ANNUAL REPORT 2020

autosports group

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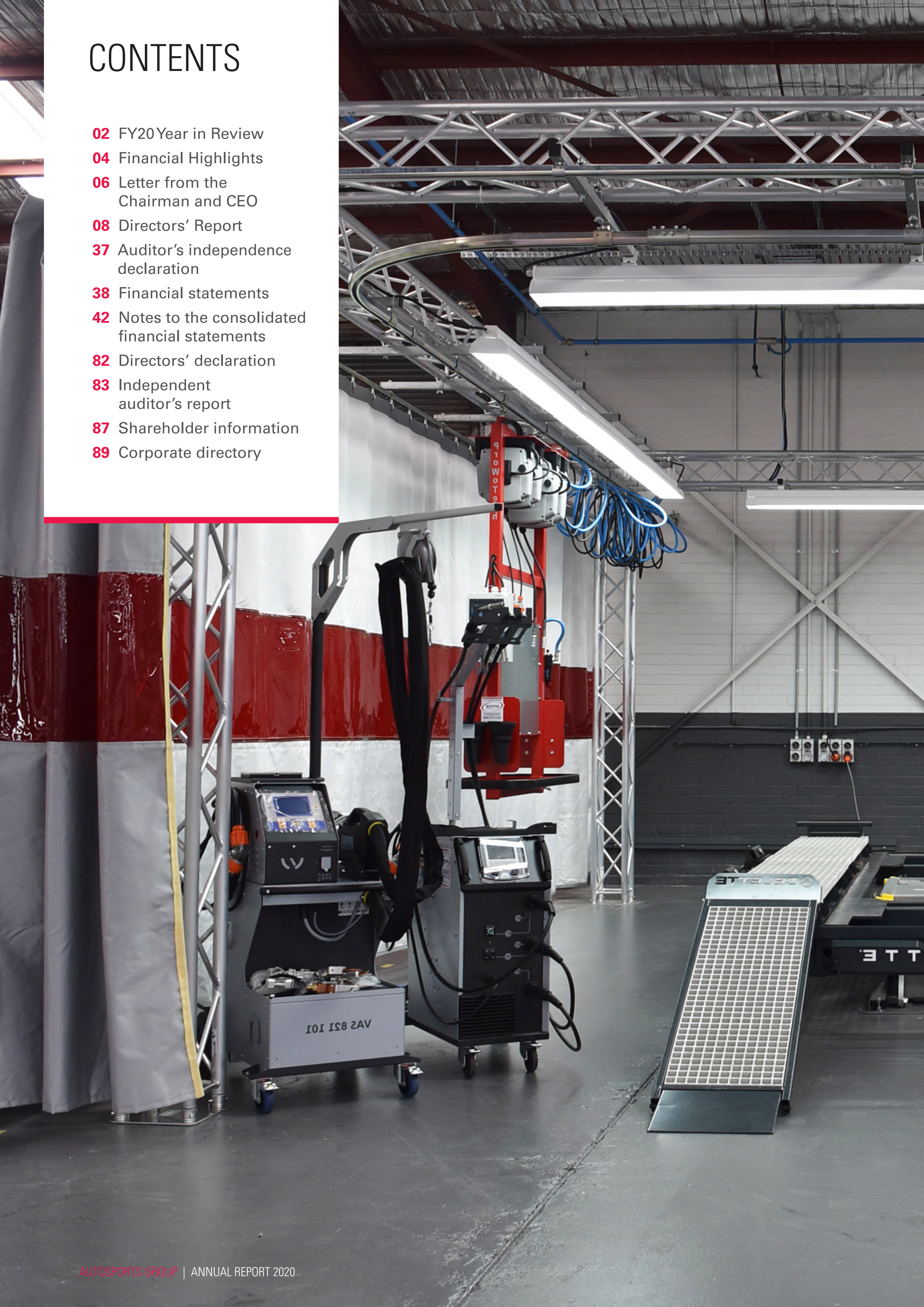


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FY20 YEAR IN REVIEW

10

Addition of 10 new businesses in FY20

3

New acquisitions:

- **Sydney City Prestige**
- **Mercedes-Benz Hornsby and associated property at 120-124 Pacific Highway, Waitara**
- **Trivett at Alexandria, which added Jaguar, Land Rover, Rolls-Royce, Maclaren and Aston Martin to the Group's portfolio and a Bentley dealership**

50

Businesses operating in New South Wales, Queensland and Victoria

1st place

Dealer of the Year awards:

- **Audi Sutherland (Metropolitan)**
- **Mercedes-Benz Macgregor Vans Finance**

ADDITION OF 10 NEW BUSINESSES

50 BUSINESSES OPERATING

1ST PLACE DEALER OF THE YEAR AWARDS

3 NEW ACQUISITIONS

FINANCIAL HIGHLIGHTS

NORMALISED

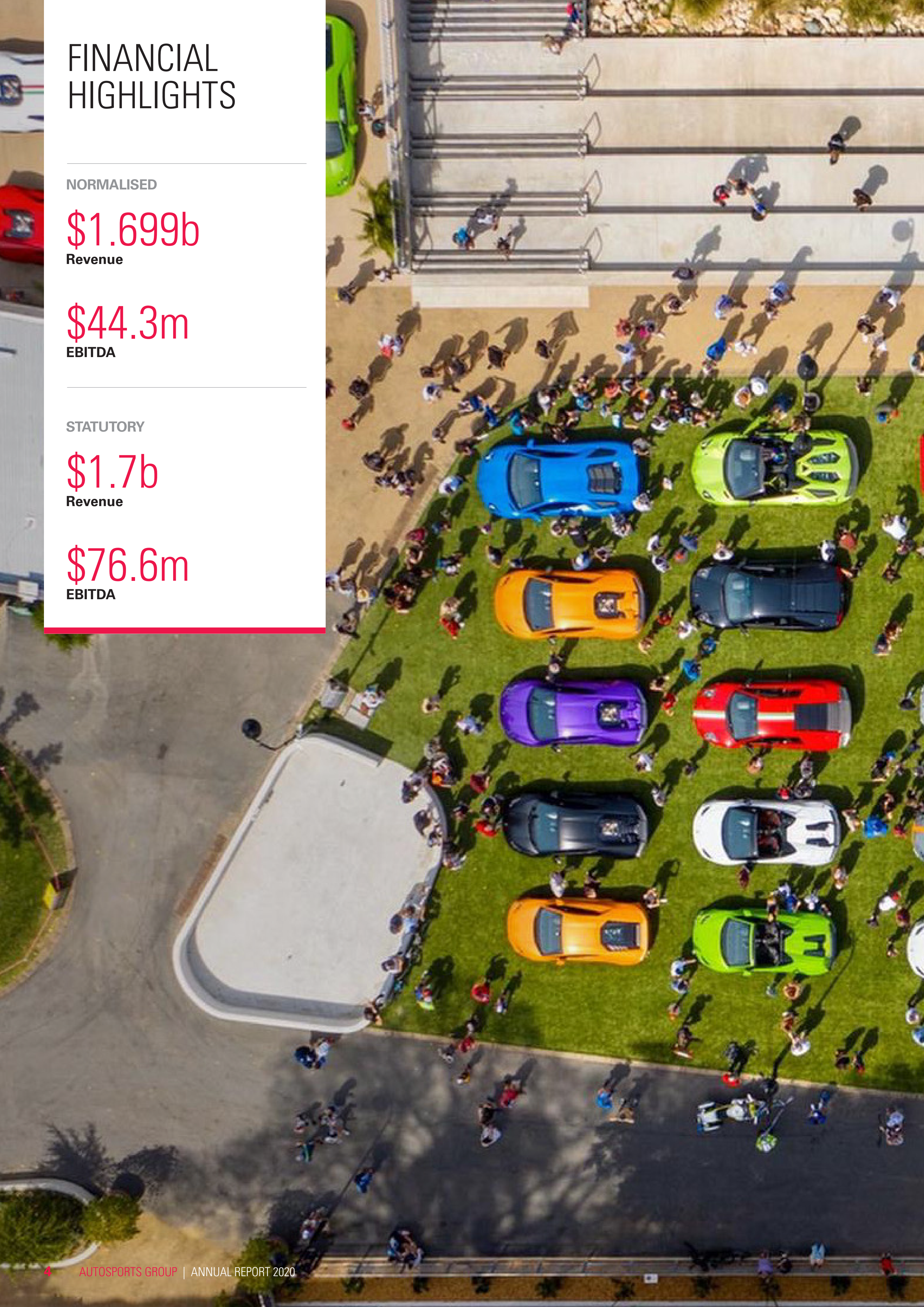
$1.699b
Revenue

$44.3m
EBITDA

STATUTORY

$1.7b
Revenue

$76.6m
EBITDA



LETTER FROM THE CHAIRMAN AND CEO

"WE COMMEND THE TREMENDOUS EFFORTS OF OUR TEAM DURING A TUMULTUOUS YEAR."

Dear Shareholders,

FY20 was a year that presented unique challenges in the way that we work and in the way that we live. Whilst the pandemic tested our resilience in many ways, we found that we quickly adapted to the crisis and a constantly changing regulatory and economic environment. We commend the tremendous efforts of our team during a tumultuous year.

The new vehicle market declined 13.7% during FY20 and has now fallen for 28 consecutive months. This decline was exacerbated by severe declines in the luxury segment in March (-29%), April (-54%) and May (-23%) at the onset of the COVID-19 crisis. The new vehicle market saw improvements in late May and June as restrictions eased and Government support measures supported the market.

Autosports Group generated 83% of its new vehicle revenue from the luxury segment. The luxury segment outperformed the broader new vehicle market declining 1.1% during FY20. June 2020 saw a strong bounce back in the luxury market outperforming June last year by 30%.

On a statutory basis revenues grew by 1% to $1.7b in FY20 demonstrating the resilience of the business during the onset of the COVID-19 pandemic. Importantly, this revenue (particularly in new and used vehicle sales) will support future growth in our service and parts divisions. During the year Autosports Group recognised a non-cash impairment to the carrying value of its goodwill of $109.2m. This impairment was driven by an increase to the independently assessed discount rate adopted by the Group and a decrease in the Group's forecast cashflows reflecting higher levels of uncertainty due to the COVID-19 pandemic. The impact of the impairment and the adoption of the AASB16 leasing standards saw Autosports Group record a statutory loss for FY20 of $102.4m.

On a normalised[1] basis Autosports Group delivered EBITDA of $44.3m and NPBT of $23.1m during FY20. This result saw the business generate positive operating cashflow, normalised for the impact of AASB16, of $55.2m. Net debt, excluding floorplan, was reduced from $67.7m in FY19 to $49.4m in FY20. We believe that the FY20 financial result was reasonable given the impact of COVID-19 on the market.

Throughout FY20 our strategy has remained focused on the luxury and prestige vehicle markets in East Coast Metropolitan areas. During the period we grew our network with the acquisition of our first Mercedes-Benz dealership in NSW at Hornsby. We also broadened our brand portfolio with the acquisition of Jaguar, Land Rover, Bentley, Rolls-Royce, McLaren and Aston Martin dealerships in NSW at Alexandria. These acquisitions were on strategy, well priced and have performed to expectation since settlement.

From March 2020 with the outbreak of the COVID-19 pandemic the Group has been focused on keeping our employees and customers safe whilst maintaining the long-term financial stability of Autosports Group.

Prioritising the health and safety of staff and customers, we introduced a Coronavirus Policy and Coronavirus Safety protocols. These programs enable us to seamlessly continue our vehicle sales and service operations, ensure compliance with changing regulations and safeguard customer and visitor confidence. We modified dealership processes to provide services to our customers remotely by facilitating virtual online showrooms and contactless sales. Some of our smaller volume sales departments were temporarily closed diverting customer traffic to our major metropolitan dealerships.

We engaged with our original equipment manufacturer (OEM) partners, OEM financiers, landlords and various Government agencies to reduce and defer expenses to preserve liquidity.

We recognise the support provided by our key stakeholders. Consistent with our cash preservation plan during this time of economic uncertainty, the Company has determined it will not declare a final dividend for FY20.

Despite management's disciplined approach to managing the impacts of COVID-19 on our business, we had to make the difficult decision to temporarily stand down approximately one third of our workforce. The Group's eligibility for the JobKeeper scheme ensured our stood-down employees were financially supported through the crisis and facilitated a quicker return to work for most staff.

As the first lockdown restrictions eased, new car sales bounced back strongly in May 2020. June 2020 performed better than expected with sales 30% higher than June last year. Unfortunately, following a second wave of COVID-19 in Victoria, the State Government declared a State of Disaster and Stage 4 restrictions were introduced in August 2020. To minimise the impact on our Melbourne dealerships, we modified dealership processes and staffing arrangements to ensure safe, compliant and responsible operations in the most difficult of circumstances.

During the year we also had a strong focus on positive culture as we invested in new leadership and culture training and increased safety awareness to build a long-term culture of safety throughout the Group. Many of our employees and teams received recognition from our OEM brand partners for their industry-leading performance across multiple disciplines. Autosports Group also released its inaugural Modern Slavery Statement, available on our website.

We continue to work on our diversity targets by recognising the importance of improving the balance of women in our business. In FY20, we were delighted to record an increase in the representation of women in technical and trade roles and will continue to push for improved representation of women in front-line sales throughout FY21.

Our focus in FY21 is to remain COVID-19 prepared and to protect the health and safety of our staff and customers. We aim to preserve cash, reduce expenses and secure the future of our operations and employees. The Group will continue to review consolidation and acquisition opportunities in FY21 and build on the digital marketing channels that have supported the business during the pandemic.

As we look back on the unprecedented challenges of FY20, again, we would like to express our gratitude to our employees and shareholders for their unwavering support during a difficult year.

Yours faithfully

Tom Pockett	**Nick Pagent**
Independent Chairman	*Chief Executive Officer*

1. Normalised result excludes:
   - Goodwill impairment $109.2m
   - AASB16 lease accounting standard impact of $33.9m at EBITDA, ($5.2m) at PBT
   - Acquisition costs relating to Mercedes-Benz Hornsby, Sydney City Prestige and Trivett Alexandria and restructure costs $0.57m
   - Discontinued Fiat and Alfa Romeo franchise (loss of $1.0m pre-tax)
   - Acquisition amortisation $4.9m

DIRECTORS' REPORT

30 JUNE 2020

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as 'Autosports Group' or 'Group') consisting of Autosports Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2020.

Directors

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

Thomas Pockett – Chairman
Nicholas 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 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:

- 41 franchised dealerships selling new and used prestige and luxury motor vehicles;
- 3 used motor vehicle outlets, focused primarily on the sale of used prestige and luxury motor vehicles; and
- 6 specialist prestige motor vehicle collision repair facilities.

Brands

The Group's portfolio of dealerships include:

Audi

6

Volvo

5

BMW

4

Volkswagen

4

BMW motorrad

2

Lamborghini

2

Mercedes-Benz

3

Maserati

2

Bentley

3

Alpina

1

Honda

1

Mazda

1

Prestige Auto Traders

3

MINI

3

Aston Martin

1

Rolls-Royce

1

Land Rover

1

Jaguar

1

McLaren

1

The number below each brand represents the number of dealerships held by the Group.

Dividends

On 28 February 2020, the directors declared a fully franked interim dividend for the year ended 30 June 2020 of 1.9 cents per ordinary share, to be paid on 29 May 2020 to eligible shareholders on the register as at 15 May 2020. On 24 March 2020, the directors resolved to cancel the payment of the dividend to preserve cash as the Coronavirus (COVID-19) pandemic unfolded. The Group's priority amidst economic uncertainty and the likelihood of further lockdowns, is to preserve cash. The Group recognises the support provided by its key stakeholders including the Government's JobKeeper payment during the pandemic. As such, Autosports Group has determined it will not pay a final dividend in respect of the financial year ended 30 June 2020 ('**FY20**'). Any decision to pay dividend during the year ending 30 June 2021 ('**FY21**') will be reserved and assessed in light of the prevailing economic climate.

Operating and financial review

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.

The following tables demonstrate the Group's statutory financial performance normalised to exclude the impact of acquisition, impairment and restructure expenses ('other items').

The loss for the Group after providing for income tax and non-controlling interest amounted to $102,446,000 (2019: profit of $11,218,000).

The profit/(loss) for the financial year was impacted by other items as follows:

	Consolidated 30 June 2020 $'000	Consolidated 30 June 2019 $'000
Revenue	1,701,688	1,693,618
Statutory profit/(loss) after tax attributable to the owners of Autosports Group Limited	(102,446)	11,218
Add: Non-controlling interest[1]	149	208
Add: Income tax expense	4,544	5,448
Profit/(loss) before income tax expense	(97,753)	16,874
Add: Impairment of goodwill[2]	109,174	-
Add: Intangible amortisation[3]	4,907	4,485
Add: Acquisition expense[4]	566	55
Add: Restructure expenses[5]	17	773
Add: Closure of franchise[6]	999	833
Add: AASB 16 leases[7]	5,238	6,251
Profit before tax excluding other items	23,148	29,271

1. Represents the 20% minority interest in New Centenary Mazda Pty Ltd held by the dealer principal and 40% minority interest in A.C.N. 633 925 050 Pty Ltd.
2. The Group carried out an impairment testing process reflective of the economic uncertainty underpinned by the Coronavirus (COVID-19) pandemic. The Group recognised a non-cash goodwill impairment charge of $109,174,000 for the full year 30 June 2020, comprising of $55,412,000 for the half-year ended 30 June 2020 and $53,762,000 previously recognised for the half-year ended 31 December 2019. The impairment is a non-cash accounting adjustment and has no impact on the Group's normalised earnings. The impairment relates to an independent external determination of an increase in the weighted average cost of capital ('**WACC**') and revised forecasted cash-flows due to an uncertain economic outlook.
3. Intangible amortisation relating to non-cash amortisation of customer contracts arising on acquisitions made by the Group.
4. Relates to acquisition expenses on the Mercedes-Benz Hornsby and Trivett Alexandria acquisition during the year. Previous year relates to the Mosman Smash Repair acquisition.
5. Restructure expenses relate to costs associated with restructure of administration in Queensland and used car wholesale business.
6. Reflects closure of Alfa Romeo and Fiat franchise (which does not meet the criteria of discontinued operations).
7. Represents the net increase of adjusting back to cash-flows for the impact of AASB 16. This includes an addition of depreciation expense for right of use asset of $31,291,000 (2019: $28,357,000) and finance costs incurred in respect of lease liabilities of $7,800,000 (2019: $8,245,000), offset by $33,853,000 (2019: $30,368,000) for occupancy expenses now recognised as a reduction through lease liabilities.

Profit before tax excluding other items noted above is a financial measure which is not prescribed by Australian Accounting Standards ('**AAS**') and represents the statutory profit/(loss) under AAS adjusted for certain items. The directors consider profit before tax excluding other items (being the impact of acquisition, impairment and restructure expenses) to reflect the core earnings of the Group.

Operational overview

Market conditions

Market conditions for new car sales during FY20 fluctuated during the financial year with the largest swings seen in the last quarter. April 2020 marked the sharpest decline in a single month in 23 years followed by a recovery leading up to June 2020 according to VFACTS data as a result of COVID-19 pandemic. The Federal Chamber of Automotive Industries ('**FCAI**') reported that whilst new vehicle sales in June 2020 represented a decrease of 6.4% compared to June 2019, the result was strong in comparison to the start of the COVID-19 crisis which saw March 2020 sales down 17.9%, April 2020 sales down 48.5% and May 2020 sales down 35.3%.

In March 2020, the impact of the Coronavirus (COVID-19) pandemic dominated management decision making as the Company worked quickly to prioritise safety and minimise the impact of business interruption to protect as many jobs as possible for the long term. This will be a continued focus in FY21.

The FCAI attributed the June 2020 recovery to the lifting of lockdown restrictions, seasonality and the impact of Government stimulus initiatives such as JobKeeper payment and the instant asset write-off scheme.

The Group's operations focus on the prestige and luxury segments on the East Coast of Australia which performed better than the overall new car market. Total new vehicle sales (according to VFACTS) were down 13.7% in FY20 whereas the luxury market was down only 1.1%.

Strategic acquisitions

FY20 was a year of two halves. The year started with the successful completion of a number of strategic acquisitions in line with the Group's focused strategy of luxury and prestige vehicles in East Coast metropolitan areas.

In August 2019, the Group acquired Sydney City Prestige and Auto Approve. Sydney City Prestige is a luxury used car wholesale business located in Artarmon, Sydney, which was rebranded to Prestige Auto Traders North Sydney. This acquisition has increased Prestige Auto Traders' reach in the Sydney market. Auto Approve is a finance broking business which has leveraged the Group's existing Australian Credit Licence to offer finance and insurance products.

In September 2019, the Group acquired Mercedes-Benz Hornsby in Sydney's Upper North Shore. This was the Group's first Mercedes-Benz dealership in New South Wales and more importantly, made Autosports Group the first Australian automotive group to hold all three key luxury brands of Audi, BMW and Mercedes-Benz in the same State. As part of the Mercedes-Benz Hornsby acquisition, the Group purchased the land the dealership is located on at 120-124 Pacific Highway, Waitara, New South Wales.

In November 2019, the Group announced the acquisition of Trivett at Alexandria welcoming five outstanding new brands to its portfolio including Jaguar, Land Rover, Rolls-Royce, McLaren and Aston Martin. In addition, the Group added its first Bentley dealership to New South Wales. These dealerships are located in a prominent location on O'Riordan Street in Alexandria, Sydney. These acquisitions are testament to the Group's clear and focused strategy of luxury vehicles in East Coast metropolitan area.

Health and wellbeing

The Group prioritises the health and safety of its employees, customers and the community.

During the financial year the Group continued to build on its consolidated approach to Work Health and Safety with a review and consultation process in relation to its policy and procedures. The Group has a zero-tolerance risk appetite for serious safety incidents. A large focus for FY20 was to embed a strong safety culture across the business to reduce incidents, improve workplace culture and drive business efficiencies. This resulted in a reduction in reported incidents in FY20 when compared to the prior financial year.

From the outset, the Group has been committed to minimising the impact of the COVID-19 pandemic at its sites. The Group introduced a Coronavirus Policy and Coronavirus Safety Protocols, to ensure the operations support social distancing. In addition, the Group introduced employee travel restrictions, working from home arrangements and appropriate health and hygiene standards. These processes are audited at each site with regular reminders to management across the Group. COVID-Safe plans (referred to internally as 'Coronavirus Protocols') are in place in the event of a positive case at one of the Group's sites.

Operationally, the Group has introduced a number of new COVID-19 processes at its sites such as hand sanitisation stations, contactless vehicle drop-off, modified new vehicle delivery arrangements, regular disinfection of surfaces and sanitisation of steering wheels and door handles. These processes are designed to ensure compliance but also to reassure customers and visitors in these uncertain times.

Most importantly, the Group continues to monitor and follow State Government COVID-19 directives across its dealerships including respectfully asking employees to do the same outside of work.

To assist with contact tracing, the Group has introduced customer and visitor check-in processes. This system was developed by the Digital Marketing team and involves a unique QR code for each business/department that takes visitors to a customised landing page where they can enter their details for COVID-19 case tracking.

Operations and consumer demand

From March 2020, the Federal and State Governments announced progressively stricter social distancing and non-essential travel bans. These rapid and necessary measures to help stop the spread of the virus had a profound impact on many businesses in the retail industry including automotive. The restrictions had the greatest impact on front-end new vehicle sales revenue demonstrated by the VFACTS data noted above. Back-end revenue including service and panel showed more resilience.

As the pandemic unfolded, the Group responded quickly to manage the factors that were within its control. It implemented a clear and focused mitigation strategy based on three different levels of crisis severity. The key drivers behind this strategy were to adjust operations where necessary to preserve cash, reduce expenses and secure the future of employees.

The Group temporarily closed some smaller volume sales departments and directed remaining new vehicle sales traffic to its major metropolitan dealerships in each State. These staged temporary department closures were implemented proportionate to the restrictions the Government imposed. Panel shops and most vehicle service centres remained open during the first round of lockdowns. Having experienced the first lockdown, the Group was better equipped to respond to the Stage 4 restrictions currently impacting Victoria.

People

Market interruption prompted an immediate review of wage expenses across the Group in order to protect jobs for the long term. The Group's response included a combination of voluntary wage reductions, suspension and modification of several commission and bonus structures and temporary stand down of employees. With the assistance of the Federal Government JobKeeper program, this response provided the Group with the flexibility to return majority of the employees to their existing roles or in alternative roles to support changing customer enquiry levels and preserve as many full-time roles as possible for the long term. In many cases, the crisis allowed the Group to trial and advance workforce management initiatives such as working from home, the consolidation of particular functions and staggered rosters.

Stakeholder engagement

The Group worked closely with its stakeholders to mitigate the impact of the drop in sales due to Government-imposed restrictions. This was achieved through reduction and deferring of expenses, such as rent relief. The response received from stakeholders was positive and the Group will continue with these efforts.

Operational excellence

Once again, in FY20 the Group celebrated multiple individual and team achievements across all departments of the business. In many cases, this recognition came from the OEM brand partners where employees and teams were recognised for industry leading performance but in other cases, it was performance against the Group's own internal standards and benchmarks. Notably, 1st Place, Audi Sutherland Dealer of the Year (Metropolitan), Mercedes-Benz Macgregor Finance Dealer of the Year (Vans) and Mercedes-Benz Toowong Circle of Excellence.

Diversity

At Autosports Group, diversity is about recognising and valuing the contribution of people from different backgrounds, with different perspectives and experiences. This includes age, disability, sexual orientation, ethnicity, religion, cultural background and gender.

The Group recognises the need for better balance and representation of women across the business. For the last two years, the Group has set and delivered against measurable objectives to improve the gender balance in a sustainable way. The Group has developed realistic gender diversity targets in three prioritised categories and monitors performance against those targets regularly. In FY20, the Group was particularly pleased to record an increase in the representation of women in technical and trade roles. Leadership and culture training was also delivered during the financial year and will continue in FY21 to reinforce the Group's values and support diversity.

According to the Workplace Gender Equality Agency ('**WGEA**') Report prepared for the financial year (for car retailing businesses, categorised as ANZSIC Code 3911 only), the Group's gender composition was 18% women. The full copy of this report is available on the Group's website at http://investors.autosportsgroup.com.au/investors/?page=corporate- governance. The executive team will continue its focus on gender diversity in FY21.

Marketing and technology

The Group continued to invest in the Salesforce Customer Relationship Management ('**CRM**') platform to improve customer data management. In the last 12 months the digital team focused on improvements to the user interface of the salesforce platform. The Group will continue to invest in strengthening its digital capability and use these platforms to deliver better customer experiences. The marketing teams responded quickly to the changing retail landscape by investing heavily in digital channels and providing opportunities for customers to engage with the Group through a range of contactless offline and online experiences.

Likely developments in operations in future years

The Group acknowledges that the future is uncertain, so its focus in FY21 will be to manage the areas within its control in a similar manner to what was achieved in the second half of FY20. This includes preserving cash, reducing expense and securing the future of its employees. More specifically, the Group intends to:

- drive cost reductions at its dealerships to reduce the cost of doing business;
- review the Group's portfolio mix with particular attention to its OEMs' future product offerings;
- build more flexibility and mobility into its workforce in order to respond to changing business needs;
- look for well-priced strategic acquisitions as the pandemic subsides; and
- most importantly, ensure the health and safety of its staff, customers and stakeholders.

Risk and governance

The Group identified its key risk areas as:

COVID 19 – The Group responded quickly to COVID-19 related risks, which focused primarily on the health and safety of employees and customers and ensuring the cashflow and liquidity position of the business. Due to Government imposed lockdowns and changed market conditions, some dealerships were required to close and consolidate operations necessitating temporary stand down of employees nationally. The Group moved quickly to access Government support through the JobKeeper payment scheme, which helped the Group preserve as many jobs as possible. Cost reduction measures were implemented including increasing access to debt facilities, seeking rent relief from willing landlords and support from OEM suppliers and financiers.

Macroeconomic risks – As the products sold by the Group are discretionary for many customers, the Group's financial performance can be impacted by current and future economic conditions which it cannot control. The Group stays abreast of these conditions and focuses on its internal controls to help manage this risk.

Payroll and wages – The Group reviewed its procedures, conducted an internal audit in relation to payroll controls and centralised its payroll system.

Work, Health and Safety ('WHS') – The Group has a zero-risk tolerance for serious safety incidents. During the financial year the Group revised its Work Health and safety policies and procedures and worked with each business to improve safety reporting and incident management.

Reliance on key personnel – The Group engaged in activities during the financial year to develop the skills and experience of potential successors as part of its succession planning initiatives.

Floorplan compliance risk – The Group will continue to ensure it adheres to the terms of financier floorplan terms, meets the requirements of financier floorplan audits, as well monitor interest rate fluctuations.

Consumer demand – The Group has taken steps to protect itself from the poor trading conditions experienced nationally by Australian automotive retailers including reducing inventory levels and managing variable expenses. The Group will continue to adapt to market conditions as they change. COVID-19 has caused fluctuations in the normal cycle of consumer demand which the Group has responded to with cost reduction measures, investing heavily in digital channels and using creative ways to market its products.

Original equipment manufacturer ('OEM') risk – The Group's supportive and collaborative approach to its relationships with OEMs has cultivated the Group's excellent reputation amongst OEMs.

Regulatory compliance – The Group is subject to a number of Australian laws and regulation such as consumer protection laws, consumer finance laws, laws relating to the sales of insurance products, importation laws, privacy laws and those relating to workplace health and safety. In addition, COVID-19 has resulted in a flood of new laws and public health directives that impact the business.

Changes to market trends – The Group regularly monitors market trends to prepare for changes to consumer preferences and new technologies.

Cybersecurity and Information technology ('IT') infrastructure – Cybersecurity threats are increasingly impacting Australian businesses. During the financial year management made improvements to the Group's cybersecurity infrastructure.

Environmental regulation

The Group is committed to continually improving its operations to deliver better environmental outcomes. The Group is subject to environmental regulation and applies minimum environmental standards at its dealerships and service and collision facilities.

Significant changes in the state of affairs

As mentioned above, the Group made a number of acquisitions, being:

- On 2 August 2019, the Group acquired certain assets and liabilities of Sydney City Prestige for the total consideration of $790,000;
- On 4 September 2019, the Group acquired certain assets and liabilities of Mercedes-Benz Hornsby for the total consideration of $1,590,000; and
- On 12 February 2020, the Group acquired businesses operated by Trivett at Alexandria in Sydney for a total consideration of $5,435,000. The acquisition brings five new brands to the Group's luxury portfolio, including Jaguar, Land Rover, Rolls-Royce, McLaren and Aston Martin. The sixth dealership is Bentley Sydney which will be the Group's first Bentley dealership in New South Wales and third across the Group.

Refer to note 29 to the financial statements for further details relating to the acquisitions.

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

Matters subsequent to the end of the financial year

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has had an adverse impact for the Group up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Subsequent to the reporting date, the Victorian Government imposed Stage 3 and Stage 4 lockdowns in response to the second wave of the pandemic. The impact of these restrictions on the Group's Victorian operations have been taken into account in the measurement of the Group's intangible assets as at 30 June 2020.

In response to the Stage 4 restrictions affecting Greater Melbourne since 2 August 2020, the Group curtailed sales activities where direct contact is required. The Group's sales departments have continued to provide services remotely by facilitating virtual online showrooms and contactless sales. In line with State Government guidelines, the Victorian operations remain open for essential servicing, critical repairs and urgent recalls on-site in line with the Group's COVID-Safe Plan.

Notwithstanding, the extent of the future impact of COVID-19 pandemic on the Group's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, regulations imposed by governments with respect to further outbreaks, and the impact on customers, employees and vendors all of which are uncertain and cannot be predicted at this time.

No other matter or circumstance has arisen since 30 June 2020 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.

Regulatory change

The Franchising Code of Conduct was updated, effective 1 June 2020. The new provisions require manufacturers and dealers to provide notice when not renewing a dealer agreement. It also requires manufacturers and dealers to discuss, plan and agree end of term arrangements when not renewing an agreement. The regulations require manufacturers to disclose significant capital expenditure with a greater degree of specificity and provides a multi-franchisee dispute resolution mechanism.

In response to the Australian Competition and Consumer Commission's ('**ACCC**') report on the new car retailing industry in December 2017, on 29 October 2019 the Federal Government released an update paper on its consultation with industry into the development of a mandatory scheme for the sharing of motor vehicle service and repair information. The scheme is intended to be implemented through primary legislation that requires mandatory sharing of information unless it is on a list of excluded information.

In 2018 the ACCC issued a Takata airbag inflator recall notice. The recall requires all defective airbags to be replaced by 31 December 2020. The dealerships have been working closely with OEMs to carry out airbag replacements. The Group has monitored its portfolio in relation to the recall during the financial year.

The Group is required to prepare a modern slavery statement in respect of FY20 pursuant to the Modern Slavery Act 2018. During the financial year, the Group adopted a modern slavery plan and carried out due diligence in relation to its supply chains and implemented remediation guidelines. The inaugural modern slavery statement is available at http://investors.autosportsgroup.com.au/investors/

The Final Report on the Royal Commission into the misconduct in the Banking, Superannuation and Financial Services industry identified a number of recommendations which may impact the automotive industry. None of the recommendations are expected to have a significant impact on the Group. The Government released exposure draft legislation to address the Commission's recommendations in relation to add-on insurance and caps on commissions.

A statutory review of the Motor Dealers and Repairer's Act 2013 (NSW) which provides the regulatory framework for the Groups' dealer and repairers is in progress with a final report expected to be tabled at Parliament by 1 December 2020.

Current Directors

Thomas ('Tom') Pockett

Title: Independent Chairman (appointed to the Board on 29 August 2016)

Qualifications: Fellow of the Institute of Chartered Accountants Australia and New Zealand and a Bachelor of Commerce from the University of New South Wales

Experience and expertise:

Tom is the Chairman of Stockland Corporation and a Non-Executive Director of Insurance Australia Group Limited, O'Connell Street Associates Limited and Sunnyfield, a not-for-profit disability services provider in New South Wales. Tom was Chief Financial Officer of Woolworths Limited (2002 to 2014) and Executive Director (2006 to 2014). He previously held the position of Deputy Chief Financial Officer at the Commonwealth Bank of Australia and prior to that held several senior finance roles within the Lend Lease Group following a successful career with Deloitte.

Other current directorships:

Chairman of Stockland Corporation Limited (ASX: SGP) (from 1 September 2014) and Non-Executive Director of Insurance Australia Group (ASX: IAG) (from 1 January 2015)

Former directorships (last 3 years): None

Special responsibilities: Chairman, Member of Audit and Risk Committee and People and Remuneration Committee

Interests in shares: 166,667 ordinary shares held directly

Interests in options: None

Interests in rights: None

Nicholas ('Nick') Pagent

Title: Managing Director and Chief Executive Officer (appointed on 29 August 2016)

Experience and expertise:

Nick has over 24 years' experience in the motor vehicle industry across Australia and the United Kingdom. Prior to founding Autosports Group, Nick worked in the United Kingdom in senior roles including Director of Sales and Dealer Principal with Mercedes-Benz London and Executive Audi, St Albans.

Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities: Managing Director and Chief Executive Officer

Interests in shares: 39,332,149 ordinary shares held indirectly (104,648,952 ordinary shares when combined with Ian Pagent's holding for the purpose of substantial holder declarations)

Interests in options: None

Interests in rights: 588,009 LTI performance rights convertible into 588,009 ordinary shares

James ('Ian') Pagent

Title: Executive Director (appointed on 29 August 2016)

Experience and expertise:

Ian has over 51 years' experience in the motor vehicle industry across Australia, Asia and the United States. Between 1988 and 2002, Ian was co-owner and Managing Director of Trivett Classic Group. During this period, he was the dealer principal for BMW, Audi, Volvo, Jaguar, Land Rover, Aston Martin, Porsche, Lamborghini, Lotus, Mazda, Honda, Peugeot, Toyota and MG Rover.

Other current directorships:

Non-Executive Director – Friends of Mater Foundation

Former directorships (last 3 years): None

Special responsibilities: Executive Director

Interests in shares: 65,316,803 ordinary shares held indirectly (104,648,952 ordinary shares when combined with Nick Pagent's holding for the purpose of substantial holder declarations)

Interests in options: None

Interests in rights: 316,398 LTI performance rights convertible into 316,398 ordinary shares

Robert Quant

Title: Independent Non-Executive Director (appointed on 29 August 2016)

Qualifications: Fellow of the Institute of Chartered Accountants Australia and New Zealand and a Bachelor of Accounting from the University of Technology, Sydney

Experience and expertise:

Robert has over 37 years' experience in professional accounting in advisory and leadership roles having developed sector expertise in retail automotive and professional services. His most recent executive roles include Global Leader - Asia Pacific for Grant Thornton International Limited and Chief Executive Officer of Grant Thornton Australia Limited. As well as sitting on and chairing a number of private boards, he advises in the areas of strategy development and organisational change.

Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities: Chair of Audit and Risk Committee and member of People and Remuneration Committee

Interests in shares: 62,499 ordinary shares held indirectly

Interests in options: None

Interests in rights: None

Current Directors (continued)

Marina Go

Title: Independent Non-Executive Director (appointed on 28 October 2016)

Qualifications: Master of Business Administration from the Australian Graduate School of Management ('**AGSM**') and a Bachelor of Arts from Macquarie University

Experience and expertise:

Marina Go is Chair of Suncorp Super Netball and Ovarian Cancer Australia, a Non-Executive Director of EnergyAustralia, 7-Eleven, Pro-Pac, and The Walkley Foundation, Member of the UNSW Business Advisory Council, a director of PwC's Diversity Advisory Board, and author of the business book for women, "Break Through: 20 Success Strategies for Female Leaders". Marina has over 26 years of leadership experience in the media industry, having started her career as a journalist. Marina is the former Chair of the Wests Tigers NRL Club and Private Media CEO. She is a member of the Australian Institute of Company Directors.

Other current directorships:

None, other than those listed above.

Former directorships (last 3 years): None

Special responsibilities: Chair of People and Remuneration Committee and Member of Audit and Risk Committee

Interests in shares: 40,833 ordinary shares held directly

Interests in options: None

Interests in rights: None

'Other current directorships' quoted above are current directorships for listed entities only.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Other key management and company secretary

Aaron Murray

Title: Chief Financial Officer

Experience and expertise:

Aaron has over 23 years' experience in accounting and the motor vehicle industry. Aaron has held the role of Autosports Group Chief Financial Officer since 2009, after joining the business in 2007. Prior to joining Autosports Group, Aaron held accounting and finance roles with Trivett Classic, McMillan Volkswagen and Audi Centre Parramatta.

Relevant interests in shares: 1,715,328 ordinary shares held indirectly

Interests in rights: 220,507 LTI performance rights convertible into 220,507 ordinary shares

Caroline Raw

Title: Company Secretary and General Counsel (appointed on 23 February 2018)

Qualifications: Fellow of the Institute of Chartered Secretaries and Administrators, Bachelor of Laws and Bachelor of Commerce from Western Sydney University, Graduate Diploma of Applied Corporate Governance from Governance Institute

Experience and expertise:

Caroline has over 15 years' experience as a corporate lawyer advising listed companies and funds on initial public offerings ('**IPOs**'), capital raising, funds management and mergers and acquisitions. Prior to joining Autosports Group, she held a senior role at a national law firm in the equity capital markets and merger and acquisitions practice group. Caroline sat on the Capital Markets Committee of the Property Council of Australia and has previously acted as group company secretary and legal counsel for an ASX-listed property funds management company and an Australian real estate investment trust ('**A-REIT**').

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2020, and the number of meetings attended by each director were:

	Full Board		People and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Thomas Pockett	16	16	7	7	12	12
Nick Pagent*	16	16	7	7	12	12
Ian Pagent*	16	16	7	7	12	12
Robert Quant	16	16	7	7	12	12
Marina Go	16	16	7	7	12	12

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

* Whilst Nick Pagent and Ian Pagent are not members of the People and Remuneration Committee or Audit and Risk Committee, they attended each meeting.

Shares under option

There were no unissued ordinary shares of Autosports Group Limited under option outstanding at the date of this report.

Shares under performance rights

There were 1,457,736 unissued ordinary shares of Autosports Group Limited under performance rights at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of Autosports Group Limited issued on the exercise of options during the year ended 30 June 2020 and up to the date of this report.

Shares issued on the exercise of performance rights

No shares were issued on the exercise of performance rights during or since the end of the financial year. Instead, the Company arranged to purchase shares on-market through a facility offered by its Share Registry, Link Market Services, which satisfied vested performance rights during the financial year. There were no other ordinary shares issued during or since the end of the financial year.

Indemnity and insurance of officers

The Company has entered into Deeds of Indemnity, Insurance and Access with each of the directors as well as the Company Secretary and Chief Financial Officer of the Company to indemnify them for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

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

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 26 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 25 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of Deloitte Touche Tohmatsu

There are no officers of the Company who are former partners of Deloitte Touche Tohmatsu.

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

Deloitte Touche Tohmatsu continues in office in accordance with section 327 of the Corporations Act 2001.

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.

Remuneration report (audited)

Sections

1. Remuneration essentials

What does this report cover?

The directors of Autosports Group Limited ('**ASG**') are pleased to introduce to shareholders the Company's remuneration report for the performance period 1 July 2019 to 30 June 2020 ('financial year' of 'FY20').

Who does this report cover?

This report sets out the remuneration arrangements for the Company's key management personnel ('**KMP**'). Throughout the remuneration report, KMP are referred to as either senior executives or Non-Executive Directors.

The following table sets out the Company's KMP for the financial year. All Non-Executive Directors and senior executives held their positions for the whole of the financial year, unless otherwise indicated.

Non-Executive Directors

Name	Position
Tom Pockett	Chair and independent Non-Executive Director
Marina Go	Independent Non-Executive Director
Robert Quant	Independent Non-Executive Director

Senior executives

Name	Position
Nick Pagent	Managing Director and Chief Executive Officer ('**CEO**')
Ian Pagent	Executive Director
Aaron Murray	Chief Financial Officer ('**CFO**')

Remuneration governance and framework

Role of the Board and People and Remuneration Committee

The Board of Directors (the '**Board**') is responsible for establishing, and overseeing the implementation of, the Company's remuneration policies and frameworks and ensuring that it is aligned with the long-term interests of the Company and its shareholders.

The People and Remuneration Committee assists the Board with these responsibilities. The role of the People and Remuneration Committee is to review key aspects of the Group's remuneration structure and arrangements and make recommendations to the Board. In particular, the People and Remuneration Committee reviews and recommends to the Board:

- arrangements for the senior executives (including annual remuneration and participation in short-term and long-term incentive plans);
- key performance indicator ('**KPI**') targets for senior executives that align with the Company's short and long-term goals and cultural expectations;
- remuneration arrangements for Non-Executive Directors;
- major changes and developments to the Company's equity incentive plans; and
- whether offers are to be made under the Company's employee equity incentive plans in respect of a financial year and the terms of any offers. Recommendations are made based on annual reviews of senior executive's performance against KPIs.

Use of remuneration consultants and other advisors

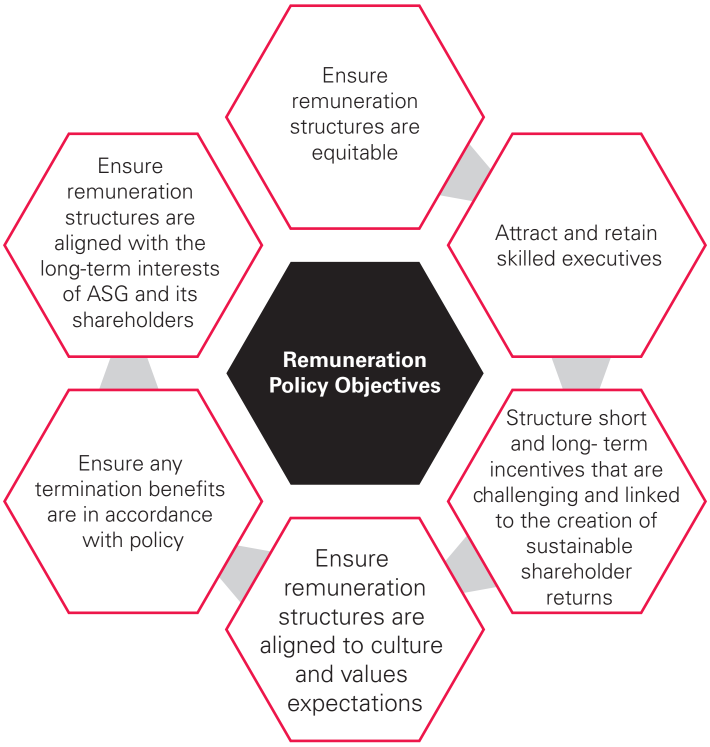
In FY20, the impact of the Coronavirus (COVID-19) pandemic prompted an immediate review of workforce management and wage costs. Given voluntary decisions made by Non-Executive Directors and senior executives to reduce remuneration and forfeit eligibility for short-term and long-term incentives to support the Company during this period, independent remuneration advice was deferred.

Remuneration policy and guiding principles

Executive remuneration

The Company's remuneration framework is designed to be competitive and to focus senior executives on executing the Group's strategy and achieving its business objective to increase shareholder value.

The Board and the People and Remuneration Committee are guided by the following objectives when making decisions regarding senior executive remuneration:



Non-Executive Director remuneration

In remunerating Non-Executive Directors, the Group aims to ensure that it can attract and retain qualified and experienced directors having regard to:

- the specific responsibilities and requirements for the Board;
- fees paid to Non-Executive Directors of other comparable Australian companies; and
- the size and complexity of the Group's operations.

Remuneration mix and components

The Group's executive remuneration frameworks summarised below and includes components of remuneration which are structured to motivate executives to deliver sustained returns through a mix of short-term and long-term incentives.

Executive remuneration framework

Fixed remuneration ('Fixed REM') – Cash

- Base salary plus superannuation and other benefits
- Influenced by individual skills, qualifications, experience and performance
- Reviewed annually

Short-term incentive ('STI') (at risk) – Equity

- STI is subject to performance hurdles (including net profit after tax ('**NPAT**') and other benefits
- Subject to a culture and values gateway hurdle
- Performance generally measured over 12 months
- Granted in performance rights which will vest following a 12-month deferral period subject to the executive's continuous service

Long-term incentive ('LTI') (at risk) – Equity

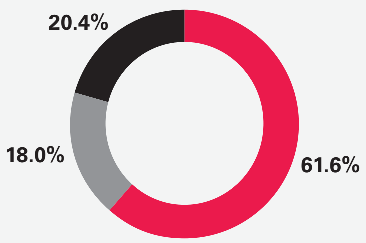
- Granted in performance rights
- Vesting subject to an earnings per share ('**EPS**') performance condition
- Performance generally measured over 3 years

Market competitive base reward encourages sustainable performance in the medium to longer term and provides a retention element

The tables below illustrate the remuneration mix for the senior executives at target performance.

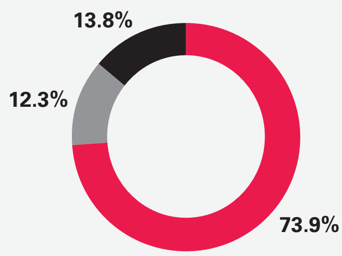
Remuneration mix at target for Nick Pagent for the financial year

- Fixed REM
- LTI
- STI



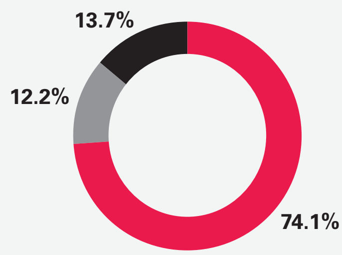
Remuneration mix at target for Ian Pagent for the financial year

- Fixed REM
- LTI
- STI



Remuneration mix at target for Aaron Murray for the financial year

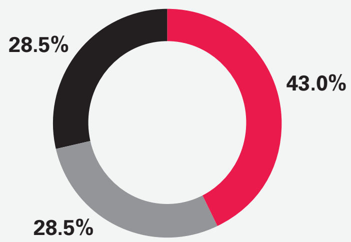
- Fixed REM
- LTI
- STI



The tables below illustrate the remuneration mix for the senior executives at maximum performance.

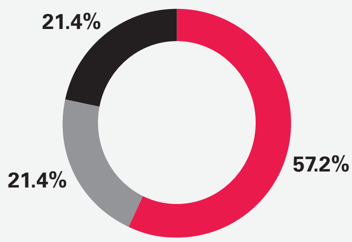
Remuneration mix at maximum performance for Nick Pagent for the financial year

- Fixed REM
- LTI
- STI



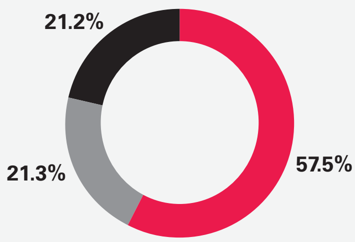
Remuneration mix at maximum performance for Ian Pagent for the financial year

- Fixed REM
- LTI
- STI



Remuneration mix at maximum performance for Aaron Murray for the financial year

- Fixed REM
- LTI
- STI



Company performance

Despite a promising start to the financial year in terms of successful acquisitions and a lift in the luxury new car market, the Coronavirus (COVID-19) pandemic was unexpected. In response to the first lockdowns in March/April 2020, the Group moved quickly to review operations and wage expenses. To support the Group through this period, senior executives forfeited STI and LTI grants they may have been eligible to receive in respect of FY20 and agreed to reduce base salaries by up to 40% until 31 December 2020 (Aaron Murray's fixed remuneration will be reinstated in full, effective 1 July 2020). Non-Executive Directors forfeited all directors' fees for the final quarter of FY20. The Board also made a decision to defer its annual pay review process until FY2021.

Notwithstanding decisions to forfeit incentives, the Board reviewed senior executive performance against individualised balanced scorecards to measure results against identified priority areas.

Unfortunately, market disruption resulting from COVID-19 impacted on management's ability to achieve financial KPIs. However, notwithstanding this, senior management successfully completed several key acquisitions, optimised opportunities within the particularly difficult trading conditions and continued to drive improvements in the business.

The Group's remuneration structure was established to reward both short-term and long-term growth with gateway hurdles of upholding cultural and value expectations for continual improvement in corporate governance, compliance, risk management and stakeholder relationships. It is also intended to retain skilled executives in the long-term interests of the business.

The table below shows the Company's financial performance using a number of key measures since the company listed on the Australian Securities Exchange ('**ASX**') in November 2016.

	Share performance		Earnings performance				Liquidity	
Financial year ended 30 June	Closing share price ($)	Dividend per share (cents)[1]	Basic Earnings per share ('EPS') (cents)	Earnings Before Interest and tax ('EBIT') $M	Net profit after tax ('NPAT') $M	Return on Equity ('ROE') %	Cash flow from operations $M	Interest coverage (Earnings before interest and tax ('EBITDA'))
2020	1.17	-	(50.97)	(76.1)	(102.3)	(27.15)	83.8	3.54
2019	1.26	3.0	5.57	41.5	11.4	2.3	45.3	3.29
2018	1.70	9.0	12.99	50.7	26.4	5.3	46.1	4.51
2017[2]	2.09	4.6	6.07	23.8	12.4	2.5	24.2	5.25

1. 100% franked at 30% corporate income tax.
2. 2017 is the period from Listing 16 November 2016 to 30 June 2017.

2. Senior executive remuneration in detail

Fixed remuneration

The remuneration of all senior executives includes a fixed component comprised of base salary and employer superannuation contributions and other benefits associated with the provision and use of motor vehicles.

Fixed remuneration is regularly reviewed by the People and Remuneration Committee with reference to each senior executive's individual performance and, as appropriate, relevant comparative compensation in the market.

Fixed remuneration for senior executives is market-aligned to similar roles in companies of a comparable size, complexity and scale to Autosports Group.

Short-term incentive

Overview of the STI plan	The STI plan is an 'at-risk' component of executive remuneration whereby, if the applicable performance conditions are met, STI awards will be delivered in the form of performance rights which will vest after a further deferral of one year subject to the executive's continued service.
Participation	Executive directors and other members of senior management are eligible to participate in the STI plan.
Performance period	1 July 2019 to 30 June 2020.
STI opportunity	The STI opportunities of the senior executives are set out below: (see table below)

	Level of performance	
	At target	**At maximum**
Nick Pagent	33% of base salary	75% of base salary
Ian Pagent	20% of base salary	45% of base salary
Aaron Murray	20% of base salary	45% of base salary

Each senior executive's STI opportunity is assessed against individually weighted financial and non-financial performance hurdles.

The Board has also determined that performance would be assessed from 90% of target whereby if performance is determined to be between 90% and 100% of target, senior executives would be rewarded with 30% of the relevant individually weighted STI opportunity. If performance is assessed to be between target and maximum, a straight-line pro-rata STI award would be awarded. Additionally, all performance matrices are assessed exclusive of new or unbudgeted acquisitions.

For FY2021, given the uncertain impact of COVID-19, the Board has agreed to a mid-year review of senior executive financial KPI's in relation to STI's.

Performance conditions

Performance conditions for the initial grant include:

- a "gateway hurdle" of upholding the Company's culture and values. If the gateway hurdle is not met, no STI is awarded; and
- in addition, each senior executive has an individualised balanced scorecard that determines their STI awards. These scorecards incorporate individually weighted financial and non-financial performance hurdles determined by the Board annually. The financial hurdles primarily focus on the financial objectives of the Group and include targets measured against Revenue, EBITDA and EPS. EPS is calculated having regard to underlying profit, which measures profit from the Group's ongoing operations adjusted, where the Board considers it appropriate. The non-financial performance hurdles are aligned to each senior executive's role and include culture hurdles, growth, stakeholder relationships, safety, diversity, risk and corporate governance to ensure the business continues to be well managed.

The Board has determined that the combination of financial and non-financial conditions provides the appropriate balance between short-term financial measures and the more strategic non-financial measures which in the medium to long-term will ultimately drive further growth and returns for shareholders.

Measurement of performance conditions	Following the end of the financial year, the People and Remuneration Committee assesses the performance of senior executives against the performance conditions set by the Board and determines the actual level of award for the senior executives for the initial grant and, therefore, the number of performance rights to be granted. The Board believes this method is most efficient and results in the most accurate outcomes.
Delivery of STI awards	Following measurement against performance conditions, STI awards are delivered in the form of performance rights which will vest following a deferral period of 12 months subject to a continuous service condition.
Performance rights	Upon vesting, each performance right entitles the senior executive to one ordinary share in the Company. The Board has the discretion to settle performance rights with a cash equivalent payment. Performance rights are granted for nil consideration and no amount is payable on vesting.
Number of performance rights to be granted	The number of performance rights to be granted to senior executives is determined by dividing any STI award that the executive becomes entitled to receive by the volume weighted average price ('**VWAP**') of shares traded on the ASX during the 10 trading days following the release of the Group's FY20 audited results.
Dividend and voting rights	Performance rights do not carry dividend or voting rights prior to vesting. Shares allocated on vesting carry the same dividend and voting rights as other shares.
Treatment on cessation of employment	If a senior executive ceases to be employed during the 12 month deferral period, the following treatment will apply, unless the Board determines otherwise: • if they resign or are summarily terminated, all of their rights will lapse; or • if they cease employment in any other circumstance, a pro rata portion (for the portion of the performance period elapsed) of unvested rights will remain on foot and will vest in the ordinary course.
Change of control	The Board may determine that all or a specified number of a senior executive's performance rights will vest or cease to be subject to restrictions where there is a change of control event.
Clawback and preventing inappropriate benefits	The Board has broad clawback powers if, for example, the senior executive has acted fraudulently or dishonestly or there is a material financial misstatement.

Percentage of STI awarded and forfeited for senior executives during the financial year

Details of the STI outcomes received by senior executives during the financial year are outlined in the table below.

Senior executives	Year	Minimum potential STI bonus ($)	Maximum potential STI bonus ($)[1]	STI award ($)	% of target STI award granted	% of maximum STI award granted	% pf maximum STI award forfeited
Nick Pagent	2020	-	450,000	-	-	-	100%[2]
	2019	-	450,000	59,400	30%	13%	87%
Ian Pagent	2020	-	180,000	-	-	-	100%[2]
	2019	-	180,000	40,000	50%	22%	78%
Aaron Murray	2020	-	168,750	-	-	-	100%[2]
	2019	-	168,750	18,750	25%	11%	89%

1. The maximum potential bonus is determined by reference to the maximum STI opportunity available to each executive as a percentage of their base salary.
2. Entitlement to STI in respect of FY20 voluntarily forfeited by KMP due to COVID-19 pandemic.

Long-term incentive

Set out below is an explanation of the terms and conditions applying to the LTI awards for senior executives during the performance period.

Overview of the LTI plan	The LTI plan is an 'at-risk' equity component of executive remuneration which is subject to the satisfaction of a long-term performance condition.
Participation	Executive directors and other members of senior management are eligible to participate in the LTI plan.
Instrument	Upon vesting, each performance right entitles the senior executive to one ordinary share in the Company. The Board has the discretion to settle performance rights with a cash equivalent payment. Performance rights are granted for nil consideration and no amount is payable on vesting.
Number of performance rights to be granted	The number of performance rights granted to each senior executive will be determined by dividing the LTI award opportunity (calculated as a percentage of the senior executive's base salary) by the VWAP of shares traded on the ASX during the 10 trading days following the release of the Group's full year results for that financial year.
Performance period	LTI grants have a three-year performance period.
Performance conditions	Performance rights will be tested against the compound annual growth rate ('**CAGR**') of the Group's underlying EPS. The percentage of performance rights that vest, if any, will be determined by reference to the following vesting schedule, subject to any adjustments for abnormal or unusual profit items that the Board, in its absolute discretion, considers appropriate:

CAGR of the Company's underlying EPS over the performance period	Percentage of performance rights that vest
Less than 7%	Nil
7% (threshold performance)	50%
Between 7% and 15%	Straight-line pro rata vesting between 50% and 100%
15% or above (maximum performance)	100%

The Board will arrange for the performance condition to be tested following the release of the Company's full year results. Any rights that remain unvested at the end of the performance period will lapse immediately.

A continuous service condition also applies to the performance rights, subject to the cessation of employment provisions described below.

The EPS performance condition has been chosen as it provides evidence of the Company's growth in earnings and is directly linked to shareholder returns.

Measurement and testing of performance conditions	To measure the EPS performance condition, financial results are extracted by reference to the Company's audited financial statements. The use of financial statements ensures the integrity of the measure and alignment with the true financial performance of the Company. EPS is calculated having regard to underlying profit, which measures profit from the Group's ongoing operations adjusted, where the Board considers it appropriate.
Dividend and voting rights	The performance rights do not carry dividend or voting rights prior to vesting. Shares allocated on vesting carry the same dividend and voting rights as other shares.
Treatment on cessation of employment	If an executive ceases to be employed before the executive's performance rights vest, the following treatment will apply, unless the Board determines otherwise: • if the executive resigns or is summarily terminated, all their performance rights will lapse; or • if the executive ceases employment in any other circumstances, a pro rata portion (for the portion of the performance period elapsed) of their rights will remain on foot and will be tested after the end of the performance period against the performance condition.
Change of control	The Board may determine that all or a specified number of a senior executive's performance rights will vest or cease to be subject to restrictions where there is a change of control event.
Clawback and preventing inappropriate benefits	The Board has broad clawback powers if, for example, the senior executive has acted fraudulently or dishonestly or there is a material financial misstatement.

Executive service agreements

Each of the senior executives is party to a written executive service agreement with the Company. The key terms of these agreements are set out below.

Duration	Ongoing term
Base salary	Nick Pagent – $600,000 per annum base salary plus other benefits (including superannuation) valued at $87,236. Ian Pagent – $400,000 per annum base salary plus other benefits (including superannuation) valued at $80,216. Aaron Murray – $375,000 per annum base salary plus other benefits (including superannuation) valued at $80,236.
Periods of notice required to terminate and termination payments	Nick Pagent – either party may terminate the contract by giving 12 months' notice. Ian Pagent – either party may terminate the contract by giving 12 months' notice. Aaron Murray – either party may terminate the contract by giving 3 months' notice. The Company may terminate immediately in certain circumstances, including where the relevant senior executive engages in serious or wilful misconduct.

3. Non-Executive Director remuneration

Principles of Non-Executive Director remuneration

As outlined in section 2, in remunerating Non-Executive Directors, the Group aims to ensure that it can attract and retain qualified and experienced directors having regard to:

- the specific responsibilities and requirements for the Board;
- fees paid to Non-Executive Directors of other comparable Australian companies; and
- the size and complexity of the Group's operations.

Non-Executive Director remuneration for the financial year

Board fees

The current Non-Executive Director fee pool is set at $800,000 per annum, which was included the Company's Prospectus. The Non-Executive Directors' fees are $200,000 for the Chair and $100,000 for other Non-Executive Directors (including superannuation) per annum.

Directors may be remunerated for reasonable travel and other expenses incurred in attending to the Group's affairs and any additional services outside the scope of Board and Committee duties they provide.

In order to maintain their independence, Non-Executive Directors do not have any 'at risk' remuneration component. The Group does not pay benefits (other than statutory entitlements) on retirement to Non-Executive Directors.

Committee fees

Non-Executive Directors are paid Committee fees of $20,000 (including superannuation) per annum for each Board Committee of which they are a Chair. Directors do not receive additional fees for being a member of a Board Committee.

Non-Executive Director remuneration for the financial year ending 30 June 2021 ('FY21')

In FY20, in response to COVID-19, Non-Executive Directors forfeited all directors' fees for the final quarter of FY20, The Board also agreed to defer its annual review of base fees and terms of engagement for Non-Executive Directors.

4. Statutory remuneration disclosures

Senior executive and Non-Executive Director remuneration

The following table sets out the statutory disclosures in accordance with the Accounting Standards for the financial year.

		Short-term employee benefits		Post-employment benefits		Share-based payments	
		Cash salary/fees $	Non-monetary[1] $	Super-annuation $	Long service leave $	Rights[2] $	Total $
Non-Executive Directors							
Tom Pockett	2020	133,474	-	12,680	-	-	146,154
	2019	182,649	-	17,351	-	-	200,000
Marina Go	2020	80,084	-	7,608	-	-	87,692
	2019	109,589	-	10,411	-	-	120,000
Robert Quant	2020	80,084	-	7,608	-	-	87,692
	2019	109,589	-	10,411	-	-	120,000
Senior Executives							
Nick Pagent	2020	541,385	66,233	21,003	10,044	(23,099)	615,566
	2019	600,000	59,950	20,531	9,968	243,073	933,522
Ian Pagent	2020	338,846	59,213	21,003	27,485	(9,239)	437,308
	2019	392,307	60,980	20,531	-	113,469	587,287
Aaron Murray	2020	352,789	59,233	21,003	6,227	(8,662)	430,590
	2019	375,000	60,760	20,531	6,229	87,626	550,146

1. The amounts disclosed as non-monetary benefits includes things such as motor vehicle, motor vehicle insurance, fringe benefit tax on motor vehicle and fuel allowance.
2. The value of rights granted to the senior executives is based on the fair value estimate on grant date.

There were no termination benefits provided in the financial year.

Movements in performance rights held by KMPs

The following table shows the changes in performance rights granted to KMPs during the financial year including the performance rights on issue and subject to exercise at a later date.

The Non-Executive Directors do not hold performance rights.

Performance rights awarded, vested and lapsed/forfeited during the year and available for exercise in future years are detailed below.

	Grant date	Performance period	Rights held at 1 July 2019	Rights granted during the reporting period	Rights exercised during the reporting period	Rights lapsed or forfeited during the reporting period[1]	Rights held at 30 June 2020
Nick Pagent							
STI - FY18	13 December 2018	1 July 2017 - 30 June 2018	81,358[2]	-	(81,358)[2]	-	-
STI - FY19	11 December 2019	1 July 2018 - 30 June 2019	-	40,189[4]	(40,189)[3]	-	-
LTI - FY18	28 November 2017	1 July 2017 - 30 June 2020	187,500[4]	-	-	(187,500)	-
LTI - FY19	13 December 2018	1 July 2018 - 30 June 2021	283,554[5]	-	-	-	**283,554**
LTI - FY20	11 December 2019	1 July 2019 - 30 June 2022	-	304,465[6]	-	-	**304,465**
Total			**552,412**	**344,654**	**(121,547)**	**(187,500)**	**588,019**
Ian Pagent							
STI - FY18	13 December 2018	1 July 2017 - 30 June 2018	47,767[2]	-	(47,767)[2]	-	-
STI - FY19	11 December 2019	1 July 2018 - 30 June 2019	-	27,064[3]	(27,064)[3]	-	-
LTI - FY18	28 November 2017	1 July 2017 - 30 June 2020	75,000[4]	-	-	(75,000)	-
LTI - FY19	13 December 2018	1 July 2018 - 30 June 2021	113,421[5]	-	-	-	**113,421**
LTI - FY20	11 December 2019	1 July 2019 - 30 June 2022	-	202,977[6]	-	-	**202,977**
Total			**236,188**	**230,041**	**(74,831)**	**(75,000)**	**316,398**
Aaron Murray							
STI - FY18	13 December 2018	1 July 2017 - 30 June 2018	30,604[2]	-	(30,604)[2]	-	-
STI - FY19	11 December 2019	1 July 2018 - 30 June 2019	-	12,686[3]	(12,686)[3]	-	-
LTI - FY18	28 November 2017	1 July 2017 - 30 June 2020	70,312[4]	-	-	(70,312)	-
LTI - FY19	13 December 2018	1 July 2018 - 30 June 2021	106,332[5]	-	-	-	**106,332**
LTI - FY20	11 December 2019	1 July 2019 - 30 June 2022	-	114,175[6]	-	-	**114,175**
Total			**207,248**	**126,861**	**(43,290)**	**(70,312)**	**220,507**

1. KMP voluntarily forfeited LTI performance rights with performance period ended 30 June 2020 due to the COVID-19 pandemic.
2. Fair value of FY18 STI performance rights on grant date was $1.20 per right. Each right entitles the holder to one fully paid ordinary share subject to satisfaction of a 12-month continuous service condition which ended 30 June 2019. These rights were exercised and shares allocated on 11 December 2019 at a closing price of $1.44 per share.
3. Fair value of FY19 STI performance rights on grant date was $1.20 per right. Each right entitles the holder to one fully paid ordinary share subject to satisfaction of a 12-month continuous service condition which ended 30 June 2020. These rights were exercised and shares allocated on 30 June 2020 at a closing price of $1.17 per share.
4. Fair value of FY18 LTI performance rights on grant date was $2.13 per right.
5. Fair value of FY19 LTI performance rights on grant date was $1.20 per right.
6. Fair value of FY20 LTI performance rights on grant date was $1.44 per right.

KMP shareholdings

The following table outlines the movements in KMP ordinary shareholdings in the Company (including their related parties) for the financial year.

	Shares held at 1 July 2019	Received as part of remuneration	Additions[1]	Disposals/ ther	Shares held at 30 June 2020
Non-Executive Directors					
Thomas Pockett	166,667	-	-	-	166,667
Marina Go	40,833	-	-	-	40,833
Robert Quant	62,499	-	-	-	62,499
Senior executives					
Nick Pagent	39,210,602	121,547	-	-	39,332,149
Ian Pagent	65,241,972	74,831	-	-	65,316,803
Aaron Murray	1,672,038	43,290	-	-	1,715,328
	106,394,611	239,668	-	-	106,634,279

1. On market purchase of shares.

5. Transactions with KMP

Management fees

During the financial year the Group received property management fees on a salary allocation basis for administration and management of properties owned by Ian and Nick Pagent. The Group received administration service fees in relation to shared administration staff managing a dealership outside of the Group and owned by Ian and Nick Pagent.

Related party management fee	Fee Type	The Group received management fees $
GFB Properties Pty Ltd	Property management service	12,600
Autohaus Prestige Five Dock Pty Ltd	Property management service	25,200
Audi Parramatta Property Holdings Pty Ltd	Property management service	12,600
Audi Parramatta Properties 2 Pty Ltd	Property management service	12,600
Autosports Properties Leichhardt Pty Ltd	Property management service	25,200
New Centenary Properties Pty Ltd	Property management service	12,600
NDI Properties Pty Ltd	Property management service	12,600
Total		113,400

Related party leases

During the financial year the Group had operating lease agreements on commercial terms with various entities owned by Ian and Nicholas Pagent.

Related party operating leases	Property location	The Group paid rental fees[1] $
GFB Properties Pty Ltd	3-7 Parramatta Rd, Five Dock NSW	720,814
Autohaus Prestige Five Dock Pty Ltd	34-36 Spencer St, Five Dock NSW and Unit C 2 Packard Ave, Castle Hill NSW, 26-28 Chard Road, Brookvale NSW	364,848
Audi Parramatta Property Holdings Pty Ltd	49-51 Church St, Parramatta NSW	549,135
Audi Parramatta Properties 2 Pty Ltd	13 Church St, Parramatta NSW	433,083
Autosports Properties Leichhardt Pty Ltd	531-571 Parramatta Rd, Leichhardt NSW	945,726
New Centenary Properties Pty Ltd	135 Moggill Rd, Toowong QLD and 45 Dickson Street, Artarmon NSW	2,195,507
Total		5,209,113

1. In respect of related party leases noted above, the Group received $808,020 of rent concessions in the current financial year.

Related party loans

Pursuant to a loan agreement between the Group and entities associated with Nick and Ian Pagent, the aggregate amount recognised under the loan was $2,430,170 as at 30 June 2020. The loan is recognised in the financial statements as a non-current liability. There is no interest payable on the loan.

End of remuneration report

Auditor's independence declaration

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

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Thomas Pockett	**Nicholas Pagent**
Independent Chairman	Chief Executive Officer
28 August 2020	
Sydney	

Deloitte.

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28 August 2020

The Board of Directors
Autosports Group Limited
565 Parramatta Road
Leichhardt
NSW 2040
Australia

Dear Directors

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 audit of the financial report of Autosports Group Limited for the year ended 30 June 2020, 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 audit; and

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Carlo Pasqualini
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Asia Pacific Limited and the Deloitte organisation.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

	Note	Consolidated 30 June 2020 $'000	Consolidated 30 June 2019 $'000 (Restated)
Revenue	6	1,701,688	1,693,618
Interest revenue		18	22
Expenses			
Changes in inventories		(61,341)	(6,351)
Raw materials and consumables purchased		(1,374,995)	(1,411,798)
Employee benefits expense		(113,265)	(126,453)
Depreciation and amortisation expense	7	(43,584)	(39,399)
Occupancy costs		(5,413)	(3,404)
Acquisition and restructure expenses		(1,185)	(828)
Other expenses		(68,862)	(63,922)
Finance costs	7	(21,640)	(24,611)
Profit before income tax expense and impairment		11,421	16,874
Impairment of goodwill	13	(109,174)	-
Profit/(loss) before income tax expense		(97,753)	16,874
Income tax expense	8	(4,544)	(5,448)
Profit/(loss) after income tax expense for the year		(102,297)	11,426
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(102,297)	11,426
Profit/(loss) for the year is attributable to:			
Non-controlling interest	21	149	208
Owners of Autosports Group Limited		(102,446)	11,218
		(102,297)	11,426
Total comprehensive income for the year is attributable to:			
Non-controlling interest	21	149	208
Owners of Autosports Group Limited		(102,446)	11,218
		(102,297)	11,426

		Cents	Cents
Basic earnings per share	32	(50.97)	5.58
Diluted earnings per share	32	(50.97)	5.56

Refer to note 3 for detailed information on Restatement of comparatives.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Note	30 June 2020 $'000	Consolidated 30 June 2019 $'000 (Restated)	1 July 2018 $'000 (Restated)
Assets				
Current assets				
Cash and cash equivalents		**38,817**	11,292	14,302
Trade and other receivables	9	**92,753**	104,571	104,166
Inventories	10	**339,632**	346,395	352,658
Other assets	11	**8,405**	6,918	4,940
Total current assets		**479,607**	469,176	476,066
Non-current assets				
Property, plant and equipment	12	**92,819**	68,121	59,273
Right-of-use assets	14	**165,731**	160,061	166,013
Intangibles	13	**429,240**	531,938	535,203
Deferred tax	8	**17,544**	14,525	10,778
Total non-current assets		**705,334**	774,645	771,267
Total assets		**1,184,941**	1,243,821	1,247,333
Liabilities				
Current liabilities				
Trade and other payables	15	**120,206**	80,971	75,439
Contract liabilities		**1,547**	2,506	4,547
Income tax payable	8	**8,935**	2,690	5,721
Employee benefits	16	**14,397**	12,203	11,012
Borrowings	17	**392,621**	407,490	414,013
Lease liabilities	18	**38,582**	38,099	30,699
Total current liabilities		**576,288**	543,959	541,431
Non-current liabilities				
Trade and other payables	15	**2,430**	2,430	-
Employee benefits	16	**2,495**	1,475	1,488
Borrowings	17	**70,958**	62,476	65,530
Lease liabilities	18	**151,489**	143,714	147,014
Total non-current liabilities		**227,372**	210,095	214,032
Total liabilities		**803,660**	754,054	755,463
Net assets		**381,281**	489,767	491,870
Equity				
Issued capital	19	**475,637**	475,637	475,637
Share-based payments reserve	20	**874**	1,033	894
Retained profits/(accumulated losses)		**(99,126)**	9,350	11,800
Equity attributable to the owners of Autosports Group Limited		**377,385**	486,020	488,331
Non-controlling interest	21	**3,896**	3,747	3,539
Total equity		**381,281**	489,767	491,870

Refer to note 3 for detailed information on Restatement of comparatives.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

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
Adjustment for change in accounting policy (note 3)	-	-	(8,812)	-	(8,812)
Balance at 1 July 2018 - restated	475,637	894	11,800	3,539	491,870
Profit after income tax expense for the year	-	-	11,218	208	11,426
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	11,218	208	11,426
Transactions with owners in their capacity as owners:					
Share-based payments (note 34)	-	139	-	-	139
Dividends paid (note 22)	-	-	(13,668)	-	(13,668)
Balance at 30 June 2019	**475,637**	**1,033**	**9,350**	**3,747**	**489,767**

Refer to note 3 for detailed information on Restatement of comparatives.

Consolidated	Issued capital $'000	Share-based payments reserve $'000	Retained profits $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2019	475,637	1,033	9,350	3,747	489,767
Profit/(loss) after income tax expense for the year	-	-	(102,446)	149	(102,297)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	(102,446)	149	(102,297)
Transactions with owners in their capacity as owners:					
Share-based payments (note 34)	-	(159)	-	-	(159)
Dividends paid (note 22)	-	-	(6,030)	-	(6,030)
Balance at 30 June 2020	**475,637**	**874**	**(99,126)**	**3,896**	**381,281**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	Note	Consolidated 30 June 2020 $'000	30 June 2019 $'000 (Restated)
Cash flows from operating activities			
Profit/(loss) before income tax expense for the year		(97,753)	16,874
Adjustments for:			
Depreciation and amortisation	7	43,584	39,399
Impairment of goodwill		109,174	-
Net loss on disposal of property, plant and equipment		1,330	66
Share-based payments	7	(159)	139
Interest received		(18)	(22)
Interest and other finance costs	7	21,640	24,611
		77,798	81,067
Change in operating assets and liabilities:			
Decrease/(increase) in trade and other receivables		11,818	(405)
Decrease in inventories		61,341	6,351
Increase in other operating assets		(1,119)	(1,948)
Increase in trade and other payables		35,581	7,962
Decrease in contract liabilities		(959)	(2,041)
Increase in employee benefits		1,903	970
Decrease in bailment finance		(78,919)	(9,920)
		107,444	82,036
Interest received		18	22
Interest and other finance costs paid		(21,640)	(24,611)
Income taxes paid		(2,031)	(12,184)
Net cash from operating activities		83,791	45,263
Cash flows from investing activities			
Net payment for the acquisition of businesses	29	(7,815)	(1,453)
Payments for property, plant and equipment		(27,073)	(14,450)
Payments for security deposits		(134)	(24)
Proceeds from disposal of property, plant and equipment		-	241
Net cash used in investing activities		(35,022)	(15,686)
Cash flows from financing activities			
Proceeds from borrowings	33	28,663	14,946
Repayment of borrowings	33	(15,264)	(10,262)
Dividends paid	22	(6,030)	(13,668)
Repayment of lease liabilities	33	(28,613)	(23,603)
Net cash used in financing activities		(21,244)	(32,587)
Net (decrease)/increase in cash and cash equivalents		27,525	(3,010)
Cash and cash equivalents at the beginning of the financial year		11,292	14,302
Cash and cash equivalents at the end of the financial year		38,817	11,292

Refer to note 3 for detailed information on Restatement of comparatives.

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 financial 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 28 August 2020. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

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

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

Interpretation 23 Uncertainty over Income Tax

The Group has adopted Interpretation 23 from 1 July 2019. The interpretation clarifies how to apply the recognition and measurement requirements of AASB 112 'Income Taxes' in circumstances where uncertain tax treatments exists. The interpretation requires: the Group to determine whether each uncertain tax treatment should be treated separately or together, based on which approach better predicts the resolution of the uncertainty; the Group to consider whether it is probable that a taxation authority will accept an uncertain tax treatment; and if the Group concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates, measuring the tax uncertainty based on either the most likely amount or the expected value. In making the assessment it is assumed that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. Interpretation 23 was adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact on adoption of Interpretation 23 on the opening retained earnings as at 1 July 2019.

AASB 16 Leases

The Group has adopted AASB 16 on 1 July 2019 using the full retrospective approach. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption: Refer note 3 for impact of full retrospective adoption of AASB 16.

Practical expedients

When adopting AASB 16, the Group has applied the following practical expedients:

- applying a single discount rate to the portfolio of leases with reasonably similar characteristics;
- accounting for leases with a remaining lease term of 12 months as at 1 July 2019 as short-term leases;
- excluding any initial direct costs from the measurement of right-of-use assets;
- using hindsight in determining the lease term when the contract contains options to extend or terminate the lease; and
- not apply AASB 16 to contracts that were not previously identified as containing a lease.

AASB 2020-4 Amendment to Australian Accounting Standards - Covid-19-Related Rent Concessions

The Group has early adopted the AASB 2020-4 amendment to AASB 16. The Group adopted 'lease modification approach' where the right-of-use assets were adjustment with a corresponding adjustment to lease liability. The Group did not apply the practical expedient for lessees to account for COVID-19-related rent concessions as variable lease payments recognised in profit or loss with a corresponding adjustment to the lease liability. To the extent that lease concessions represent a forgiveness or waiver of lease payments, such concessions to the extent that the lease concession in substance represents a delay in lease repayments such that lease consideration is not changed, the lease liability is not extinguished. Interest continues to accrue for that period.

Note 2. Significant accounting policies (continued)

Going concern

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 $96,681,000 as at 30 June 2020 (2019: $74,783,000).

The statement of profit or loss and other comprehensive income reflects a loss of $102,297,000 (2019: profit of $11,426,000).

The directors have reviewed the cash flow forecast for the Group at least through to 31 August 2021. The forecast indicates that the Group will generate net operating cash inflows 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:

- during the year the Group generated $83,791,000 (2019: $45,263,000) of cash inflows from operating activities;
- during the year the Group used $7,815,000 of available cash to fund business acquisitions and $27,073,000 to fund additions to property, plant and equipment and specifically leasehold improvements;
- as at 30 June 2020, the Group has undrawn capital finance facilities amounting to $14,000,000 (2019: $6,348,000); and undrawn bailment finance facility of $208,512,000 (2019: $127,725,000);
- as at 30 June 2020, the Group has cash and cash equivalents amounting to $38,817,000 (2019: $11,292,000);
- the Group has deferred statutory tax obligations of $32,000,000 which will be due on or around 30 September 2020;
- the Group has the continuing support of its financiers and subsequent to the year end has received additional deferral arrangements on its borrowing commitments; and
- the Group has received rent concessions from certain landlords, including a mixture of rent waivers and deferrals.

Given the unpredictability of the COVID-19 pandemic, the Group may require the additional support of its financiers and landlords in the event of further virus outbreaks and potential lock down restrictions.

The directors have concluded that it is appropriate to prepare the financial statements on the going concern basis, as they believe that the Group will comply with its future financial covenants and continue to receive support from its financiers and be able to pay its debts as and when they become due and payable from cash flows from operations and available finance facilities for at least 12 months from the date of signing the financial statements.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('**AASB**') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('**IASB**').

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 35.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Autosports Group Limited as at 30 June 2020 and the results of all subsidiaries for the year then ended.

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

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

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position

Note 2. Significant accounting policies (continued)

and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('**CODM**'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

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.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, 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 of 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 or loss. Bonuses and rebates are recognised when the right to receive payment is established.

Government grants

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary

Note 2. Significant accounting policies (continued)

differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Trade and other receivables

Trade 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

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

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

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

Inventories

New and demonstrator vehicles

New and demonstrator vehicles are stated at the lower of cost and net realisable value. Costs are assigned on the basis of specific identification. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Used vehicles

Used vehicles are stated at the lower of cost and net realisable value on a unit-by-unit basis. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The age of the car is considered in determining the selling price of used cars.

Spare parts and accessories

Spare parts and accessories are stated at the lower of cost and net realisable value. Costs are assigned to individual items on the basis of weighted average cost. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Other inventory

Other inventory includes work in progress held at the lower of cost and net realisable value. Costs are assigned to individual customers on the basis of specific identification. Cost includes labour incurred to date and consumables utilised during the service.

Note 2. Significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	40 years
Plant and equipment	3 – 10 years
Furniture, fixtures and fittings	3 – 10 years
Motor vehicles	4 – 8 years
Leasehold improvements	over the estimated useful life

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Customer relationships

Customer relationships acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite useful life of five years. Customer assets are made up of complementary customer relationships and databases in the servicing and parts business.

Impairment of non-financial assets

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

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

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.

Note 2. Significant accounting policies (continued)

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount and any consideration paid is recognised in profit or loss.

Vehicles secured under bailment plans are provided to the Group under bailment agreements with floor plan loan providers. The Group obtains title to the vehicles immediately prior to sale. Vehicles financed under bailment plans are recognised as inventory with the corresponding floor plan liability owing to the finance providers. Floor plan finance facilities are available for drawdown by specified dealerships on a vehicle by vehicle basis, with repayment as it relates to an individual vehicle required immediately after the vehicle is sold.

Finance costs are expensed in the period in which they are incurred.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties.

The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred. Variable lease payments include rent concessions in the form of rent forgiveness or a waiver as a direct consequence of the Coronavirus (COVID-19) pandemic and which relate to payments originally due on or before 30 June 2021.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award,

Note 2. Significant accounting policies (continued)

the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Autosports Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 2. Significant accounting policies (continued)

Goods and Services Tax ('GST') and other similar taxes

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

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.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2020. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below:

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the Group has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the Group may need to review such policies under the revised framework.

Note 3. Restatement of comparatives

Change in accounting policy

Retrospective adoption of AASB 16 'leases' with effect from 1 July 2018 resulted in recognition of right of use assets amounting to $166,013,000, recognition of lease liabilities of $177,713,000, decrease in property, plant and equipment by $622,000, increase in deferred tax asset by $3,510,000 and $8,812,000 adjustment to opening retained earnings on transition date. The weighted average incremental borrowing rate applied to lease liabilities at the date of initial application is 4.06%.

The Group previously disclosed the impact of AASB 16 in the Interim Financial Report for the half-year ended 31 December 2019. The directors have adjusted previously reported amounts disclosed for 30 June 2019 and 30 June 2018 below, relating to changes in the expected lease term which changed the right-of-use asset, lease liability and retained profits in the respective statement of financial position.

The impact of adoption on the comparative period statement of profit or loss and statements of financial position is provided below.

Note 3. Restatement of comparatives (continued)

Statement of profit or loss and other comprehensive income

	Consolidated		
	30 June 2019		30 June 2019
	$'000	$'000	$'000
Extract	Reported	Adjustment	Restated
Expenses			
Depreciation and amortisation expense	(11,043)	(28,356)	(39,399)
Occupancy costs	(33,774)	30,370	(3,404)
Finance costs	(16,366)	(8,245)	(24,611)
Profit before income tax expense	23,105	(6,231)	16,874
Income tax expense	(7,219)	1,771	(5,448)
Profit after income tax expense for the year	15,886	(4,460)	11,426
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	**15,886**	**(4,460)**	**11,426**
Profit/(loss) for the year is attributable to:			
Non-controlling interest	224	(16)	208
Owners of Autosports Group Limited	15,662	(4,444)	11,218
	15,886	**(4,460)**	**11,426**
Total comprehensive income for the year is attributable to:			
Non-controlling interest	224	(16)	208
Owners of Autosports Group Limited	15,662	(4,444)	11,218
	15,886	**(4,460)**	**11,426**

	Cents Reported	Cents Adjustment	Cents Restated
Basic earnings per share	7.79	(2.21)	5.58
Diluted earnings per share	7.76	(2.20)	5.56

Note 3. Restatement of comparatives (continued)

Statement of financial position at the beginning of the earliest comparative period

	Consolidated		
	1 July 2018		1 July 2018
	$'000	$'000	$'000
Extract	Reported	Adjustment	Restated
Assets			
Non-current assets			
Property, plant and equipment	59,895	(622)	59,273
Right-of-use assets	-	166,013	166,013
Deferred tax	7,268	3,510	10,778
Total non-current assets	602,366	168,901	771,267
Total assets	1,078,432	168,901	1,247,333
Liabilities			
Current liabilities			
Lease liabilities	-	30,699	30,699
Total current liabilities	510,732	30,699	541,431
Non-current liabilities			
Lease liabilities	-	147,014	147,014
Total non-current liabilities	67,018	147,014	214,032
Total liabilities	577,750	177,713	755,463
Net assets	**500,682**	**(8,812)**	**491,870**
Equity			
Retained profits	20,612	(8,812)	11,800
Total equity	**500,682**	**(8,812)**	**491,870**

Note 3. Restatement of comparatives (continued)

Statement of financial position at the end of the earliest comparative period

		Consolidated	
	30 June 2019		30 June 2019
	$'000	$'000	$'000
Extract	**Reported**	**Adjustment**	**Restated**
Assets			
Non-current assets			
Property, plant and equipment	69,105	(984)	68,121
Right-of-use assets	-	160,061	160,061
Deferred tax	9,259	5,266	14,525
Total non-current assets	610,302	164,343	774,645
Total assets	1,079,478	164,343	1,243,821
Liabilities			
Current liabilities			
Borrowings	409,855	(2,365)	407,490
Lease liabilities	-	38,099	38,099
Total current liabilities	508,225	35,734	543,959
Non-current liabilities			
Borrowings	64,309	(1,833)	62,476
Lease liabilities	-	143,714	143,714
Total non-current liabilities	68,214	141,881	210,095
Total liabilities	576,439	177,615	754,054
Net assets	503,039	(13,272)	489,767
Equity			
Retained profits	22,606	(13,256)	9,350
Equity attributable to the owners of Autosports Group Limited	499,276	(13,256)	486,020
Non-controlling interest	3,763	(16)	3,747
Total equity	503,039	(13,272)	489,767

Comparative period statement of cash flows:

In accordance with the above, comparatives in the statement of cash flows have been restated to reflect changes arising from the adoption of AASB 16. Accordingly, net cash flow from operating activities increased by $22,125,000 from $23,138,000 to $45,263,000 and net cash used in financing activities increased by $22,125,000 from $10,462,000 to $32,587,000.

Note 4. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below. Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 9, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

Goodwill

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. Refer to note 13 for further information.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Note 5. 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.

Refer to note 6 for information on revenue from the Group's products and services.

Note 6. Revenue

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Revenue for contracts with customers		
New and demonstrator vehicles	989,895	986,421
Used vehicles	431,073	421,188
Parts	123,900	132,056
Service	113,860	111,052
Aftermarket accessories	12,270	12,196
Finance and insurance revenue	26,488	23,671
	1,697,486	1,686,584
Other revenue		
Other revenue	4,202	7,034
Revenue	1,701,688	1,693,618

Disaggregation of revenue

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 7. Expenses

	Consolidated 30 June 2020 $'000	Consolidated 30 June 2019 $'000
Profit/(loss) before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	3,373	2,921
Plant and equipment	1,955	1,744
Furniture, fixtures and fittings	1,338	1,181
Motor vehicles	720	712
Right-of-use assets	31,291	28,356
Total depreciation	38,677	34,914
Amortisation		
Customer relationships	4,907	4,485
Total depreciation and amortisation	43,584	39,399
Share-based payments expense		
Share-based payment expenses/(reversals) in relation to directors, executives and employees	(159)	139
Finance costs		
Floor plan interest	10,606	12,820
Interest charges paid/payable on lease liabilities	7,801	8,245
Corporate interest	3,233	3,546
Finance costs expensed	21,640	24,611
Leases		
Variable lease payments	343	-
Short-term lease payments	949	388
Rental outgoings	4,121	3,048
	5,413	3,436
Superannuation expense		
Defined contribution superannuation expense	10,033	10,357
Other provisions		
Inventory provision expenses/(credits)	5,630	(356)

Note 7. Expenses (continued)

During the Coronavirus (COVID-19) pandemic, the Group has received JobKeeper support payments amounting to $13,350,000 from the Australian Government, for the period 30 March 2020 to 30 June 2020, which are passed on to eligible employees. These have been recognised as government grants in the financial statements and recorded as a deduction in the employee benefits expenses. The Group is eligible for JobKeeper support from the government on the condition that employee benefits continue to be paid.

The Group received rent relief from its landlords in response to COVID-19 during the period and have elected not to apply the practical expedient under AASB 16.

Note 8. Income tax

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Income tax expense		
Current tax	8,276	9,138
Deferred tax – origination and reversal of temporary differences	(3,732)	(3,690)
Aggregate income tax expense	4,544	5,448
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets	(3,732)	(3,690)
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit/(loss) before income tax expense	(97,753)	16,874
Tax at the statutory tax rate of 30%	(29,326)	5,062
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Permanent tax differences	66	89
Impairment of goodwill	32,752	-
Share-based payments	64	74
	3,556	5,225
Current year tax losses not recognised	174	19
Prior year temporary differences now recognised	814	204
Income tax expense	4,544	5,448

Note 8. Income tax (continued)

	Consolidated 30 June 2020 $'000	Consolidated 30 June 2019 $'000
Deferred tax asset		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised other than in equity:		
Tax losses	5,306	3,576
Allowance for expected credit losses	582	161
Property, plant and equipment	1,324	1,262
Employee benefits	5,220	4,279
Provision for warranties	430	302
Accrued expenses	132	215
Deferred income	1,460	1,884
IPO transaction costs	414	818
Work in progress	(90)	(86)
Right-of-use assets	6,659	5,266
Provision for inventories	454	(924)
Customer relationships	(3,203)	(3,417)
Other items	(1,724)	30
	16,964	13,366
Amounts recognised in equity:		
Unamortised transaction costs on share issue	580	1,159
Deferred tax asset	17,544	14,525
Movements:		
Opening balance	14,525	10,778
Credited to profit or loss	3,732	3,690
Additions through business combinations (note 29)	(713)	57
Closing balance	17,544	14,525

	Consolidated 30 June 2020 $'000	Consolidated 30 June 2019 $'000
Provision for income tax		
Provision for income tax	8,935	2,690

Note 9. Trade and other receivables

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Current assets		
Trade receivables	85,144	97,917
Other receivables	9,197	6,870
Less: Allowance for expected credit losses	(1,588)	(216)
	92,753	104,571

Allowance for expected credit losses

The Group has recognised a loss of $1,627,000 in profit or loss in respect of impairment of receivables for the year ended 30 June 2020 (2019: loss of $108,000).

The Group has increased its monitoring of debt recovery as there is an increased probability of customers delaying payment or being unable to pay, due to the Coronavirus (COVID-19) pandemic. As a result, the calculation of expected credit losses has been revised as at 30 June 2020.

Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Opening balance	216	147
Provisions recognised	1,647	108
Receivables written off during the year as uncollectable	(255)	(39)
Unused amounts reversed	(20)	-
Closing balance	1,588	216

The ageing of the past due but not impaired receivables are as follows:

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Under 30 days overdue	4,663	2,630
Over 30 days overdue	9,059	7,122
	13,722	9,752

Note 10. Inventories

	Consolidated	
	30 June 2020	30 June 2019
	$'000	$'000
Current assets		
New and demonstrator vehicles – at cost	286,303	278,583
Less: Write-down to net realisable value	(8,344)	(3,675)
	277,959	274,908
Used vehicles – at cost	45,255	51,465
Less: Write-down to net realisable value	(1,212)	(672)
	44,043	50,793
Spare parts and accessories – at cost	17,398	19,268
Less: Write-down to net realisable value	(1,724)	(556)
	15,674	18,712
Other inventory – at cost	1,956	1,982
	339,632	346,395

Note 11. Other assets

	Consolidated	
	30 June 2020	30 June 2019
	$'000	$'000
Current assets		
Prepayments	4,469	3,080
Security deposits	162	28
Other cash deposits	3,774	3,810
	8,405	6,918

Note 12. Property, plant and equipment

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Non-current assets		
Land and buildings – at cost*	32,006	18,615
Leasehold improvements	42,314	33,559
Less: Accumulated depreciation	(9,547)	(6,185)
	32,767	27,374
Plant and equipment	18,525	16,393
Less: Accumulated depreciation	(5,870)	(3,994)
	12,655	12,399
Furniture, fixtures and fittings	10,450	8,182
Less: Accumulated depreciation	(3,854)	(2,557)
	6,596	5,625
Motor vehicles	4,494	4,270
Less: Accumulated depreciation	(1,404)	(1,035)
	3,090	3,235
Capital work in progress – at cost	5,705	873
	92,819	68,121

* Land and buildings represents owner occupied premises at 601 Mains Road, Macgregor, Queensland and the adjoining land 581, Mains Road, Macgregor, Queensland from which Macgregor Mercedes-Benz trades from and premises at 120 - 124 Pacific Highway, Waitara, NSW from which Mercedes-Benz Hornsby trades from.

Note 12. Property, plant and equipment (continued)

Reconciliations

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

Consolidated	Land and buildings $'000	Leasehold improve-ments $'000	Plant and equipment $'000	Furniture, fixtures and fittings $'000	Motor vehicles $'000	Capital work in progress $'000	Total $'000
Balance at 1 July 2018	12,086	24,514	12,008	5,919	1,666	3,080	59,273
Additions	6,529	3,609	1,534	834	2,251	666	15,423
Additions through business combinations (note 29)	-	-	236	19	35	-	290
Disposals	-	(250)	(1)	(1)	(55)	-	(307)
Transfers in/(out)	-	2,422	366	35	50	(2,873)	-
Depreciation expense	-	(2,921)	(1,744)	(1,181)	(712)	-	(6,558)
Balance at 30 June 2019	18,615	27,374	12,399	5,625	3,235	873	68,121
Additions	13,391	4,422	1,465	1,168	1,836	4,923	27,205
Additions through business combinations (note 29)	-	4,253	800	1,156	-	-	6,209
Disposals	-	-	(54)	(15)	(1,261)	-	(1,330)
Transfers in/(out)	-	91	-	-	-	(91)	-
Depreciation expense	-	(3,373)	(1,955)	(1,338)	(720)	-	(7,386)
Balance at 30 June 2020	32,006	32,767	12,655	6,596	3,090	5,705	92,819

Note 13. Intangibles

	Consolidated 30 June 2020 $'000	Consolidated 30 June 2019 $'000
Non-current assets		
Goodwill – at cost	527,737	520,547
Less: Impairment	(109,174)	-
	418,563	520,547
Customer relationships – at cost	26,618	22,425
Less: Accumulated amortisation	(15,941)	(11,034)
	10,677	11,391
	429,240	531,938

Note 13. Intangibles (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial 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 29)	1,220	-	1,220
Amortisation expense	-	(4,485)	(4,485)
Balance at 30 June 2019	520,547	11,391	531,938
Additions through business combinations (note 29)	7,190	4,193	11,383
Impairment of assets	(109,174)	-	(109,174)
Amortisation expense	-	(4,907)	(4,907)
Balance at 30 June 2020	418,563	10,677	429,240

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.

Impairment testing:

During the financial year, the Group identified the following indicators of impairment:

- lower than forecast sales in new vehicle market;
- lower consumer confidence; and
- lower discretionary spending.

The Group conducted a review of its goodwill carrying value in respect of the full year ended 30 June 2020. Following completion of the impairment testing process, the Group recognised a non-cash goodwill impairment charge of $109,174,000 for the full year ended 30 June 2020, comprising $55,412,000 for the half year ended 30 June 2020 in addition to $53,762,000 previously recognised for the half year ended 31 December 2019. The impairment in the half-year to 30 June 2020 relates to an independent external determination of an increase in the Group's WACC rate (weighted average cost of capital) associated with lower earnings and impacts of the uncertainty created by COVID-19, reflecting lower consumer confidence, lower discretionary spending and a challenging overall new vehicle market.

Refer to 31 December 2019 half-year report for key assumptions used at half-year.

Key assumptions

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The following key assumptions were used in the VIU model:

(a) Earnings before interest, depreciation and amortisation ('**EBITDA**') % between 3.3% – 4.0% (2019: between 3.3% – 4.3%) and post AASB 16 Leases EBITDA % between 4.5% - 5.2%;

(b) Pre-tax discount rate: excluding AASB 16 Leases 15.1% (2019: 12.6%) and post AASB 16 Leases pre-tax discount rate 13.95%;

(c) Terminal growth rate of 2.0% beyond four year period (2019: 2.5%); and

(d) New vehicle motor growth (including rebates, aftermarket and finance and insurance) of 21.7% in FY21 due to acquisition growth and an average of 6.7% in FY22 to FY25 (30 June 2019: 1.5 – 2.0% in FY21 to FY24). The increase in new vehicle growth rate reflects expected recovery in the new vehicle market.

For comparative purposes, pre and post AASB 16 impacts have been included.

Note 13. Intangibles (continued)

Sensitivity analysis

As a result of the impairment charge noted above, the recoverable amount of the CGU is now in line with its carrying value. The following sensitivity changes to the forward assumptions will have an impact of increasing or decreasing the recoverable amount:

Forward assumptions	VIU assumptions %	Low %	Increase in impairment $'000	High %	Increase in headroom $'000
EBITDA contribution*	-	(10.00%)	(52,000)	10.00%	52,000
Post tax discount rate	11.60%	12.20%	(30,000)	10.90%	40,000
Terminal growth rate	2.00%	1.50%	(18,000)	2.50%	20,000
Average new vehicle revenue growth FY21	21.70%	10.00%	(19,000)	-	-
Average new vehicle revenue growth FY22 – FY25	6.70%	4.70%	(25,000)	8.70%	25,000

* representing a 10% increase or decrease in EBITDA for each forecast period in VIU period.

Remaining amortisation period

The remaining amortisation period for customer relationships is 1-4 years (2019: 2-4 years).

Note 14. Right-of-use assets

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Non-current assets		
Right-of-use asset	262,014	225,250
Less: Accumulated depreciation	(96,283)	(65,189)
	165,731	160,061

The Group leases dealership operating premises under agreements of between 1 to 15 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Reconciliations

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

Consolidated	Property lease $'000
Balance at 1 July 2018	166,013
Additions	22,404
Depreciation expense	(28,356)
Balance at 30 June 2019	160,061
Additions	13,918
Additions through business combinations (note 29)	23,043
Depreciation expense	(31,291)
Balance at 30 June 2020	165,731

Note 15. Trade and other payables

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Current liabilities		
Trade payables	65,833	59,124
GST payable*	29,349	11,213
Accrued expenses	25,024	10,634
	120,206	80,971
Non-current liabilities		
Related party payable	2,430	2,430
	122,636	83,401

Refer to note 23 for further information on financial instruments.

Refer to note 28 for further information on related party payable.

* Increase reflects Australian Taxation Office deferrals which will be repaid throughout 2021 financial year.

Note 16. Employee benefits

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Current liabilities		
Employee benefits	14,397	12,203
Non-current liabilities		
Employee benefits	2,495	1,475
	16,892	13,678

Note 17. Borrowings

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Current liabilities		
Bailment finance	375,388	395,175
Capital loans	17,233	12,315
	392,621	407,490
Non-current liabilities		
Capital loans	70,958	62,476
	463,579	469,966

Refer to note 23 for further information on financial instruments.

Note 17. Borrowings (continued)

Total secured liabilities

The total secured liabilities are as follows:

	Consolidated	
	30 June 2020	30 June 2019
	$'000	$'000
Bailment finance	375,388	395,175
Capital loans	88,190	74,791
	463,578	469,966

Bailment finance

Bailment is provided largely by the Original Equipment Manufacturer finance companies on a vehicle by vehicle basis and secured over the underlying vehicle. The current weighted average interest rate is 2.4% (2019: 2.8%).

Capital loans

Capital loans are secured by a fixed and floating charge over the assets of the Group, except for certain entities within the Group whereby security interest is held by a charge over the inventory and the proceeds from the sale of that inventory. The current weighted average interest rate is 3% (2019: 3.6%).

Financing arrangements

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

	Consolidated	
	30 June 2020	30 June 2019
	$'000	$'000
Total facilities		
Bailment finance	583,900	522,900
Capital loans	102,190	81,139
	686,090	604,039
Used at the reporting date		
Bailment finance	375,388	395,175
Capital loans	88,190	74,791
	463,578	469,966
Unused at the reporting date		
Bailment finance	208,512	127,725
Capital loans	14,000	6,348
	222,512	134,073

Note 18. Lease liabilities

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Current liabilities		
Lease liability	38,582	38,099
Non-current liabilities		
Lease liability	151,489	143,714
	190,071	181,813

Refer to note 23 for information on the maturity analysis of lease liabilities.

Note 19. Issued capital

	Consolidated			
	30 June 2020 Shares	30 June 2019 Shares	30 June 2020 $'000	30 June 2019 $'000
Ordinary shares – fully paid	201,000,000	201,000,000	475,637	475,637

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

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

Share buy-back

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

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The Group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2019 Annual Report.

Note 20. Share-based payments reserve

	Consolidated 30 June 2020 $'000	Consolidated 30 June 2019 $'000
Share-based payments reserve	874	1,033

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves

Movements in the reserve during the current and previous financial year are set out below:

Consolidated	Share-based payments $'000
Balance at 1 July 2018	894
Share-based payments	139
Balance at 30 June 2019	1,033
Share-based payments*	(159)
Balance at 30 June 2020	**874**

* the reversal represents the net impact of options granted during the current financial year, offset by lapsed options from the previous years.

Note 21. Non-controlling interest

The non-controlling interest represents the 20% minority interest in New Centenary Mazda Pty Ltd held by the dealer principal and 40% minority interest in A.C.N 633 925 050 Pty Ltd acquired as part of the Sydney City Prestige acquisition on 2 August 2019.

Movements in the non-controlling interest are as follows:

	Consolidated 30 June 2020 $'000	Consolidated 30 June 2019 $'000
Opening balance	3,747	3,539
Profit after income tax expense for the year	149	208
Closing balance	3,896	3,747

Note 22. Dividends

Dividends

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Final dividend for the period ended 30 June 2019 of 3 cents (2019: 4.8 cents) per ordinary share	6,030	9,648
Interim dividend for the year ended 30 June 2020 of Nil (2019: 2 cents) per ordinary share	-	4,020
	6,030	13,668

On 28 February 2020, the directors declared a fully franked interim dividend for the year ended 30 June 2020 of 1.9 cents per ordinary share, to be paid on 29 May 2020 to eligible shareholders on the register as at 15 May 2020. On 2 April 2020, the directors resolved to cancel the payment of the dividend to preserve cash as the Coronavirus (COVID-19) pandemic unfolded. The Group's priority amidst economic uncertainty and the likelihood of further lockdowns, is to preserve cash. The Group recognises the support provided by its key stakeholders including the Government's JobKeeper payment during the pandemic. As such, Autosports Group has determined it will not pay a final dividend in respect of the financial year ended 30 June 2020. Any decision to pay dividend during the year ending 30 June 2021 will be reserved and assessed in light of the prevailing economic climate.

Franking credits

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	31,147	25,765

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

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 23. Financial instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a regular basis.

Market risk

Foreign currency risk

The Group is not exposed to any significant foreign currency risk. Vehicles are purchased in Australian Dollars.

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

The Group's main interest rate risk arises from its borrowings and cash at bank. Borrowings obtained at variable rates expose the Group to interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk.

Note 23. Financial instruments (continued)

As at the reporting date, the Group had the following variable rate borrowings:

Consolidated	30 June 2020 Balance $'000	30 June 2019 Balance $'000
Bailment finance	375,388	395,175
Capital loans	88,190	74,792
Cash at bank	(38,817)	(11,292)
Net exposure to cash flow interest rate risk	424,761	458,675

An official increase/decrease in interest rates of 50 (2019: 50) basis points per annum would have an adverse/favourable effect on loss before tax of $2,124,000 (2019: $2,293,000) and equity of $1,487,000 (2019: $1,605,000) (assuming 30% tax). The percentage change is based on the expected volatility of interest rates using market data and analyst's forecasts.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available. As disclosed in note 9, due to the Coronavirus (COVID-19) pandemic, the calculation of expected credit losses and loss rates has been revised as at 30 June 2020.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated 30 June 2020 $'000	Consolidated 30 June 2019 $'000
Bailment finance	208,512	127,725
Capital loans	14,000	6,348
	222,512	134,073

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Note 23. Financial instruments (continued)

Consolidated – 30 June 2020	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives					
Non-interest bearing					
Trade payables	65,514	-	-	-	65,514
Related party payable	-	2,430	-	-	2,430
Interest-bearing – variable					
Bailment finance	375,388	-	-	-	375,388
Capital loans	17,957	16,189	35,918	29,947	100,011
Interest-bearing – fixed rate					
Hire purchase	1,199	576	140	-	1,915
Lease liability	37,690	40,161	97,496	80,683	256,030
Total non-derivatives	497,748	59,356	133,554	110,630	801,288

Consolidated – 30 June 2019	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives					
Non-interest bearing					
Trade payables	59,124	-	-	-	59,124
Related party payable	-	2,430	-	-	2,430
Interest-bearing – variable					
Bailment finance	406,564	-	-	-	406,564
Capital loans	14,835	12,447	31,539	29,011	87,832
Interest-bearing – fixed rate					
Hire purchase	2,528	1,157	779	-	4,464
Lease liability	30,699	37,690	108,174	110,166	286,729
Total non-derivatives	513,750	53,724	140,492	139,177	847,143

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Note 24. Fair value measurement

The carrying amounts of trade and other receivables and trade and other payables 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 25. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	30 June 2020	30 June 2019
	$	$
Short-term employee benefits*	1,711,341	1,950,824
Post-employment benefits	90,905	99,766
Long-term benefits	43,756	16,197
Share-based payments*	(41,000)	444,168
	1,805,002	2,510,955

* Non-Executive Directors agreed to forfeit all directors' fees for the final quarter of the financial year ended 30 June 2020 ('**FY20**'). The Group's executive key management personnel have forfeited FY20 short-term and long-term incentives and agreed to reduce their base salary up to 40% until 31 December 2020.

Note 26. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the Company:

	Consolidated	
	30 June 2020	30 June 2019
	$	$
Audit services – Deloitte Touche Tohmatsu		
Audit or review of the financial statements	557,500	487,000
Other services – Deloitte Touche Tohmatsu		
Tax compliance	115,325	101,000
	672,825	588,000

Note 27. Contingent liabilities

	Consolidated	
	30 June 2020	30 June 2019
	$'000	$'000
Bank guarantees	7,190	5,020

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

Note 28. Related party transactions

Parent entity

Autosports Group Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 30.

Key management personnel

Disclosures relating to key management personnel are set out in note 25 and the remuneration report included in the directors' report.

Note 28. Related party transactions (continued)

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated 30 June 2020 $	Consolidated 30 June 2019 $
Other income:		
Management fees received from entities owned by the directors Ian Pagent and Nicholas Pagent	113,400	96,000
Payment for other expenses:		
Lease payments on properties to entities owned by the directors Ian Pagent and Nicholas Pagent*	5,209,113	5,084,054

* During the year ended 30 June 2020,rent relief of $808,020 was received.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated 30 June 2020 $	Consolidated 30 June 2019 $
Non-current borrowings:		
Loans from an entity owned by the directors Ian Pagent and Nicholas Pagent	2,430,171	2,430,171

Terms and conditions

Other than the loans from entities related to Ian Pagent and Nicholas Pagent where no interest is charged or payable, all transactions were made on normal commercial terms and conditions and at market rates.

Note 29. Business combinations

2020 acquisitions

Mercedes-Benz Hornsby ('Mercedes-Benz')

On 4 September 2019, the Group acquired certain assets and liabilities of Mercedes-Benz Hornsby. The total consideration transferred amounted to $1,590,000. The goodwill of $1,504,000 represents the future potential profits of the acquired business and the synergistic opportunities it offers and cross selling opportunities that will arise from the acquisition.

Sydney City Prestige ('Prestige')

On 2 August 2019, the Group acquired certain assets and liabilities of Sydney City Prestige. The total consideration transferred amounted to $790,000. The goodwill of $1,289,000 represents the future potential profits of the acquired business and the synergistic opportunities it offers and cross selling opportunities that will arise from the acquisition.

Note 29. Business combinations (continued)

Trivett Alexandria

On 12 February 2020, the Group acquired businesses operated by Trivett at Alexandria in Sydney. The total consideration transferred amounted to $5,435,000. The goodwill of $4,397,000 represents the future potential profits of the acquired business and the synergistic opportunities it offers and cross selling opportunities that will arise from the acquisition. The acquisition brings five new brands to the Group's luxury portfolio, including Jaguar, Land Rover, Rolls-Royce, McLaren and Aston Martin. The sixth dealership is Bentley Sydney which will be the Group's first Bentley dealership in New South Wales and third across the Group.

Details of the acquisitions are as follows:

	Mercedes-Benz	Sydney City Prestige	Trivett Alexandria	
	Fair value	Fair value	Fair value	Total
	$'000	$'000	$'000	$'000
Inventories	13,908	2,679	37,991	54,578
Prepayments	-	-	234	234
Property, plant and equipment	2,475	-	3,734	6,209
Right-of-use assets	564	1,632	20,847	23,043
Customer relationships	1,120	-	3,073	4,193
Trade payables	(560)	(49)	(2,147)	(2,756)
Other payables	-	-	(789)	(789)
Deferred tax asset/(liability)	(176)	53	(590)	(713)
Employee benefits	(260)	(127)	(924)	(1,311)
Bailment finance	(16,419)	(3,039)	(39,513)	(58,971)
Lease liability	(564)	(1,632)	(20,787)	(22,983)
Other liabilities	(2)	(16)	(91)	(109)
Net assets/(liabilities) acquired	86	(499)	1,038	625
Goodwill	1,504	1,289	4,397	7,190
Acquisition-date fair value of the total consideration transferred	1,590	790	5,435	7,815
Representing:				
Cash paid or payable to vendor	**1,590**	**790**	**5,435**	**7,815**

The purchase price allocation of the 2020 acquisitions are final as at 30 June 2020.

2019 acquisitions

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.

Note 29. 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 30. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries:

		Ownership interest	
Name	**Principal place of business/ Country of incorporation**	**30 June 2020 %**	**30 June 2019 %**
Autosports Brisbane Pty Ltd	Australia	100%	100%
Autosports Castle Hill Pty Ltd	Australia	100%	100%
Autosports Five Dock Pty Ltd	Australia	100%	100%
Autosports Leichhardt Pty Ltd	Australia	100%	100%
Autosports Prestige Pty Ltd	Australia	100%	100%
Autosports Sutherland Pty Ltd	Australia	100%	100%
Betar Prestige Cars Pty Ltd	Australia	100%	100%
Birchgrove Finance Pty Ltd	Australia	100%	100%
Modena Trading Pty Ltd	Australia	100%	100%
Mosman Prestige Cars Pty Ltd	Australia	100%	100%
New Centenary Mercedes-Benz Pty Ltd	Australia	100%	100%
Prestige Auto Traders Australia Pty Ltd	Australia	100%	100%
Prestige Group Holdings Pty Ltd	Australia	100%	100%
Prestige Repair Works Pty Ltd	Australia	100%	100%
ASG Brisbane Pty Ltd	Australia	100%	100%
ASG Melbourne Pty Ltd	Australia	100%	100%

Note 30. Interests in subsidiaries (continued)

The consolidated financial statements also incorporates the assets, liabilities and results of the following subsidiaries with non-controlling interests:

Name	Principal place of business/ Country of incorporation	Principal activities	Parent: Ownership interest 30 June 2020 %	Parent: Ownership interest 30 June 2019 %	Non-controlling interest: Ownership interest 30 June 2020 %	Non-controlling interest: Ownership interest 30 June 2019 %
New Centenary Mazda Pty Ltd	Australia	Motor vehicle dealership	80%	80%	20%	20%
A.C.N 633 925 050 Pty Ltd	Australia	Finance broker	60%	-	40%	-

Summarised financial information of the subsidiary with non-controlling interests has not been included as it is not material to the Group.

Note 31. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

Autosports Group Limited	Modena Trading Pty Ltd
Autosports Brisbane Pty Ltd	Mosman Prestige Cars Pty Ltd
Autosports Castle Hill Pty Ltd	New Centenary Mercedes-Benz Pty Ltd
Autosports Five Dock Pty Ltd	Prestige Auto Traders Australia Pty Ltd
Autosports Leichhardt Pty Ltd	Prestige Group Holdings Pty Ltd
Autosports Prestige Pty Ltd	Prestige Repair Works Pty Ltd
Autosports Sutherland Pty Ltd	ASG Brisbane Pty Ltd
Betar Prestige Cars Pty Ltd	ASG Melbourne Pty Ltd

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and directors' report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Autosports Group Limited, they also represent the 'Extended Closed Group'.

Entities controlled by the Group not party to the deed of cross guarantee are New Centenary Mazda Pty Ltd, Birchgrove Pty Ltd and A.C.N 633 925 050 Pty Ltd.

Note 31. Deed of cross guarantee (continued)

Set out below is a consolidated statement of profit or loss and other comprehensive income and statement of financial position of the 'Closed Group'.

Statement of profit or loss and other comprehensive income	30 June 2020 $'000	30 June 2019 $'000
Revenue	1,648,838	1,635,648
Changes in inventories	(59,016)	(4,620)
Raw materials and consumables purchased	(1,336,179)	(1,366,445)
Employee benefits expense	(108,909)	(122,050)
Depreciation and amortisation expense	(42,586)	(38,444)
Impairment of goodwill	(109,174)	-
Occupancy costs	(5,313)	(3,363)
Acquisition and restructure expenses	(1,185)	(828)
Other expenses	(64,484)	(60,694)
Finance costs	(21,097)	(23,826)
Profit/(loss) before income tax expense	(99,105)	15,378
Income tax expense	(4,138)	(5,960)
Profit/(loss) after income tax expense	(103,243)	9,418
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	(103,243)	9,418

Equity – retained profits/(accumulated losses)	30 June 2020 $'000	30 June 2019 $'000
Retained profits at the beginning of the financial year	6,860	11,110
Profit/(loss) after income tax expense	(103,243)	9,418
Dividends paid	(6,030)	(13,668)
Retained profits/(accumulated losses) at the end of the financial year	(102,413)	6,860

Note 31. Deed of cross guarantee (continued)

Statement of financial position	30 June 2020 $'000	30 June 2019 $'000
Current assets		
Cash and cash equivalents	37,768	10,650
Trade and other receivables	92,406	104,289
Inventories	335,800	340,237
Other assets	8,128	6,917
	474,102	462,093
Non-current assets		
Other financial assets	18,342	18,342
Property, plant and equipment	91,420	67,623
Right-of-use assets	159,870	155,718
Intangibles	401,314	504,011
Deferred tax	17,368	14,301
	688,314	759,995
Total assets	1,162,416	1,222,088
Current liabilities		
Trade and other payables	118,280	79,519
Contract liabilities	1,460	2,404
Income tax payable	8,579	2,731
Employee benefits	14,030	11,927
Borrowings	386,653	398,582
Lease liabilities	38,572	38,099
	567,574	533,262
Non-current liabilities		
Trade and other payables	2,430	2,430
Employee benefits	2,380	1,394
Borrowings	70,958	62,476
Lease liabilities	144,976	138,996
	220,744	205,296
Total liabilities	788,318	738,558
Net assets	374,098	483,530
Equity		
Issued capital	475,637	475,637
Share-based payments reserve	874	1,033
Retained profits/(accumulated losses)	(102,413)	6,860
Total equity	374,098	483,530

Note 32. Earnings per share

	Consolidated 30 June 2020 $'000	Consolidated 30 June 2019 $'000
Profit/(loss) after income tax	(102,297)	11,426
Non-controlling interest	(149)	(208)
Profit/(loss) after income tax attributable to the owners of Autosports Group Limited	(102,446)	11,218

	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:		
Estimated options over ordinary shares to be issued post reporting date	-	843,468
Weighted average number of ordinary shares used in calculating diluted earnings per share	**201,000,000**	**201,843,468**

	Cents	Cents
Basic earnings per share	(50.97)	5.58
Diluted earnings per share	(50.97)	5.56

Note 33. Cash flow information

Changes in liabilities arising from financing activities

Consolidated	Capital loans $'000	Lease liabilities $'000	Total $'000
Balance at 1 July 2018	70,107	182,054	252,161
Net cash from/(used in) financing activities	4,684	(23,603)	(18,919)
Acquisition of plant and equipment by means of leases	-	23,739	23,739
Other changes	-	(377)	(377)
Balance at 30 June 2019	74,791	181,813	256,604
Net cash from/(used in) financing activities	13,399	(28,613)	(15,214)
Acquisition of leases	-	14,050	14,050
Changes through business combinations (note 29)	-	22,983	22,983
Other changes	-	(162)	(162)
Balance at 30 June 2020	**88,190**	**190,071**	**278,261**

Note 34. Share-based payments

The Group has established an Equity Incentive Plan ('**EIP**') to assist in the motivation, reward and retention of senior management and other employees.

The share-based payment expense for the year was net credit balance of $159,000 (2019: expense of $139,000). The number of performance rights to be granted is determined by dividing any STI award that they become entitled to receive by the volume weighted average price ('**VWAP**') of shares traded on the ASX during the 10 trading days following the release of the Group's 30 June 2020 audited full year results.

EIP is delivered in the form of performance rights which will vest after a further deferral of one year subject to the executive's continued service.

The rights are measured over a 12 month period.

Performance conditions for the initial grant include:

- a 'gateway hurdle' of upholding the Group's culture and values of individualised attention. Operating with honesty, integrity and accountability at all times and in accordance with the Group's Code of Conduct. If the gateway hurdle is not met, no STI is awarded.
- in addition, each senior executive has an individualised balanced scorecard that determines their awards. These scorecards primarily focus on the financial objectives of the Group and include targets measured against total revenue, EBIT, EBITDA, NPBT and NPAT. The scorecards also include operational KPIs such as sales and margin related matrices, as well as non-financial KPIs predominantly in the areas of risk and corporate governance to ensure the business continues to be well managed.

The Board has determined that the combination of financial and non-financial conditions provides the appropriate balance between short-term financial measures and the more strategic non-financial measures which in the medium to long-term will ultimately drive further growth and returns for shareholders.

Upon vesting, each performance right entitles the senior executive to one ordinary share in the Company. The Board has the discretion to settle performance rights with a cash equivalent payment. Performance rights are granted for nil consideration and no amount is payable on vesting.

If a senior executive ceases to be employed during the 12 month deferral period, the following treatment will apply, unless the Board determines otherwise:

- if they resign or are summarily terminated, all of their rights will lapse; or
- if they cease employment in any other circumstances, a pro rata portion (for the portion of the performance period elapsed) of unvested rights will remain on foot and will vest in the ordinary course.

Movements in performance rights during the year

	2020 Number	2019 Number
Balance at the beginning of the year	910,364	766,340
Granted during the year	771,696	577,552
Exercised during the year	(309,808)	(100,716)
Forfeited during the year	(332,812)	(332,812)
Balance at the end of the year	1,039,440	910,364

Performance rights vested and exercisable as at 30 June 2020 was nil (2019: 159,729).

Note 35. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	30 June 2020 $'000	30 June 2019 $'000
Profit/(loss) after income tax	(109,616)	25,667
Total comprehensive income	(109,616)	25,667

Statement of financial position

	Parent	
	30 June 2020 $'000	30 June 2019 $'000
Total current assets	134,016	140,748
Total assets	375,143	490,868
Total current liabilities	112	64
Total liabilities	112	64
Equity		
Issued capital	477,495	477,495
Share-based payments reserve	874	1,033
Retained profits/(accumulated losses)	(103,338)	12,276
Total equity	375,031	490,804

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2020 and 30 June 2019.

The parent entity and some of its subsidiaries are party to a deed of cross guarantee under which each company guarantees the debts of the others. Refer to note 31 for further details.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2020 and 30 June 2019.

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020 and 30 June 2019.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 36. Events after the reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has had an adverse impact for the Group up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Subsequent to the reporting date, the Victorian Government imposed Stage 3 and Stage 4 lockdowns in response to the second wave of the pandemic. The impact of these restrictions on the Group's Victorian operations have been taken into account in the measurement of the Group's intangible assets as at 30 June 2020.

In response to the Stage 4 restrictions affecting Greater Melbourne since 2 August 2020, the Group curtailed sales activities where direct contact is required. The Group's sales departments have continued to provide services remotely by facilitating virtual online showrooms and contactless sales. In line with State Government guidelines, the Victorian operations remain open for essential servicing, critical repairs and urgent recalls on-site in line with the Group's COVID-Safe Plan.

Notwithstanding, the extent of the future impact of COVID-19 pandemic on the Group's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, regulations imposed by governments with respect to further outbreaks, and the impact on customers, employees and vendors all of which are uncertain and cannot be predicted at this time.

No other matter or circumstance has arisen since 30 June 2020 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.

DIRECTORS' DECLARATION

30 JUNE 2020

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 31 to the financial statements.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Thomas Pockett
Independent Chairman
28 August 2020
Sydney

Nicholas Pagent
Chief Executive Officer

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Autosports Group Limited (the "Company"), and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Carrying value of Goodwill As at 30 June 2020 the Group's goodwill totalled $418.6m. The movement in the financial year represents an impairment charge of $109.2m and an addition of $7.2m which arose from the acquisitions of Trivett Alexandria, Mercedes Benz Hornsby and Sydney City Prestige disclosed in Note 29. The impairment charge is a result of an increase in the WACC (weighted average cost of capital) rates adopted by the Group as well as cash flow forecasts reflecting low consumer confidence, lower discretionary spending and challenges faced in the new vehicle market. These drivers have also been impacted as a result of COVID-19. As disclosed in Note 2, the Groups assessment of impairment in accordance with AASB 36: *Impairment of assets* involves accounting estimates and judgements. The value-in-use model used by the Group includes estimating growth rates, discount rates and the expected cash flow forecasts to calculate the recoverable amount of Goodwill.	Our procedures included, but were not limited to: • Evaluated the design and implementation of the relevant controls over the carrying value of goodwill; • Evaluated the Group's categorisation of CGUs and the allocation of goodwill to the carrying value of CGUs based on our understanding of the Group's business and the requirements of the relevant accounting standard. This evaluation included performing an analysis of the Group's internal reporting; • Compared the Group's forecast cash flows to the board approved budget, including the impact of the COVID-19 pandemic; • Evaluated management's historical forecasting accuracy by comparing actual results to budget; • Compared growth rates with 3rd party independent data for the Australian motor industry; • In conjunction with our valuation specialists, challenged key inputs to the discount rate utilised by management to external data sources; • Performed sensitivity analysis on the growth and discount rates; and • Assessed the appropriateness of the disclosures in Note 13 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included pages 13 to 25 of the Director's Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Autosports Group Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Carlo Pasqualini
Partner
Chartered Accountants
Sydney, 28 August 2020

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SHAREHOLDER INFORMATION

30 JUNE 2020

The shareholder information set out below was applicable as at 19 August 2020.

Distribution of equity securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	220
1,001 to 5,000	236
5,001 to 10,000	88
10,001 to 100,000	110
100,001 and over	55
	709
Holding less than a marketable parcel	83

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
JIP PARRAMATTA PTY LTD	23,247,460	11.57
SASTEMPO PTY LTD	21,366,706	10.63
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	15,470,941	7.70
LIVIST PTY LTD	15,455,897	7.69
AUDI PARRAMATTA HOLDINGS PTY LTD	15,310,969	7.62
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	14,930,122	7.43
NATIONAL NOMINEES LIMITED	13,431,397	6.68
NIP PARRAMATTA PTY LTD	10,401,678	5.17
CITICORP NOMINEES PTY LIMITED	8,396,159	4.18
PAGENT FAMILY INVESTMENTS PTY LTD	7,193,635	3.58
INVIA CUSTODIAN PTY LIMITED	6,582,353	3.27
FIVE DOCK DJC PTY LTD	6,436,189	3.20
OGLE INVESTMENTS PTY LTD	5,147,053	2.56
AALHUIZEN NOMINEES PTY LTD	4,722,374	2.35
RICGAZ PTY LTD	3,216,808	1.60
LAMBHILL PTY LTD	2,792,647	1.39
ZERO NOMINEES PTY LTD	2,500,000	1.24
CITICORP NOMINEES PTY LIMITED	2,477,000	1.23
LIVERPOOL STREET INVESTMENTS	2,078,757	1.03
DANIARON PTY LTD	1,674,863	0.83
	182,833,008	**90.95**

SHAREHOLDER INFORMATION

30 JUNE 2020

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
IAN AND NICHOLAS PAGENT	104,648,952	52.06
– Ian Pagent	65,316,803	32.50
– Nick Pagent	39,332,149	19.57
HSBC CUSTODY NOMINEES (AUSTRALIA) PTY LTD[1]	15,470,941	7.70
JP MORGAN NOMINEES AUSTRALIA PTY LTD[2]	14,930,122	7.43
NATIONAL NOMINEE LTD[3]	13,431,397	6.68
COMMONWEALTH BANK OF AUSTRALIA[4]	10,597,592	5.27

1. Based on substantial holder notice lodged on 27 June 2018.
2. Based on substantial holder notice lodged on 31 August 2018.
3. Based on substantial holder notice lodged on 31 December 2018.
4. Based on substantial holder notice lodged on 20 April 2020.

Voting rights

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

Performance rights

The number of performance rights on issue as at the reporting date are:

Name	Number held
Nick Pagent	588,019
Ian Pagent	361,398
Aaron Murray	220,507
	1,169,924

There are no other unquoted equity securities on issue.

Buy-back

There is no current on-market buy-back.

CORPORATE DIRECTORY

30 JUNE 2020

Directors	Thomas ('Tom') Pockett - Chairman Nicholas ('Nick') Pagent Ian Pagent Robert Quant Marina Go
Company secretary	Caroline Raw
Registered office	565 Parramatta Road Leichhardt NSW 2040 Tel: +61 2 8753 2873
Share register	Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000 Tel: 1300 554 474
Auditor	Deloitte Touche Tomatsu Grosvenor Place, 225 George Street Sydney NSW 2000
Stock exchange listing	Autosports Group Limited shares are listed on the Australian Securities Exchange (ASX code: ASG)
Website	http://autosportsgroup.com.au/
Corporate Governance Statement	The directors and management are committed to conducting the business of Autosports Group Limited in an ethical manner and in accordance with the highest standards of corporate governance. Autosports Group Limited has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations. The Group's Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed and ASX Appendix 4G are released to the ASX on the same day the Annual Report is released. The Corporate Governance Statement can be found on the company's website at http://investors.autosportsgroup.com.au/investors/
Annual General Meeting ('AGM')	The Company's 2020 AGM is scheduled for Friday 20 November 2020. Given the physical distancing requirements in place the Company expects to hold a virtual AGM by telephone pursuant to the Corporations (Coronavirus Economic Response) Determination (No.1) 2020. Details will be provided in the Notice of Annual General Meeting. For the purposes of ASX Listing Rule 3.13.1 the Company gives notice that the last day to receive director nominations is 18 September 2020.

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