b> | <b>433,083</b> |
| <b>Geographical markets</b>  |                              |                |                |                |                |                |                             |                |                |                |
| Australia  | 345,526                      | 368,125        | 27,788         | 25,406         | 32,605         | 29,188         | -                           | -              | 405,919        | 422,719        |
| New Zealand  | 10,666                       | 10,364         | -              | -              | -              | -              | -                           | -              | 10,666         | 10,364         |
| <b>Revenue from external customers</b>                             | <b>356,192</b>               | <b>378,489</b> | <b>27,788</b>  | <b>25,406</b>  | <b>32,605</b>  | <b>29,188</b>  | <b>-</b>                    | <b>-</b>       | <b>416,585</b> | <b>433,083</b> |
| <b>Total revenue and other income from discontinued operations</b> | <b>-</b>                     | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>40,537</b>  | <b>-</b>                    | <b>-</b>       | <b>-</b>       | <b>40,537</b>  |

## B3 Other expense items

### (A) Finance costs

|   | 31 Dec 2021<br>\$'000 | 31 Dec 2020<br>\$'000 |
|---|-----------------------|-----------------------|
| Interest and finance charges                                  | 3,408                 | 5,165                 |
| Interest expense on lease liabilities and make good provision | 9,210                 | 9,963                 |
| Interest on Unsecured Convertible Notes                       | 729                   | -                     |
| Borrowing costs   | 2,251                 | 655                   |
| <b>Total finance costs</b>                                    | <b>15,598</b>         | <b>15,783</b>         |

#### Borrowing costs

During the period the Group restructured its existing syndicated bank debt facility (refer Note D3 (A)). Previously capitalised costs of \$1,077,000 have been expensed in the current period. Establishment costs incurred in relation to the restructured facility have been capitalised and are amortised over the life of the related borrowing.

The Group recognised the following borrowing costs during the period:

|  | 31 Dec 2021<br>\$'000 |
|--|-----------------------|
| <b>Restructure costs</b>                       |                       |
| Unwind of borrowing costs previous capitalised | 1,077                 |
| Waiver fees                                    | 329                   |
| Drawdown processing fee                        | 114                   |
| <b>Total restructure costs</b>                 | <b>1,520</b>          |
| <b>Amortised borrowing costs</b>               |                       |
| Syndicated bank debt facility                  | 646                   |
| Convertible notes                              | 85                    |
| <b>Total amortised borrowing costs</b>         | <b>731</b>            |
| <b>Total borrowing costs</b>                   | <b>2,251</b>          |

**B3 Other expense items (Cont.)****(B) Government grants**

The Group is eligible for the New Zealand Wage Subsidy and New Zealand Resurgence Support Payment 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 benefits expense.

Government grants recognised in the prior period include subsidies received from the Australian Federal Government JobKeeper Assistance Program.

The Group recognised the following government grants during the period:

|   | 31 Dec 2021<br>\$'000 | 31 Dec 2020<br>\$'000 |
|---|-----------------------|-----------------------|
| <b>Balance at 1 July</b>  | -                     | 13,155                |
| Received in cash during the period  | (501)                 | (43,891)              |
| Recognised in the Statement of Profit or Loss (employee benefits expense) | 443                   | 28,350                |
| Recognised in the Statement of Profit or Loss (other expense)             | 58                    | -                     |
| Recognised in the Statement of Profit or Loss (discontinued operations)   | -                     | 2,386                 |
| <b>Balance at 31 December</b>   | -                     | -                     |

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

|  | 31 Dec 2021<br>\$'000 | 31 Dec 2020<br>\$'000 |
|--|-----------------------|-----------------------|
| Employee benefits expense - gross                          | 167,642               | 171,261               |
| Government grants offset against employee benefits expense | (443)                 | (28,350)              |
| <b>Employee benefits expense - net</b>                     | <b>167,199</b>        | <b>142,911</b>        |

**(C) Impairment expense**

The Group recognised the following non-cash impairment expenses for the half-year ended 31 December 2021:

|   | Notes | 31 Dec 2021<br>\$'000 | 31 Dec 2020<br>\$'000 |
|---|-------|-----------------------|-----------------------|
| Impairment of right-of-use assets           | C3    | 8,128                 | -                     |
| Impairment of property, plant and equipment | C1    | 8,398                 | -                     |
| Impairment of software                      | C2    | 158                   | -                     |
| Impairment of goodwill                      | C2    | -                     | 1,950                 |
| <b>Total impairment expense</b>             |       | <b>16,684</b>         | <b>1,950</b>          |

During the period the Group completed a strategic portfolio review of collision repair sites and identified underperforming assets. The review considered the additional impacts of the COVID-19 pandemic operating environment, the risks of delays in economic recovery and subsequent impact on performance.

The impacts of COVID-19 resulted in the decision to hibernate and consolidate a number of collision repair sites and impairment expenses have been recognised in relation to right of use assets, property, plant and equipment and software.

There has been no impairment of goodwill recognised for the period ended 31 December 2021.

## C ASSETS AND LIABILITIES

This section provides information about the Group's major balance sheet items where the movement in the half year is significant to an understanding of the changes in the Group's financial position.

- C1** Property, plant and equipment
- C2** Intangible assets
- C3** Right-of-use assets and lease liabilities
- C4** Other liabilities
- C5** Other financial assets

### C1 Property, plant and equipment

Property, plant and equipment represents the investment by the Group in tangible assets such as leasehold improvements, plant and equipment, furniture and fittings, and motor vehicles.

The net book amounts and movements in property, plant and equipment for the half-year ended 31 December 2021 are set out below.

|                                | Leasehold improvements<br>\$'000 | Plant and equipment<br>\$'000 | Furniture and fittings<br>\$'000 | Motor vehicles<br>\$'000 | Total<br>\$'000 |
|--------------------------------|----------------------------------|-------------------------------|----------------------------------|--------------------------|-----------------|
| <b>At 1 July 2021</b>          |                                  |                               |                                  |                          |                 |
| Cost or fair value             | 33,995                           | 143,568                       | 5,495                            | 6,628                    | 189,686         |
| Accumulated depreciation       | (22,821)                         | (87,941)                      | (2,973)                          | (3,222)                  | (116,957)       |
| <b>Net book amount</b>         | <b>11,174</b>                    | <b>55,627</b>                 | <b>2,522</b>                     | <b>3,406</b>             | <b>72,729</b>   |
| <b>Movement:</b>               |                                  |                               |                                  |                          |                 |
| Additions                      | 681                              | 2,329                         | 217                              | 91                       | 3,318           |
| Disposals                      | -                                | (6)                           | -                                | (64)                     | (70)            |
| Depreciation                   | (1,639)                          | (7,086)                       | (495)                            | (424)                    | (9,644)         |
| Impairment                     | (950)                            | (7,448)                       | -                                | -                        | (8,398)         |
| Effect of foreign exchange     | 16                               | 49                            | -                                | 2                        | 67              |
| <b>Closing net book amount</b> | <b>9,282</b>                     | <b>43,465</b>                 | <b>2,244</b>                     | <b>3,011</b>             | <b>58,002</b>   |
| <b>At 31 December 2021</b>     |                                  |                               |                                  |                          |                 |
| Cost                           | 33,741                           | 138,373                       | 5,712                            | 6,525                    | 184,351         |
| Accumulated depreciation       | (24,459)                         | (94,908)                      | (3,468)                          | (3,514)                  | (126,349)       |
| <b>Net book amount</b>         | <b>9,282</b>                     | <b>43,465</b>                 | <b>2,244</b>                     | <b>3,011</b>             | <b>58,002</b>   |

#### Impairment of property, plant and equipment

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 or when there is an indication that a previously recognised impairment may need to be reversed. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs).

During the period, the Group completed a strategic portfolio review of collision repair sites. The review considered the additional impacts of the COVID-19 pandemic operating environment, the risk of delays in economic recovery and subsequent impact on performance. As a result of this review, the Group identified indicators of impairment for CGUs to which property, plant and equipment relate and recognised an impairment loss of \$8,398,000 to the profit or loss for the half-year ended 31 December 2021. The impairment loss recognised relates to assets which are no longer expected to generate future economic benefits primarily due to closure of collision repair sites.

## C2 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.

The net book amounts and movements in intangible assets for the half-year ended 31 December 2021 are set out below.

|   | Goodwill<br>\$'000 | Customer<br>contracts<br>\$'000 | Software<br>\$'000 | Other<br>intangibles<br>\$'000 | Total<br>\$'000 |
|---|--------------------|---------------------------------|--------------------|--------------------------------|-----------------|
| <b>At 1 July 2021</b>                     |                    |                                 |                    |                                |                 |
| Cost                                      | 499,456            | 240,043                         | 7,874              | 2,400                          | 749,773         |
| Accumulated amortisation and impairment   | (150,247)          | (41,443)                        | (5,763)            | (408)                          | (197,861)       |
| <b>Net book amount</b>                    | <b>349,209</b>     | <b>198,600</b>                  | <b>2,111</b>       | <b>1,992</b>                   | <b>551,912</b>  |
| <b>Movement:</b>                          |                    |                                 |                    |                                |                 |
| Additions and adjustments                 | -                  | -                               | 561                | -                              | 561             |
| Amortisation                              | -                  | (8,353)                         | (581)              | (1)                            | (8,935)         |
| Impairment                                | -                  | -                               | (158)              | -                              | (158)           |
| <b>Closing net book amount</b>            | <b>349,209</b>     | <b>190,247</b>                  | <b>1,933</b>       | <b>1,991</b>                   | <b>543,380</b>  |
| <b>At 31 December 2021</b>                |                    |                                 |                    |                                |                 |
| Cost                                      | 499,456            | 240,043                         | 8,277              | 2,400                          | 750,176         |
| Accumulated depreciation and amortisation | (150,247)          | (49,796)                        | (6,344)            | (409)                          | (206,796)       |
| <b>Net book amount</b>                    | <b>349,209</b>     | <b>190,247</b>                  | <b>1,933</b>       | <b>1,991</b>                   | <b>543,380</b>  |

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

For the purpose of assessing impairment, assets are grouped at the lowest levels for which goodwill is monitored for internal management purposes and allocated to cash generating units (CGU). The allocation is made to groups of CGUs identified according to operating segments.

During the period, and following a change in the management reporting structure, the Group announced the realignment of its operating segments. The new segment presentation resulted in a revision of the Group's CGUs. As a result, goodwill is now monitored by management as follows:

|                         | 31 Dec 2021<br>\$'000 | 30 Jun 2021<br>\$'000 |
|-------------------------|-----------------------|-----------------------|
| Capital Smart Drive     | 99,472                | 99,472                |
| Non-Drive               | 135,114               | 135,114               |
| Heavy Motor             | 43,214                | 43,214                |
| FluidDrive              | 1,460                 | 1,460                 |
| Non Capital Smart Drive | 69,949                | 69,949                |
| <b>Total goodwill</b>   | <b>349,209</b>        | <b>349,209</b>        |



## C Assets and liabilities

### C2 Intangible assets (Cont.)

#### (B) Impairment testing

Goodwill and assets with an indefinite useful life are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired.

An impairment loss is recognised in the profit or loss 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.

The Group's impairment test is performed using the fair value less costs of disposal methodology. The recoverable amount is determined using a discounted cash flow model based on the present value of cash flow projections over a five-year period with the period extending beyond year five extrapolated using an estimated growth rate. Management has considered cash flow scenarios and 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 disclosed in the Group's Financial Report for the year ended 30 June 2021.

#### Impairment of goodwill

During the period, management carried out a review of the recoverable amount of its goodwill, including the ongoing negative impacts of the COVID-19 operating environment on forecasted future cash flows, and the expected prolonged economic recovery. Management examined whether the additional impacts of COVID-19 and the subsequent impact on trading performance were indicative signs of impairment of CGUs.

Where indicators of impairment were present at 31 December 2021, an assessment of the recoverable amount has been undertaken of the relevant CGU.

For the half-year ended 31 December 2021, management identified indicators of impairment within the following CGUs:

##### (i) Capital Smart Drive

During the period, COVID-19 adversely impacted the financial performance of the Drive CGU relative to the Group's expectations. Repair volume throughput was significantly impacted as a result of low traffic volumes, reduced repair bookings, labour shortages and increased repair booking cancellations which resulted in hibernation or closure of numerous collision repair sites.

An impairment test was performed to support the carrying value of goodwill at 31 December 2021. The recoverable amount was calculated based on management's assumptions using a fair value less cost of disposal methodology and a 4.5 year discounted cash flow model. A pre-tax discount rate of 10.8% and terminal growth rate of 2.5% were applied. Sensitivity analysis was performed to determine the point at which the recoverable amount is equal to the carrying amount.

Management has determined the Group's current cash flow projections support the carrying value of goodwill and as such, no impairment of goodwill has been recognised in respect of the Drive CGU for the half-year ended 31 December 2021.

##### (ii) Non-Drive, Heavy Motor, Non Capital Smart Drive

Due to the ongoing uncertainties of COVID-19, the Business Units experienced challenging trading conditions throughout most of 1H22. Reduced traffic mobility due to COVID-19 related lockdowns in the Group's key markets and domestic and international border closures, negatively impacted repair volumes resulting in a decline in reported EBITDA compared to prior period.

Management performed impairment tests to support the carrying value of goodwill for the half-year ended 31 December 2021. The recoverable amounts were calculated based on management's assumptions using a fair value less cost of disposal methodology and 5 year discounted cash flow models. Pre-tax discount rates of 10.8% and terminal growth rate of 2.5% were applied. No impairment of goodwill has been recognised in the half-year ended 31 December 2021.

No impairment charge of goodwill has been recognised for the half-year ended 31 December 2021.

#### Impairment of software

During the period, management carried out a review of the recoverable amount of its software. The recoverable amount was calculated on management's assumptions using a fair value less cost of disposal methodology. For the half-year ended 31 December 2021, the Group recognised an impairment expense of \$158,000 to the profit or loss which relates to the obsolescence of legacy software as a result of software upgrades.

### C3 Right-of-use assets and lease liabilities

The Group leases various offices, warehouses, site premises, equipment and vehicles. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group.

#### (A) Right-of-use assets

The net book amounts and movements in right-of-use assets for the half-year ended 31 December 2021 are set out below.

|   | Leased properties<br>\$'000 | Leased equipment<br>\$'000 | Leased motor vehicles<br>\$'000 | Total<br>\$'000 |
|---|-----------------------------|----------------------------|---------------------------------|-----------------|
| <b>At 1 July 2021</b>                   |                             |                            |                                 |                 |
| Cost                                    | 384,570                     | 455                        | 98                              | 385,123         |
| Accumulated depreciation and impairment | (77,879)                    | (302)                      | (65)                            | (78,246)        |
| <b>Net book amount</b>                  | <b>306,691</b>              | <b>153</b>                 | <b>33</b>                       | <b>306,877</b>  |
| <b>Movement:</b>                        |                             |                            |                                 |                 |
| Additions                               | 4,797                       | -                          | -                               | 4,797           |
| Depreciation                            | (19,894)                    | (45)                       | (19)                            | (19,958)        |
| Impairment                              | (8,128)                     | -                          | -                               | (8,128)         |
| Modification to lease terms             | 1,231                       | -                          | -                               | 1,231           |
| Variable lease payments reassessment    | (3,685)                     | -                          | -                               | (3,685)         |
| Effect of foreign exchange              | (7)                         | -                          | -                               | (7)             |
| <b>Closing net book amount</b>          | <b>281,005</b>              | <b>108</b>                 | <b>14</b>                       | <b>281,127</b>  |
| <b>At 31 December 2021</b>              |                             |                            |                                 |                 |
| Cost                                    | 374,441                     | 220                        | 98                              | 374,759         |
| Accumulated depreciation                | (93,436)                    | (112)                      | (84)                            | (93,632)        |
| <b>Net book amount</b>                  | <b>281,005</b>              | <b>108</b>                 | <b>14</b>                       | <b>281,127</b>  |

#### (B) Lease liabilities

|                                | 31 Dec 2021<br>\$'000 | 30 Jun 2021<br>\$'000 |
|--------------------------------|-----------------------|-----------------------|
| Current                        | 33,767                | 33,784                |
| Non-current                    | 263,705               | 293,134               |
| <b>Total lease liabilities</b> | <b>297,472</b>        | <b>326,918</b>        |

#### Impairment of right-of-use assets

Right-of-use assets are tested for impairment as part of the CGU to which they relate. The related lease liability is also included in the carrying amount of the CGU.

During the period, the Group considered the additional impacts of the COVID-19 pandemic operating environment, the risk of delays in economic recovery and subsequent impact on performance. The Group took the opportunity to hibernate and consolidate a number of collision repair sites. As a result of this review, impairment indicators were identified in the CGUs. Consequently, the Group recognised impairment losses of \$8,128,000 against right-of-use assets.

## C4 Other liabilities

|                                | 31 Dec 2021<br>\$'000 | 30 Jun 2021<br>\$'000 |
|--------------------------------|-----------------------|-----------------------|
| <b>Current</b>                 |                       |                       |
| Market incentive               | 15,064                | 14,000                |
| Other liabilities              | 2,492                 | 7                     |
| <b>Total current</b>           | <b>17,556</b>         | <b>14,007</b>         |
| <b>Non-current</b>             |                       |                       |
| Market incentive               | 39,412                | 46,800                |
| Other liabilities              | 750                   | 750                   |
| <b>Total non-current</b>       | <b>40,162</b>         | <b>47,550</b>         |
| <b>Total other liabilities</b> | <b>57,718</b>         | <b>61,557</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.

At 31 December 2021 an amount of \$15,064,000 (30 June 2021: \$14,000,000) 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.

|  | 31 Dec 2021<br>\$'000 | 31 Dec 2020<br>\$'000 |
|--|-----------------------|-----------------------|
| <b>Balance at 1 July</b>                                       | <b>60,800</b>         | <b>74,431</b>         |
| <b>Movement:</b>   |                       |                       |
| Market incentive received (excluding GST)                      | -                     | -                     |
| Offset against inventory                                       | 530                   | 120                   |
| Charged to profit or loss - raw materials and consumables used | (6,854)               | (5,933)               |
| <b>Balance at 31 December</b>                                  | <b>54,476</b>         | <b>68,618</b>         |

## C5 Other financial assets

|  | 31 Dec 2021<br>\$'000 | 30 Jun 2021<br>\$'000 |
|--|-----------------------|-----------------------|
| <b>Current</b>   |                       |                       |
| Derivative - financial instrument                            | 49                    | -                     |
| Loans provided to a former related party and other employees | 1,399                 | 1,555                 |
| <b>Total current</b>   | <b>1,448</b>          | <b>1,555</b>          |
| <b>Non-current</b>   |                       |                       |
| Derivative - financial instrument                            | 2,291                 | 712                   |
| <b>Total non-current</b>                                     | <b>2,291</b>          | <b>712</b>            |
| <b>Total other financial assets</b>                          | <b>3,739</b>          | <b>2,267</b>          |

### (A) Derivative - financial instrument

The Group uses derivative financial instruments to hedge its exposure to fluctuations in interest rates by using floating to fixed interest rate swaps.

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 is payable based on a margin over bank bill swap rate. The swap contract matures on 30 October 2024. Interest payments are net settled every 6 months. The interest rate swap contract is designated as a cash flow hedge.

When a derivative is designated as a cash flow hedging instrument, the effective portion of the change in the fair value of the derivative is recognised in other comprehensive income and accumulated in the hedging reserve. Any ineffective portion of the change in the fair value of the derivative is recognised in profit or loss within finance costs. For the period ended 31 December 2021 a portion of the cash flow hedge is classified as ineffective. Management is in the process of assessing the Company's over-hedged position in line with the Group's treasury policy.

The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months. It is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

At balance date the interest rate swap was recognised as a financial asset with a fair value of \$2,340,000. For information about the methods and assumptions used in determining the fair value of derivative refer to note D4 (iii).

## D CAPITAL STRUCTURE, FINANCING AND FAIR VALUE MEASUREMENT

This section provides information about the capital management practices of the Group, shareholder returns and the valuation techniques the Group uses to fair value its financial instruments.

|           |                                      |
|-----------|--------------------------------------|
| <b>D1</b> | Earnings per share                   |
| <b>D2</b> | Contributed equity                   |
| <b>D3</b> | Borrowings and financial liabilities |
| <b>D4</b> | Fair value measurement               |

### D1 Earnings per share

Earnings per share (EPS) presents the amount of profit or 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

|   | 31 Dec 2021<br>\$'000 | 31 Dec 2020<br>\$'000 |
|---|-----------------------|-----------------------|
| (Loss) / profit attributable to the ordinary equity holders of the Company: |                       |                       |
| Continuing operations   | (46,294)              | (8,407)               |
| Discontinued operations   | -                     | 14,234                |
|   | (46,294)              | 5,827                 |

#### (B) Weighted average number of shares used as denominator

During the period, AMA Group Limited completed a fully underwritten institutional placement and a non-underwritten retail entitlement offer. Eligible shareholders were invited to subscribe for 1 new AMA share for every 2.8 existing AMA shares. The offer was completed at an issue price of \$0.375 per share representing a 8.1% discount to the last close price on 3 September 2021. 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.

|   | 31 Dec 2021<br>Shares | 31 Dec 2020 <sup>1</sup><br>Shares |
|---|-----------------------|------------------------------------|
| Weighted average number of shares used as denominator in calculating basic and diluted earnings per share | 893,606,783           | 757,315,420                        |

#### (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.

|                                 | 31 Dec 2021<br>Cents | 31 Dec 2020 <sup>1</sup><br>Cents |
|---------------------------------|----------------------|-----------------------------------|
| Continuing operations           | (5.18)               | (1.11)                            |
| Discontinued operations         | -                    | 1.88                              |
| <b>Basic earnings per share</b> | <b>(5.18)</b>        | <b>0.77</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.

|                                   | 31 Dec 2021<br>Cents | 31 Dec 2020 <sup>1</sup><br>Cents |
|-----------------------------------|----------------------|-----------------------------------|
| Continuing operations             | (5.18)               | (1.11)                            |
| Discontinued operations           | -                    | 1.88                              |
| <b>Diluted earnings per share</b> | <b>(5.18)</b>        | <b>0.77</b>                       |

At 31 December 2021, 139,656,041 potential ordinary shares (31 December 2020: 49,352,456) 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 comparative period ended 31 December 2020 is restated.

## D2 Contributed equity

### (A) Ordinary share capital

| Fully paid ordinary shares | 31 Dec 2021<br>Shares | 31 Dec 2021<br>\$'000 | 30 Jun 2021<br>Shares | 30 Jun 2021<br>\$'000 |
|----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Quoted                     | 1,013,179,489         | 519,953               | 743,063,799           | 419,404               |
| Unquoted                   | 1,642,329             | 1,611                 | 6,139,929             | 5,000                 |
| <b>Total share capital</b> | <b>1,014,821,818</b>  | <b>521,564</b>        | <b>749,203,728</b>    | <b>424,404</b>        |

### (B) Movements in ordinary shares

|   | 31 Dec 2021<br>Shares | 31 Dec 2021<br>\$'000 | 31 Dec 2020<br>Shares | 31 Dec 2020<br>\$'000 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Quoted</b>                                     |                       |                       |                       |                       |
| Opening balance                                   | 743,063,799           | 419,404               | 733,903,518           | 410,117               |
| Institutional placement, net of tax <sup>1</sup>  | 141,848,380           | 53,193                | -                     | -                     |
| Retail entitlement offer, net of tax <sup>2</sup> | 124,768,616           | 46,788                | -                     | -                     |
| Transaction costs, net of tax                     | -                     | (3,076)               | -                     | -                     |
| Employee share issue <sup>3</sup>                 | 454,545               | 255                   | -                     | -                     |
| Vendor share issue                                | -                     | -                     | 8,711,730             | 8,537                 |
| Convert from Unquoted shares                      | 4,497,600             | 3,389                 | -                     | -                     |
| Share buy-back for nil consideration              | (1,453,451)           | -                     | (590,950)             | (250)                 |
| <b>Total quoted</b>                               | <b>1,013,179,489</b>  | <b>519,953</b>        | <b>742,024,298</b>    | <b>418,404</b>        |
| <b>Unquoted</b>                                   |                       |                       |                       |                       |
| Opening balance                                   | 6,139,929             | 5,000                 | 7,179,430             | 7,000                 |
| Convert to quoted shares                          | (4,497,600)           | (3,389)               | -                     | -                     |
| <b>Total unquoted</b>                             | <b>1,642,329</b>      | <b>1,611</b>          | <b>7,179,430</b>      | <b>7,000</b>          |
| <b>Total share capital</b>                        | <b>1,014,821,818</b>  | <b>521,564</b>        | <b>749,203,728</b>    | <b>425,404</b>        |

1 On 13 September 2021, AMA Group Limited announced it had completed a fully underwritten institutional placement which raised approximately \$53,000,000. The placement was completed at an issue price of \$0.375 per share, representing a 8.1% discount to the closing price of the Company's shares on 3 September 2021.

2 On 5 October 2021, the Company announced it had completed a non-underwritten retail entitlement offer which raised approximately \$47,000,000. The offer was eligible to shareholders in Australia and New Zealand and was offered at the same issue price as the institutional placement. The record date for the retail entitlement offer was 14 September 2021.

3 Represents shares issued to a senior executive upon satisfaction of vesting conditions for service rights issued under the Group's Employee Equity Plan. The service rights were granted in lieu of fixed remuneration. No performance condition other than ongoing employment is attached to the service rights. The Group uses the Black Scholes pricing methodology to measure the fair value of the service rights. The fair value per service right at grant date was \$0.56.

### D3 Borrowings and financial liabilities

|  | 31 Dec 2021<br>\$'000 | 30 Jun 2021<br>\$'000 |
|--|-----------------------|-----------------------|
| <b>Current</b>   |                       |                       |
| Contingent vendor consideration  | 28,680                | 32,220                |
| Derivative - financial instrument                                      | -                     | 327                   |
| <b>Total current</b>   | <b>28,680</b>         | <b>32,547</b>         |
| <b>Non-current</b>   |                       |                       |
| Contingent vendor consideration  | -                     | 2,940                 |
| Bank loan, net of capitalised borrowing costs                          | 160,299               | 234,751               |
| Senior unsecured convertible notes, net of capitalised borrowing costs | 43,536                | -                     |
| <b>Total non-current</b>   | <b>203,835</b>        | <b>237,691</b>        |
| <b>Total financial liabilities</b>                                     | <b>232,515</b>        | <b>270,238</b>        |

#### (A) Borrowings

During the period, the Group's Syndicated Facility Agreement was restructured to provide further balance sheet flexibility. The Group used \$72,500,000 from the proceeds of the capital raising to permanently repay syndicated debt.

As at 31 December 2021, Facility A has been permanently reduced to nil and cancelled (30 June 2021: \$72,500,000). As at 31 December 2021, Facility C has been cancelled.

The new agreement provides funding for the Group's ongoing core business and comprises a facility of \$182,500,000 (30 June 2021: \$305,000,000) with a tenure no earlier than October 2024.

As at 31 December 2021, the Syndicated Facility was drawn exclusive of bank guarantees at \$165,000,000 (30 June 2021: \$340,000,000).

The key terms of the agreement are outlined below:

| Facility  | Limit<br>\$'000 | Cash drawn<br>\$'000 | Guarantees<br>drawn <sup>1</sup><br>\$'000 | Available<br>\$'000 | Maturity |
|---|-----------------|----------------------|--|---------------------|----------|
| Facility B - Term Loan Facility                 | 147,500         | 147,500              | -  | -                   | Oct 2024 |
| Facility D - Revolving Working Capital Facility | 35,000          | 17,500               | 9,310                                      | 8,190               | Oct 2024 |
| <b>Total</b>                                    | <b>182,500</b>  | <b>165,000</b>       | <b>9,310</b>                               | <b>8,190</b>        |          |

<sup>1</sup> At reporting date, \$9,310,000 of bank guarantees had been issued under Facility D (30 June 2021: \$9,780,000). This amount is not included in the Condensed Consolidated Statement of Financial Position.

The Group is required to make interest payments on the drawn debt. The repayment of principal is at maturity date. The Syndicated Facility Agreement is secured by a fixed and floating charge over all the assets of the Company and its wholly owned subsidiaries.

The Group is required to comply with financial covenants under the terms of the borrowing facilities including a net senior leverage ratio and a fixed charge cover ratio. No restrictions were imposed by the financiers during the reporting period and the Group was compliant with all covenant testing during the period, including as at 31 December 2021.

During the Capital Raising and in response to COVID-19 the Group renegotiated its borrowing facilities and debt covenants with its financiers who agreed to recommence testing of the quarterly covenant ratios on 30 June 2022 (with respect to the Group's annualised financial results for the 6 months from 1 January 2022 to 30 June 2022, for the 9 months from 1 January 2022 to 30 September 2022, and then on a standard last twelve months basis thereafter).

The Group continues to closely monitor its forecast compliance with debt covenants. Subsequent to half-year end, as a result of the prolonged impact of COVID-19, the Group further renegotiated its financial covenants and net senior debt limit to amend the calculation for its next covenant test on 30 June 2022 and the amount of the net senior debt limit to reflect the delay in the return to more normal trading conditions.

**D3 Borrowings and financial liabilities (Cont.)****(B) Convertible notes**

On 21 September 2021, the Group completed the settlement of \$50,000,000 Senior Unsecured Convertible Notes ("Notes") to strengthen its balance sheet and liquidity position as part of its response to the financial impacts resulting from COVID-19. The net proceeds from the offer of the Notes were used in part to repay \$72,500,000 of the Company's existing term debt, enabling the Company to extend remaining term debt maturity.

The Notes are convertible at the option of the Noteholders into ordinary shares of AMA Group Limited based on an initial conversion price of \$0.4688 per share at any time on or after 21 September 2022 up to (but excluding) the date falling 5 business days prior to the maturity date. The Noteholder has the option to require the Company to redeem all or some of the Noteholder's Notes on 21 March 2025 for an amount equal to 100 per cent of the principal amount of the Notes plus any accrued but unpaid interest. Any Notes not converted will be redeemed on 22 March 2027, being the maturity date, at the principal amount of the Notes plus any accrued but unpaid interest. The Notes carry an interest rate of 4.0% per annum which is paid semi-annually in arrears on 22 March and 22 September.

The Notes are separated into debt and equity components based on the terms of the Notes.

**Debt component**

The fair value of the debt component of the Notes was estimated at the issuance date using an equivalent market interest rate of a similar instrument. The Notes are initially recognised at a discounted amount of \$44,596,820. The discount is amortised as interest expense using the effective interest method over the terms of the Notes.

**Equity component - Conversion feature**

The conversion feature of the Notes is required to be separated from the Notes and is recognised in shareholders equity, net of income tax, and not subsequently remeasured. The conversion feature represents the Group's obligation to issue AMA Group Limited shares at a fixed price should Noteholders exercise their conversion option.

**Settlement of Convertible Notes**

Where Notes are settled by issue of shares, the related financial liabilities are derecognised at their carrying value with the corresponding increase to share capital. Any costs incurred are recognised in profit or loss.

**Capitalised transaction costs**

AMA Group Limited incurred \$2,081,000 of transaction costs upon issuance of the Notes. Transaction costs relating to the Notes have been allocated between the debt component and the equity component using the relative proportions of these on initial measurement of the instruments. Costs attributed to the debt component are amortised to finance expense over the term of the Notes using the effective interest method.

The AMA Convertible Notes are presented in the Condensed Consolidated Statement of Financial Position as follows:

|  | 31 Dec 2021<br>\$'000 |
|--|-----------------------|
| Proceeds from issue of convertible notes           | 50,000                |
| Transaction costs <sup>1</sup>                     | (2,081)               |
| <b>Net proceeds</b>                                | <b>47,919</b>         |
| Accrued interest at end of period                  | 729                   |
| Amortisation of transaction costs - debt component | 85                    |
|  | <b>48,733</b>         |
| <b>Classified as:</b>                              |                       |
| Financial liabilities - non-current                | 43,536                |
| Equity - net of transaction costs                  | 5,197                 |
|  | <b>48,733</b>         |

<sup>1</sup> Transaction costs are proportionately allocated, with \$1,875,000 allocated to the liability component and \$206,000 to the equity component on initial recognition.



## D Capital structure, financing and fair value measurement

### D3 Borrowings and financial liabilities (Cont.)

#### (C) Contingent vendor consideration

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.

The carrying value of the Group's contingent vendor consideration is set out in the table below.

|  | 31 Dec 2021<br>\$'000 | 30 Jun 2021<br>\$'000 |
|--|-----------------------|-----------------------|
| Current                                      | 28,680                | 32,220                |
| Non-current                                  | -                     | 2,940                 |
| <b>Total contingent vendor consideration</b> | <b>28,680</b>         | <b>35,160</b>         |

A reconciliation of the fair value of the contingent vendor consideration is provided below. Refer to note D4(ii) for information on how the fair value has been determined.

|   | 31 Dec 2021<br>\$'000 | 31 Dec 2020<br>\$'000 |
|---|-----------------------|-----------------------|
| Balance at 1 July   | 35,160                | 49,462                |
| <b>Movement:</b>  |                       |                       |
| <b>From continuing operations:</b>  |                       |                       |
| Arising during the year   | -                     | 3,863                 |
| Cash settlements  | (6,476)               | (1,158)               |
| Share settlements   | -                     | (8,537)               |
| Offset against other assets   | -                     | (5,000)               |
| Charged to profit or loss - fair value adjustments  | (4)                   | 5,398                 |
| <b>Total from continuing operations</b>   | <b>(6,480)</b>        | <b>(5,434)</b>        |
| <b>From discontinued operations:</b>  |                       |                       |
| Cash settlements  | -                     | (2,674)               |
| Charged to profit or loss - fair value adjustment and realised foreign currency translation | -                     | (365)                 |
| <b>Total from discontinued operations</b>   | <b>-</b>              | <b>(3,039)</b>        |
| <b>Balance at 31 December</b>   | <b>28,680</b>         | <b>40,989</b>         |

## D4 Fair value measurement of financial instruments

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.

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 period.

### (i) Carrying amount approximates fair value

The carrying amounts of receivables and contract assets and trade and other payables are assumed to approximate their fair value due to their short-term nature. The fair value of non-current borrowings and senior convertible notes 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 amounts of the Group's borrowings and senior convertible notes approximates their fair values.

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

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 has been determined using calculation techniques incorporating observable direct and indirect market data relevant to the Group.

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 observable inputs are pre-specified earnings targets, such as EBIT or EBITDA.

Significant estimates are used in the calculation of contingent vendor consideration. As all earn-outs are due within a 12 month period, there is no impact of discounting on the current liabilities. If the earnings (EBIT or EBITDA) growth was 10% higher or lower, there would be no material impact on the gross value of the contingent vendor consideration.

### (iii) Fair value of derivatives

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.

## E GROUP STRUCTURE

Group structure provides information about significant changes that have occurred during the period, including discontinued operations, and how the changes have affected the financial position and performance of the Company.

**E1** Discontinued operations

### E1 Discontinued operations

#### (A) Disposal of businesses in prior period

During the prior period, the Group completed the divestment of the ACAD and Fully Equipped businesses (excluding ACM Parts and FluidDrive) to GUD Holdings Limited. The sale was completed on the 31 December 2020 for a gross purchase consideration of \$70,000,000.

Financial information relating to the sale of the operation at 31 December 2020 is set out below. For further information about the discontinued operation, please refer to note E5 in the Group's Consolidated Financial Statements for the year ended 30 June 2021.

|  | 31 Dec 2020<br>\$'000 |
|--|-----------------------|
| Revenue and other income                                       | 40,537                |
| Expenses   | (36,262)              |
| Elimination of expenses related to corporate management fees   | 1,600                 |
| Fair value adjustments on contingent vendor consideration      | 375                   |
| <b>Total external expenses</b>                                 | <b>(34,287)</b>       |
| <b>Results from operating activities</b>                       | <b>6,250</b>          |
| Income tax expense   | (1,496)               |
| <b>Results from operating activities, net of tax</b>           | <b>4,754</b>          |
| <br>   |                       |
| Gain on sale of the discontinued operations, net of tax        | 9,480                 |
| <b>Profit from discontinued operations</b>                     | <b>14,234</b>         |
| <br>   |                       |
| Exchange differences on translation of discontinued operations | (34)                  |
| <b>Other comprehensive income from discontinued operations</b> | <b>(34)</b>           |

## 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** Related party transactions
- F3** Events occurring after the reporting period

### F1 Share-based payments

#### Performance Rights Program

The Performance Rights Program (PRP) was implemented in FY20 (in accordance with the Employee Equity 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.

Following approval at the 2021 Annual General Meeting, 2,907,934 performance rights were granted to the CEO under the PRP. The number of performance rights allocated includes a grant of 2,004,900 performance rights in respect of the FY22 Long-term Incentive (LTI) and a grant of 903,034 performance rights in respect of the FY21 LTI.

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.

Vesting of the performance rights is subject to continued employment with the Group and the achievement of performance hurdles, which are tested at the end of the three-year performance period. The performance hurdles that apply to the FY22 LTI grant are based on the Group's Relative TSR (50%) and Absolute TSR (50%) performance. The performance hurdles that apply to the FY21 LTI grant are based on the Group's TSR (20%) and EPS (80%) performance.

Performance rights are measured at the fair value at the grant date. The total share-based payment expense recognised in the half-year ended 31 December 2021 was \$1,250,000. An amount of \$700,000 is in relation to the FY22 grant and is subject to the completion of an external valuation.

The impact of the revision of the estimate upon valuation will be recognised over the vesting period in the Consolidated Statement of Profit or Loss as part of employee benefit expense, with a corresponding adjustment to the equity.

Set out in the table below is a summary of movements in the number of performance rights under the PRP for the period ending 31 December 2021.

| Grant date        | Balance at the start of the period | Granted during the period | Exercised during the period | Forfeited during the period | Balance at the end of the period | Unvested at the end of the period |
|-------------------|------------------------------------|---------------------------|-----------------------------|-----------------------------|----------------------------------|-----------------------------------|
| 12 September 2019 | 1,038,805                          | -                         | -                           | (1,038,805)                 | -                                | -                                 |
| 21 October 2019   | 347,426                            | -                         | -                           | (347,426)                   | -                                | -                                 |
| 1 November 2019   | 450,513                            | -                         | -                           | (450,513)                   | -                                | -                                 |
| 4 December 2019   | 208,344                            | -                         | -                           | -                           | 208,344                          | 208,344                           |
| 23 November 2020  | 6,208,300                          | -                         | -                           | (4,851,741)                 | 1,356,559                        | 1,356,559                         |
| 9 December 2021   | -                                  | 2,907,934                 | -                           | -                           | 2,907,934                        | 2,907,934                         |
|                   | <b>8,253,388</b>                   | <b>2,907,934</b>          | -                           | <b>(6,688,485)</b>          | <b>4,472,837</b>                 | <b>4,472,837</b>                  |

## F2 Related party transactions

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

## F3 Events occurring after the reporting period

On 1 February 2021, Geoff Trumbull commenced as AMA Group Chief Financial Officer (CFO). Geoff is a senior business leader with over 15 years' experience in corporate advisory and finance leadership roles across the infrastructure, industrial and consumer sectors. He joins AMA Group from ASX listed, Transurban Group (Transurban) where he was General Manager Finance / Regional CFO for Transurban's NSW operations. Darren Basford, Interim Group CFO will remain with AMA Group throughout the Half Year 2022 results period to ensure an orderly transition, and the Group thanks him for his contributions to the business.

The Group had hoped the six months ending 30 June 2022 would bring a more "normal" set of operating conditions. However, the impacts of COVID-19 on the Australian and New Zealand economies continue to challenge all labour dependent businesses, including AMA Group. COVID-19 related absenteeism is further affecting an already constrained labour market and AMA Group continues to work to minimise the effects of these shortages through careful labour force management. The difficulties resulting from a reduced labour force have been further compounded by increased incidence of repair booking cancellations and no-shows for booked repair drop-offs and pick-ups.

Despite these situational challenges, the Group remains well placed for the future, with a strong cash position following prudent management actions undertaken since the Capital Raising in September 2021.

Subsequent to half-year end, as a result of the prolonged impact of COVID-19, the Group further renegotiated its financial covenants and net senior debt limit to amend the calculation for its next covenant test on 30 June 2022 and the amount of the net senior debt limit to reflect the delay in the return to more normal trading conditions.

Other than the above, there has not been any other matter or circumstance occurring since 31 December 2021, in the reasonable opinion of the Directors, that may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

# Directors' Declaration

## In the opinion of the Directors of AMA Group Limited (the Company):

- (a) the Condensed Consolidated Financial Statements and notes thereto are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standard 134 *Interim Financial Reporting*, 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 31 December 2021 and of its performance for the half-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.

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



**Carl Bizon**  
Director

22 February 2022



# Independent Auditor's Review Report

To the shareholders of AMA Group Limited

## Conclusion

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

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

- giving a true and fair view of the **Group's** financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Condensed consolidated statement of financial position as at 31 December 2021
- Condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date
- Notes A1 to F3 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

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

## Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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### Responsibilities of the Directors for the Interim Financial Report

The Directors of the Group are responsible for:

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

### Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

KPMG

Adam Twemlow  
Partner

Bundall  
22 February 2022



# KLINGLINDENBERG

# AMA GROUP

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