

AMA GROUP

SGX Announcement

22 February 2022

1H22 Interim Report

Attached is an announcement made by AMA Group Limited (ASX: AMA) (AMA Group) which is provided for the information of AMA Group Noteholders.

AMA Group has Notes listed on the Singapore Exchange.

ENDS.

Investors and Media:

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AMA Group Limited

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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

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Shareholder information and enquiries

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AUSTRALIA

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

¹ 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 \$'000	30 Jun 2021 \$'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
Net senior debt used in covenant calculations	87,158	180,307

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.



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

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 \$'000	31 Dec 2020 \$'000
Revenue and other income from continuing operations	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)
Operating (loss) / profit before interest and tax		(52,435)	7,098
Finance costs	B3(A)	(15,598)	(15,783)
Loss before income tax from continuing operations		(68,033)	(8,685)
Income tax benefit / (expense)		20,018	(932)
Loss after income tax from continuing operations		(48,015)	(9,617)
Profit from discontinued operations	E1	-	14,234
(Loss) / profit for the period		(48,015)	4,617
(Loss) / profit is attributable to:			
Members of AMA Group Limited		(46,294)	5,827
Non-controlling interests		(1,721)	(1,210)
		(48,015)	4,617

Earnings per share	Notes	31 Dec 2021 Cents	31 Dec 2020 Cents
From continuing operations			
Basic earnings per share	D1	(5.18)	(1.11)
Diluted earnings per share	D1	(5.18)	(1.11)
From continuing and discontinued operations			
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 \$'000	31 Dec 2020 \$'000
Net (loss) / profit	(48,015)	4,617
Other comprehensive income		
<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)
Other comprehensive income, net of tax	1,354	2
Total comprehensive (loss) / income, net of tax	(46,661)	4,619
Total comprehensive (loss) / income is attributable to:		
Members of AMA Group Limited	(44,942)	5,825
Non-controlling interests	(1,719)	(1,206)
	(46,661)	4,619

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 \$'000	30 Jun 2021 \$'000
ASSETS			
Current assets			
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
Total current assets		171,016	177,043
Non-current assets			
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
Total non-current assets		914,359	950,109
Total assets		1,085,375	1,127,152
LIABILITIES			
Current liabilities			
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
Total current liabilities		199,467	233,736
Non-current liabilities			
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
Total non-current liabilities		578,299	642,498
Total liabilities		777,766	876,234
Net assets		307,609	250,918
EQUITY			
Contributed equity	D2	521,564	424,404
Other reserves		2,915	568
Convertible notes	D3(B)	5,197	-
Retained deficit		(234,562)	(188,268)
Total Group interest		295,114	236,704
Non-controlling interests		12,495	14,214
Total equity		307,609	250,918

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		
Balance at 1 July 2020		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
Total comprehensive income / (expense) for the period		-	-	(2)	5,827	5,825	(1,206)	4,619
Transactions with owners in their capacity as owners:								
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
Balance at 31 December 2020		425,404	-	2,436	(85,491)	342,349	15,135	357,484

	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		
Balance at 1 July 2021		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
Total comprehensive income / (expense) for the period		-	-	1,352	(46,294)	(44,942)	(1,719)	(46,661)
Transactions with owners in their capacity as owners:								
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
Balance at 31 December 2021		521,564	5,197	2,915	(234,562)	295,114	12,495	307,609

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 \$'000	31 Dec 2020 \$'000
Cash flows from operating activities			
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)
Net cash (outflow) / inflow provided by operating activities		(22,814)	43,095
Cash flows from investing activities			
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
Net cash (outflow) / inflow from investing activities		(10,187)	49,012
Cash flows from financing activities			
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)	-
Net cash inflow / (outflow) from financing activities		50,077	(118,741)
Net increase / (decrease) in cash and cash equivalents		17,076	(26,634)
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
Cash and cash equivalents, at the end of the period		81,302	86,397

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.

	Vehicle Collision Repairs		Heavy Motors		Supply		Corporate / Eliminations		Total	
For the half-year ended 31 December	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Revenue and other income										
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
Total segment revenue and other income	357,577	380,317	27,843	25,415	42,699	40,107	(9,978)	(10,740)	418,141	435,099
EBITDAI	11,997	50,302	5,650	6,307	(1,822)	3,366	(13,003)	(4,254)	2,822	55,721
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)
Adjusted segment EBITDAI (excluding impact of AASB 16 Leases)	(9,724)	27,650	3,539	4,686	(3,845)	1,586	(13,064)	(4,254)	(23,094)	29,668
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)
Loss before income tax from continuing operations									(68,033)	(8,685)

(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.

	Australia		New Zealand		Total	
For the half-year ended 31 December	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
Total Group revenue from external customers and other income					418,141	435,099

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 31 December	Vehicle Collision Repairs		Heavy Motor		Supply		Corporate / Eliminations		Total	
From continuing operations	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Revenue from external customers										
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
Total revenue from external customers	356,192	378,489	27,788	25,406	32,605	29,188	-	-	416,585	433,083
Other income										
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
Total other income	1,385	1,828	55	9	52	71	64	108	1,556	2,016
Revenue from external customers and other income	357,577	380,317	27,843	25,415	32,657	29,259	64	108	418,141	435,099
Timing of revenue recognition										
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
Revenue from external customers	356,192	378,489	27,788	25,406	32,605	29,188	-	-	416,585	433,083
Geographical markets										
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
Revenue from external customers	356,192	378,489	27,788	25,406	32,605	29,188	-	-	416,585	433,083
Total revenue and other income from discontinued operations	-	-	-	-	-	40,537	-	-	-	40,537

B3 Other expense items**(A) Finance costs**

	31 Dec 2021 \$'000	31 Dec 2020 \$'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
Total finance costs	15,598	15,783

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 \$'000
Restructure costs	
Unwind of borrowing costs previous capitalised	1,077
Waiver fees	329
Drawdown processing fee	114
Total restructure costs	1,520
Amortised borrowing costs	
Syndicated bank debt facility	646
Convertible notes	85
Total amortised borrowing costs	731
Total borrowing costs	2,251

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 \$'000	31 Dec 2020 \$'000
Balance at 1 July	-	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
Balance at 31 December	-	-

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

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

(C) Impairment expense

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

	Notes	31 Dec 2021 \$'000	31 Dec 2020 \$'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
Total impairment expense		16,684	1,950

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 \$'000	Plant and equipment \$'000	Furniture and fittings \$'000	Motor vehicles \$'000	Total \$'000
At 1 July 2021					
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)
Net book amount	11,174	55,627	2,522	3,406	72,729
Movement:					
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
Closing net book amount	9,282	43,465	2,244	3,011	58,002
At 31 December 2021					
Cost	33,741	138,373	5,712	6,525	184,351
Accumulated depreciation	(24,459)	(94,908)	(3,468)	(3,514)	(126,349)
Net book amount	9,282	43,465	2,244	3,011	58,002

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

(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 \$'000	30 Jun 2021 \$'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
Total goodwill	349,209	349,209

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 \$'000	Leased equipment \$'000	Leased motor vehicles \$'000	Total \$'000
At 1 July 2021				
Cost	384,570	455	98	385,123
Accumulated depreciation and impairment	(77,879)	(302)	(65)	(78,246)
Net book amount	306,691	153	33	306,877
Movement:				
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)
Closing net book amount	281,005	108	14	281,127
At 31 December 2021				
Cost	374,441	220	98	374,759
Accumulated depreciation	(93,436)	(112)	(84)	(93,632)
Net book amount	281,005	108	14	281,127

(B) Lease liabilities

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

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

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

C5 Other financial assets

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

(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.

- D1** Earnings per share
- D2** Contributed equity
- D3** Borrowings and financial liabilities
- D4** 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 \$'000	31 Dec 2020 \$'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 Shares	31 Dec 2020 ¹ 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 Cents	31 Dec 2020 ¹ Cents
Continuing operations	(5.18)	(1.11)
Discontinued operations	-	1.88
Basic earnings per share	(5.18)	0.77

(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 Cents	31 Dec 2020 ¹ Cents
Continuing operations	(5.18)	(1.11)
Discontinued operations	-	1.88
Diluted earnings per share	(5.18)	0.77

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.

¹ 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 Shares	31 Dec 2021 \$'000	30 Jun 2021 Shares	30 Jun 2021 \$'000
Quoted	1,013,179,489	519,953	743,063,799	419,404
Unquoted	1,642,329	1,611	6,139,929	5,000
Total share capital	1,014,821,818	521,564	749,203,728	424,404

(B) Movements in ordinary shares

	31 Dec 2021 Shares	31 Dec 2021 \$'000	31 Dec 2020 Shares	31 Dec 2020 \$'000
Quoted				
Opening balance	743,063,799	419,404	733,903,518	410,117
Institutional placement, net of tax ¹	141,848,380	53,193	-	-
Retail entitlement offer, net of tax ²	124,768,616	46,788	-	-
Transaction costs, net of tax	-	(3,076)	-	-
Employee share issue ³	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)
Total quoted	1,013,179,489	519,953	742,024,298	418,404
Unquoted				
Opening balance	6,139,929	5,000	7,179,430	7,000
Convert to quoted shares	(4,497,600)	(3,389)	-	-
Total unquoted	1,642,329	1,611	7,179,430	7,000
Total share capital	1,014,821,818	521,564	749,203,728	425,404

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 \$'000	30 Jun 2021 \$'000
Current		
Contingent vendor consideration	28,680	32,220
Derivative - financial instrument	-	327
Total current	28,680	32,547
Non-current		
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	-
Total non-current	203,835	237,691
Total financial liabilities	232,515	270,238

(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 \$'000	Cash drawn \$'000	Guarantees drawn ¹ \$'000	Available \$'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
Total	182,500	165,000	9,310	8,190	

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

¹ 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 \$'000	30 Jun 2021 \$'000
Current	28,680	32,220
Non-current	-	2,940
Total contingent vendor consideration	28,680	35,160

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 \$'000	31 Dec 2020 \$'000
Balance at 1 July	35,160	49,462
Movement:		
From continuing operations:		
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
Total from continuing operations	(6,480)	(5,434)
From discontinued operations:		
Cash settlements	-	(2,674)
Charged to profit or loss - fair value adjustment and realised foreign currency translation	-	(365)
Total from discontinued operations	-	(3,039)
Balance at 31 December	28,680	40,989

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 \$'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
Total external expenses	(34,287)
Results from operating activities	6,250
Income tax expense	(1,496)
Results from operating activities, net of tax	4,754
Gain on sale of the discontinued operations, net of tax	9,480
Profit from discontinued operations	14,234
Exchange differences on translation of discontinued operations	(34)
Other comprehensive income from discontinued operations	(34)

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
	8,253,388	2,907,934	-	(6,688,485)	4,472,837	4,472,837

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

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