Autosports Group Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Autosports Group Limited
ABN:	54 614 505 261
Reporting period:	For the half-year ended 31 December 2018
Previous period:	For the half-year ended 31 December 2017

2. Results for announcement to the market

The Group has adopted Accounting Standards AASB 9 'Financial Instruments' and AASB 15 'Revenue from Contracts with Customers' for the half-year ended 31 December 2018. The Accounting Standards were adopted from 1 July 2018 using the transitional rules available not to restate comparatives.

				$'000
Revenues from ordinary activities	up	4.3%	to	826,630
Profit from ordinary activities after tax attributable to the owners of Autosports Group Limited	down	55.7%	to	5,349
Profit for the half-year attributable to the owners of Autosports Group Limited	down	55.7%	to	5,349

Dividends

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2018, declared on 27 August 2018. The final dividend was paid on 31 October 2018 to shareholders registered on 17 October 2018.	4.8	4.8
Interim dividend for the year ending 30 June 2019, declared on 26 February 2019. The interim dividend will be paid on 31 May 2019 to shareholders registered on 17 May 2019.	2.0	2.0

Comments

The profit for the Group after providing for income tax and non-controlling interest amounted to $5,349,000 (31 December 2017: $12,080,000).

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

	Consolidated 31 Dec 2018 $'000	31 Dec 2017 $'000
Statutory profit after tax attributable to the owners of Autosports Group Limited	5,349	12,080
Add: Non-controlling interest (a)	96	125
Add: Income tax expense	2,635	4,704
Profit before income tax expense	8,080	16,909
Add: Acquisition expenses (b)	55	578
Add: Restructure expenses (c)	529	-
Profit before tax excluding non-recurring items	8,664	17,487

(a) Represents the 20% minority interest in New Centenary Mazda Pty Ltd held by the Dealer Principal.
(b) Relates to acquisition expenses on the Mosman Smash Repairs acquisition during the half-year. Previous period relates to the BMW Melbourne acquisition.
(c) Restructure expenses relate to costs associated with restructure of administration in Queensland and used car wholesale business.

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

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(18.66)	(13.20)

4. Audit qualification or review

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

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

5. Attachments

Details of attachments (if any):

The Interim Report of Autosports Group Limited for the half-year ended 31 December 2018 is attached.

6. Signed

Signed ___________________________

Date: 26 February 2019

Thomas Pockett
Independent Chairman
Sydney

Autosports Group Limited

ABN 54 614 505 261

Interim Report - 31 December 2018

Autosports Group Limited
Contents
31 December 2018

Autosports Group Limited
Directors' report
31 December 2018

The Directors present their report, together with the financial statements, on the consolidated entity ('Autosports' or 'Group') consisting of Autosports Group Limited ('Company'') and the entities it controlled at the end of, or during, the half-year ended 31 December 2018.

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

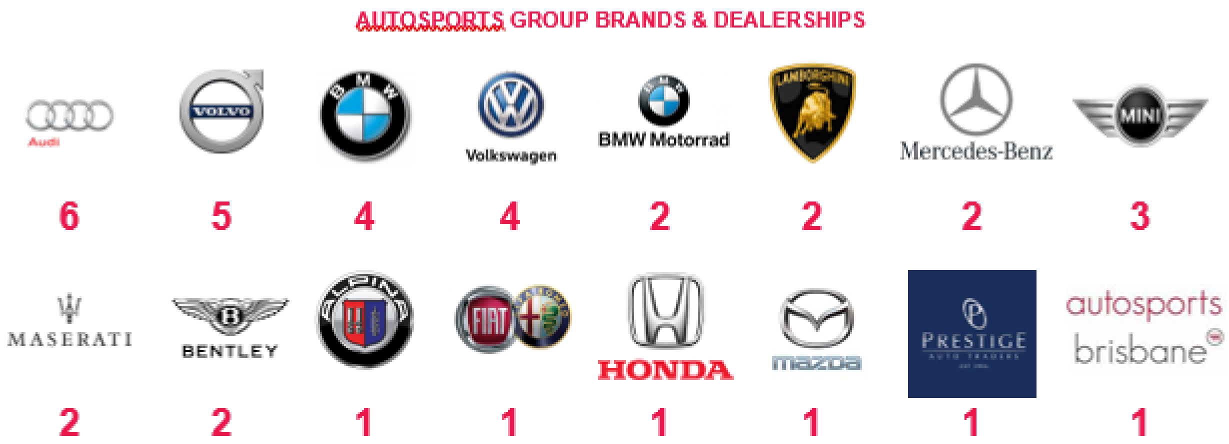
Thomas ('Tom') Pockett	Chairman
Nicholas ('Nick) Pagent	Executive Director and Chief Executive officer
Ian Pagent	Executive Director
Robert Quant	Non-Executive Director
Marina Go	Non-Executive Director

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

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

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

Brands
The Group represents the following brands and dealerships:



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

	Consolidated 31 Dec 2018 $'000	Consolidated 31 Dec 2017 $'000
Final dividend for the year ended 30 June 2018 of 4.8 cents (2017: 4.6 cents) per ordinary share	9,648	9,246

On 26 February 2019, the Directors declared a fully franked interim dividend for the year ending 30 June 2019 of 2 cents per ordinary shares, to be paid on 31 May 2019 to eligible shareholders on the register as at 17 May 2019. The financial effect of dividends declared after the reporting date are not reflected in the 31 December 2018 financial statements and will be recognised in subsequent financial reports.

How does the Group generate its income
The Group generates its income from:

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

Review of operations
The profit for the Group after providing for income tax and non-controlling interest amounted to $5,349,000 (31 December 2017: $12,080,000).

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

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
Statutory profit after tax attributable to the owners of Autosports Group Limited	5,349	12,080
Add: Non-controlling interest (a)	96	125
Add: Income tax expense	2,635	4,704
Profit before income tax expense	8,080	16,909
Add: Acquisition expenses (b)	55	578
Add: Restructure expenses (c)	529	-
Profit before tax excluding non-recurring items	8,664	17,487

(a) Represents the 20% minority interest in New Centenary Mazda Pty Ltd held by the Dealer Principal.
(b) Relates to acquisition expenses on the Mosman Smash Repairs acquisition during the half-year. Previous period relates to the BMW Melbourne acquisition.
(c) Restructure expenses relate to costs associated with restructure of administration in Queensland and used car wholesale business.

For further commentary on the results for the half-year ended 31 December 2018, please refer to the Australian Securities Exchange ('ASX') announcement accompanying this Report.

Significant changes in the state of affairs
During the financial half-year the Group acquired certain assets and liabilities of Mosman Smash Repair from Mosman Smash Repairs Pty Limited. Refer to note 12 to the financial statements for further details relating to the acquisition.

The Group acquired land at 589 Mains Road, Macgregor QLD which is adjoining land to the property acquired in the financial year ended 30 June 2018.

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

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

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

Autosports Group Limited
Directors' report
31 December 2018

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

On behalf of the Directors

Thomas Pockett
Independent Chairman

Nicholas Pagent
Chief Executive Officer

26 February 2019
Sydney

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Grosvenor Place
225 George Street
Sydney, NSW, 2000
Australia

Phone: +61 2 9322 7000
www.deloitte.com.au

The Directors
Autosports Groups Limited
565 Parramatta Road
Leichhardt NSW 2040

26 February 2019

Dear Directors

Auditor's Independence Declaration to Autosports Group Limited

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

As lead audit partner for the review of the interim financial report of Autosports Group Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Carlo Pasqualini
Partner
Chartered Accountants

Autosports Group Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2018

	Note	Consolidated 31 Dec 2018 $'000	Consolidated 31 Dec 2017 $'000
Revenue	4	826,617	792,717
Interest revenue		13	31
Expenses			
Changes in inventories		20,784	30,165
Raw materials and consumables purchased		(713,022)	(699,565)
Employee benefits expense		(63,542)	(57,462)
Depreciation and amortisation expense		(5,277)	(4,080)
Occupancy costs		(16,384)	(13,741)
Acquisition and restructure expenses		(584)	(578)
Other expenses		(31,446)	(25,124)
Finance costs		(9,079)	(5,454)
Profit before income tax expense		8,080	16,909
Income tax expense		(2,635)	(4,704)
Profit after income tax expense for the half-year		5,445	12,205
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year		5,445	12,205
Profit for the half-year is attributable to:			
Non-controlling interest		96	125
Owners of Autosports Group Limited		5,349	12,080
		5,445	12,205
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		96	125
Owners of Autosports Group Limited		5,349	12,080
		5,445	12,205
		Cents	**Cents**
Basic earnings per share	13	2.66	6.01
Diluted earnings per share	13	2.64	5.98

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

Autosports Group Limited
Consolidated statement of financial position
As at 31 December 2018

	Note	Consolidated	
		31 Dec 2018 $'000	30 Jun 2018 $'000
Assets			
Current assets			
Cash and cash equivalents		11,690	14,302
Trade and other receivables	5	78,085	104,166
Inventories		373,530	352,658
Other assets		4,895	4,940
Total current assets		468,200	476,066
Non-current assets			
Property, plant and equipment		69,042	59,895
Intangibles	6	534,181	535,203
Deferred tax		8,298	7,268
Total non-current assets		611,521	602,366
Total assets		1,079,721	1,078,432
Liabilities			
Current liabilities			
Trade and other payables	7	70,558	75,439
Contract liabilities and deferred revenue		3,889	4,547
Borrowings	8	422,058	414,013
Income tax payable		3,837	5,721
Employee benefits		12,234	11,012
Total current liabilities		512,576	510,732
Non-current liabilities			
Other payables		2,490	-
Borrowings	9	66,619	65,530
Employee benefits		1,360	1,488
Total non-current liabilities		70,469	67,018
Total liabilities		583,045	577,750
Net assets		496,676	500,682
Equity			
Issued capital		475,637	475,637
Share-based payments reserve		1,091	894
Retained profits		16,313	20,612
Equity attributable to the owners of Autosports Group Limited		493,041	497,143
Non-controlling interest		3,635	3,539
Total equity		496,676	500,682

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

Autosports Group Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2018

Consolidated	Issued capital $'000	Share-based payments reserve $'000	Retained profits $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2017	475,637	392	12,198	3,447	491,674
Profit after income tax expense for the half-year	-	-	12,080	125	12,205
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	12,080	125	12,205
Transactions with owners in their capacity as owners:					
Share-based payments	-	265	-	-	265
Dividends paid to non-controlling interest	-	-	-	(240)	(240)
Dividends paid (note 10)	-	-	(9,246)	-	(9,246)
Balance at 31 December 2017	475,637	657	15,032	3,332	494,658

Consolidated	Issued capital $'000	Share-based payments reserve $'000	Retained profits $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2018	475,637	894	20,612	3,539	500,682
Profit after income tax expense for the half-year	-	-	5,349	96	5,445
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	5,349	96	5,445
Transactions with owners in their capacity as owners:					
Share-based payments	-	197	-	-	197
Dividends paid (note 10)	-	-	(9,648)	-	(9,648)
Balance at 31 December 2018	475,637	1,091	16,313	3,635	496,676

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

Autosports Group Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2018

	Note	Consolidated 31 Dec 2018 $'000	Consolidated 31 Dec 2017 $'000
Cash flows from operating activities			
Profit before income tax expense for the half-year		8,080	16,909
Adjustments for:			
Depreciation and amortisation		5,277	4,080
Net loss on disposal of property, plant and equipment		-	15
Share-based payments		197	265
Interest received		(13)	(31)
Interest and other finance costs		9,079	5,454
		22,620	26,692
Change in operating assets and liabilities:			
Decrease/(increase) in trade and other receivables		26,082	(9,463)
Increase in inventories		(20,784)	(30,165)
Decrease/(increase) in other operating assets		59	(4,277)
Increase/(decrease) in trade and other payables		(2,392)	5,920
Increase/(decrease) in contract liabilities and deferred revenue		3,889	(1,171)
Increase in other provisions		886	359
Increase in bailment finance		6,937	42,962
(Decrease)/increase in other operating liabilities		(4,547)	(687)
		32,750	30,170
Interest received		13	31
Interest and other finance costs paid		(9,079)	(5,454)
Income taxes paid		(5,492)	(6,818)
Net cash from operating activities		18,192	17,929
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	12	(1,453)	(26,527)
Payments for property, plant and equipment		(10,593)	(6,013)
Payments for security deposits		(8)	-
Proceeds from release of security deposits		-	517
Net cash used in investing activities		(12,054)	(32,023)
Cash flows from financing activities			
Proceeds from borrowings		5,826	21,899
Repayment of borrowings		(4,928)	(2,902)
Dividends paid	10	(9,648)	(9,246)
Net cash from/(used in) financing activities		(8,750)	9,751
Net decrease in cash and cash equivalents		(2,612)	(4,343)
Cash and cash equivalents at the beginning of the financial half-year		14,302	14,903
Cash and cash equivalents at the end of the financial half-year		11,690	10,560

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

Note 1. General information

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

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

565 Parramatta Road
Leichhardt NSW 2040

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 26 February 2019. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001

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

New or amended Accounting Standards and Interpretations adopted

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

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

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

AASB 9 Financial Instruments
The Group has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available. The adoption of AASB 9 has not had a material impact on the Group's results.

Note 2. Significant accounting policies (continued)

AASB 15 Revenue from Contracts with Customers
The Group has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

Impact of adoption
The Group has adopted Accounting Standards AASB 9 and AASB 15 for the half-year ended 31 December 2018. The Accounting Standards were adopted from 1 July 2018, using the transitional rules available not to restate comparatives.

The adoption of these Accounting Standards and Interpretations resulted in the following adjustments:
- services plans provided to customers represents performance obligations to service the product during the free service period. In accordance with AASB 15, the Group has allocated a portion of the total transaction price to the performance obligation. Previously, revenue was recognised on the allowance of the free service. The Group also estimated the cost of unexpired free service as an accrued expense. As a result, on 1 July 2018, the Group recognised contract liability of $419,000 with a corresponding reduction in accrued expenses. The revenue for the half-year ended 31 December 2018 was lower by $87,000;
- interest revenue is now shown separately on the face of profit or loss; and
- deferred income liabilities presented in the comparative period are now classified as contract liabilities.

The adoption of AASB 9 and AASB 15 did not result in any change to the opening net assets or the opening retained profits as at 1 July 2018.

Net current asset deficiency
The Directors have prepared the financial statements on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The statement of financial position reflects an excess of current liabilities over current assets of $44,376,000 as at 31 December 2018 (30 June 2018: $34,666,000).

The Directors have reviewed the cash flow forecast for the Group through to 28 February 2020. The forecast indicates that the Group will generate net positive operating cash flows and operate within its overall finance facilities and that the Group will, therefore, be able to pay its debts as and when they fall due after considering the following factors:
- an amount of $3,889,000 (30 June 2018: $4,547,000) is included in current liabilities which relate to contract liabilities as at 31 December 2018 (30 June 2018: deferred revenue) and no cash outflow is expected in relation to this amount;
- during the financial half-year the Group generated $18,192,000 (31 December 2017: $17,929,000) of cash flow from operating activities;
- during the financial half-year the Group used $1,453,000 of available cash to fund business acquisitions and $10,593,000 to fund additions to property, plant and equipment, specifically land and buildings and leasehold improvements;
- as at 31 December 2018, the Group has undrawn finance facilities amounting to $40,607,000 (30 June 2018: $32,737,000); and
- as at 31 December 2018, the Group has cash and cash equivalents amounting to $11,690,000 (30 June 2018: $14,302,000).

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

Revenue recognition
The Group recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Note 2. Significant accounting policies (continued)

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

New, demonstrator and used vehicles
Revenue from the sale of vehicles is recognised at the point in time when the buyer obtains control of the goods, which is generally at the time delivery of the vehicle.

Parts and service
Revenue from the sale of parts is recognised at the point in time when the buyer obtains control of the goods, which is generally at the time of delivery of the goods.

Service work on customers' vehicles is carried out under instructions from the customer. Service revenue is recognised over time based on either a fixed price or an hourly rate. Revenue arising from the sale of parts fitted to customers’ vehicles during service is recognised at the point in time upon delivery of the fitted parts to the customer upon completion of the service.

Aftermarket accessories and other revenue
Aftermarket accessories and other revenue are recognised at the point in time when they are delivered to the customer or when the right to receive payment is established. Aftermarket accessories relate to items fitted at the dealership and include products such as window tinting, mud flaps and paint protection.

Finance and insurance revenue
Finance and insurance commissions are recognised at the point in time, usually in the period in which the related sale or rendering of service is provided. Finance and insurance commissions are received from finance companies and insurance companies as commission payments on products sold to customers.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Commercial income and rebates

Volume related and vehicle specific bonuses and rebates are credited to the carrying value of inventory to which they relate. Once the inventory is sold, the amount is then recognised in cost of goods sold in profit of loss. Bonuses and rebates are recognised when the right to receive payment is established.

Trade and other receivables

Trade receivables
Are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables
Are recognised at amortised cost, less any allowance for expected credit losses.

Contract liabilities

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer. In the previous year the balance was disclosed as deferred revenue

Note 3. Operating segments

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

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

Note 4. Revenue

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
Revenue for contracts with customers		
New and demonstrator vehicles	478,468	462,094
Used vehicles	208,869	212,798
Parts	64,494	47,187
Service	54,210	45,589
Aftermarket accessories	5,915	6,180
Finance and insurance revenue	10,663	12,082
	822,619	785,930
Other revenue		
Other revenue	3,998	6,787
Revenue	826,617	792,717

Disaggregation of revenue

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

Note 5. Current assets - trade and other receivables

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Trade receivables	72,153	98,448
Other receivables	6,117	5,865
Less: Allowance for expected credit losses (30 June 2018: Provision for impairment of receivables)	(185)	(147)
	78,085	104,166

Note 6. Non-current assets - intangibles

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Goodwill - at cost	520,547	519,327
Customer relationships - at cost	22,425	22,425
Less: Accumulated amortisation	(8,791)	(6,549)
	13,634	15,876
	534,181	535,203

Note 6. Non-current assets - intangibles (continued)

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

Consolidated	Goodwill $'000	Customer relationships $'000	Total $'000
Balance at 1 July 2018	519,327	15,876	535,203
Additions through business combinations (note 12)	1,220	-	1,220
Amortisation expense	-	(2,242)	(2,242)
Balance at 31 December 2018	520,547	13,634	534,181

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

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

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

The following key assumptions were used in the VIU model:
(a) Earnings before interest, depreciation and amortisation ('EBITDA') % between 3.0 – 4.0%;
(b) Pre-tax discount rate: 12.4% (30 June 2018: 12.2%);
(c) Terminal growth rate of 2.5% beyond four year period (30 June 2018: 2.5%); and
(d) New vehicle motor growth (including rebates, aftermarket and finance and insurance) between 1.50 – 2.25% in FY2020 to FY2023

For the half-year ended 31 December 2018, the recoverable amount of net assets for the CGU exceeded the carrying amount of the CGU and therefore, goodwill is not considered to be impaired.

Sensitivity analysis
The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount of goodwill. The recoverable amount exceeds the carrying amount by $38,056,000.

The directors believe that any reasonably possible change in any of the key assumptions below on which the recoverable amount is based will cause the carrying amount to equal the recoverable amount of the CGU.

Key assumptions	VIU model	VIU equals carrying amount	Change
EBITDA %	3.0% - 4.0%	3.7%	0.3%
Pre-tax discount rate	12.4%	13.1%	0.7%
Terminal growth rate	2.5%	1.9%	0.6%
New vehicle motor growth (including rebates, aftermarket and finance and insurance) between FY2020 - FY2023	1.50 - 2.25%	1.00 - 1.25%	0.50 – 1.00%

Notwithstanding the above, should market conditions deteriorate further than forecast, it may cause the carrying amount of the CGU to be lower than recoverable amount at a future date, which may result in an impairment.

Note 7. Current liabilities - trade and other payables

	Consolidated 31 Dec 2018 $'000	Consolidated 30 Jun 2018 $'000
Trade payables	49,077	53,598
Related party payable	-	505
GST payable	8,306	10,045
Accrued expenses	13,175	11,291
	70,558	75,439

Note 8. Current liabilities - borrowings

	Consolidated 31 Dec 2018 $'000	Consolidated 30 Jun 2018 $'000
Bailment finance	412,032	405,095
Capital loans	8,657	7,640
Hire purchase	1,369	1,278
	422,058	414,013

Note 9. Non-current liabilities - borrowings

	Consolidated 31 Dec 2018 $'000	Consolidated 30 Jun 2018 $'000
Capital loans	63,138	62,467
Hire purchase	3,481	3,063
	66,619	65,530

Note 9. Non-current liabilities - borrowings (continued)

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

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Total facilities		
Bailment finance	446,924	436,400
Capital loans	77,510	71,539
Hire purchase	4,850	4,341
	529,284	512,280
Used at the reporting date		
Bailment finance	412,032	405,095
Capital loans	71,795	70,107
Hire purchase	4,850	4,341
	488,677	479,543
Unused at the reporting date		
Bailment finance	34,892	31,305
Capital loans	5,715	1,432
Hire purchase	-	-
	40,607	32,737

Note 10. Equity - dividends

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

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
Final dividend for the year ended 30 June 2018 of 4.8 cents (2017: 4.6 cents) per ordinary share	9,648	9,246

On 26 February 2019, the Directors declared a fully franked interim dividend for the year ending 30 June 2019 of 2 cents per ordinary shares, to be paid on 31 May 2019 to eligible shareholders on the register as at 17 May 2019. The financial effect of dividends declared after the reporting date are not reflected in the 31 December 2018 financial statements and will be recognised in subsequent financial reports.

Note 11. Fair value measurement

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

Note 12. Business combinations

Mosman Smash Repair
On 28 November 2018, the Group acquired certain assets and liabilities of Mosman Smash Repair from Mosman Smash Repairs Pty Limited. The total consideration transferred amounted to $1,453,000. The goodwill of $1,220,000 represents profitability of the acquired business and the synergistic opportunities it offers and cross selling opportunities that will arise from the acquisition. The acquired business contributed revenues of $370,000 and profit before tax of $66,000 to the Group for the period from 28 November 2018 to 31 December 2018. The business combination is final as at the reporting date.

Note 12. Business combinations (continued)

Details of the acquisition are as follows:

	Fair value $'000
Inventories	88
Prepayments	6
Plant and equipment	290
Deferred tax asset	57
Employee benefits	(208)
Net assets acquired	233
Goodwill	1,220
Acquisition-date fair value of the total consideration transferred	1,453
Representing:	
Cash paid or payable to vendor	1,453
Acquisition costs expensed to profit or loss	55
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	1,453

Note 13. Earnings per share

	Consolidated 31 Dec 2018 $'000	Consolidated 31 Dec 2017 $'000
Profit after income tax	5,445	12,205
Non-controlling interest	(96)	(125)
Profit after income tax attributable to the owners of Autosports Group Limited	5,349	12,080
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	201,000,000	201,000,000
Adjustments for calculation of diluted earnings per share:		
Performance rights over ordinary shares	1,407,798	935,089
Weighted average number of ordinary shares used in calculating diluted earnings per share	202,407,798	201,935,089
	Cents	Cents
Basic earnings per share	2.66	6.01
Diluted earnings per share	2.64	5.98

Note 14. Events after the reporting period

Apart from the dividend declared as disclosed in note 10, no other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Autosports Group Limited
Directors' declaration
31 December 2018

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors

Thomas Pockett
Independent Chairman

Nicholas Pagent
Chief Executive Officer

26 February 2019
Sydney

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Grosvenor Place
225 George Street
Sydney, NSW, 2000
Australia

Phone: +61 2 9322 7000
www.deloitte.com.au

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

We have reviewed the accompanying half-year financial report of Autosports Group Limited (the "Entity"), and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors declaration of the consolidated entity comprising the Group and the entities it controlled at the end of the half-year or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

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

Conclusion

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Carlo Pasqualini
Partner
Chartered Accountants

Sydney, 26 February 2019