



AUTOMOTIVE HOLDINGS GROUP

Annual Report 2012

Annual Financial Report Contents

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Your directors present their report on the consolidated entity consisting of Automotive Holdings Group Limited ("AHG" or "Company") and the entities it controlled ("Group") at the end of, or during, the year ended 30 June 2012.

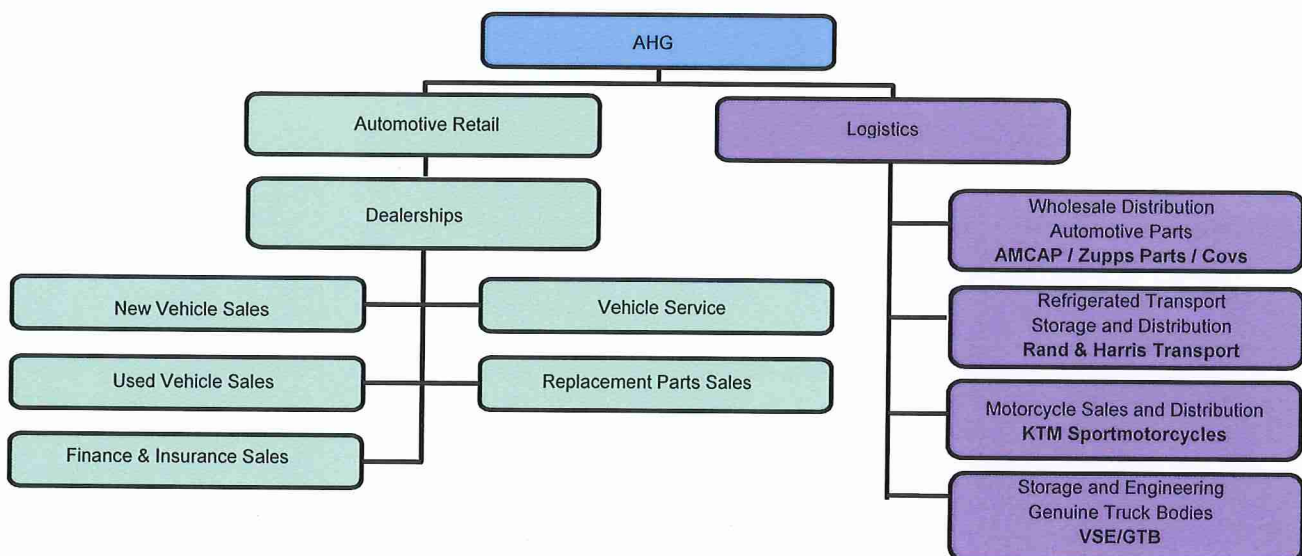
Directors

The following persons were directors of AHG during the year and up to the date of this report:

David Griffiths	Non Executive Chairman
Giovanni (John) Groppoli	Non Executive Director
Tracey Horton	Non Executive Director (appointed 3 May 2012)
Bronte Howson	Managing Director
Robert McEniry	Non Executive Director (appointed 3 May 2012)
Michael Smith	Non Executive Deputy Chairman
Peter Stancliffe	Non Executive Director
Hamish Williams	Executive Director

Gregory Wall was a Non Executive Director until his resignation on 6 October 2011.

Principal Activities



Dividends

Dividends paid to members during the financial year were as follows:

	Parent	
	2012	2011
	\$'000	\$'000
Dividends on ordinary shares:		
Final dividend for the year ended 30 June 2011 of 10 cents per fully paid share on 30 September 2011 (30 June 2010 of 10 cents per fully paid share on 1 October 2010)	26,068	22,639
Interim dividend for the half-year ended 31 December 2011 of 7 cents per fully paid share on 3 April 2012 (31 December 2010 of 7 cents per fully paid share on 1 April 2011)	18,248	15,854
	44,316	38,493

Dividends Not Recognised at Year End

Since the end of the financial year the directors have recommended the payment of a fully-franked final dividend of 11 cents per share, based on tax paid at 30%. The aggregate amount of dividend to be paid on 2 October 2012 out of the retained profits at 30 June 2012, but not recognised as a liability at year end, will be \$28.675 million.

Review of Operations

Net profit after tax attributable to members for the year ended 30 June 2012 was \$50.6 million (2011: \$31.2 million). Net profit after tax excluding impairment, stamp duty and other fees associated with acquisition-related activities (detailed below) attributable to members for the year ended 30 June 2012 was \$64.1 million (2011: \$52.4 million).

The current year result includes the following unusual item:

- In accordance with the requirements of AASB 136 *Impairment of Assets*, the Group has undertaken an assessment for impairment of its assets on cash generating unit basis. This has resulted in an impairment adjustment of \$9.711 million to franchise rights (available for future re-instatement).

\$1.651 million of the impairment is attributed to the pending loss by AHG of a truck franchise in Queensland as a result of an international restructuring to their brand grouping. AHG will cease to trade the franchise in late 2012 or 2013. A further \$0.556 million of the impairment relates to the disposal of AHG's Gold Coast dealerships post 30 June 2012. The balance of the impairment is applicable to specific Automotive Retail operations located in Queensland.

In addition to the above impairment, the Group incurred stamp duty and other fees of \$3.827 million (after tax) during the current year in relation to acquisition-related activities. These activities included the business acquisitions of Cova, Harris Transport, Daimler Trucks and Wignall Group, plus due diligence on other prospective opportunities that did not materialise into agreements during the financial year.

The prior year result included the following unusual item:

- In accordance with the requirements of AASB 136 *Impairment of Assets*, the Group has undertaken an assessment for impairment of its assets on cash generating unit basis. This has resulted in an impairment adjustment of \$19.854 million applicable to operations all located in Queensland. \$13.175

Automotive Holdings Group Limited

Directors' Report

For the year ended 30 June 2012

million related to the Parts Distribution operation and \$6.679 million to four of the Group's seventeen Automotive Retail dealerships in Queensland.

In addition to the above impairment, the Group incurred stamp duty and other fees of \$1.358 million (after tax) during the prior year in relation to acquisition-related activities. These activities included the business acquisitions of Ferntree Gully, Cova and Harris Transport and due diligence on other prospective opportunities that did not materialise into agreements during the financial year.

	Consolidated		
	2012	2011	Movement
Performance by Segment Overview	\$'000	\$'000	%
<u>Automotive Retail</u>			
Revenue	3,207,470	2,923,781	9.7%
Statutory Performance			
EBITDA	95,901	85,936	11.6%
EBITDA %	3.0%	2.9%	
EBIT	82,526	74,461	10.8%
Profit before Tax	61,180	54,596	12.1%
Operating¹ Performance			
EBITDA	106,285	93,311	13.9%
EBITDA %	3.3%	3.2%	
EBIT	92,910	81,836	13.5%
Profit before Tax	71,564	61,972	15.5%
<u>Logistics</u>			
Revenue	712,062	411,960	72.8%
Statutory Performance			
EBITDA	41,493	14,570	184.8%
EBITDA %	5.8%	3.5%	
EBIT	28,631	6,897	315.1%
Profit before Tax	24,669	3,465	611.9%
Operating¹ Performance			
EBITDA	46,287	28,989	59.7%
EBITDA %	6.5%	7.0%	
EBIT	33,425	21,315	56.8%
Profit before Tax	29,462	17,884	64.7%

¹ excludes impairment, stamp duty and other fees associated with acquisition-related activities

Refer to Note 5 of the financial statements for a full reconciliation of the Statutory and Operating performance.

Group revenues from continuing operations were \$3.920 billion (2011: \$3.337 billion), representing a 17.5% increase over the previous year's revenue.

The Automotive Retail division contributed revenues of \$3.207 billion (2011: \$2.924 billion) and an Operating EBITDA result (before impairment, stamp duty and other fees linked to acquisition-related activities) of \$106.3 million (2011: \$93.3 million) representing growth rates of 9.7% and 13.9% respectively. Operating profit before tax, was \$71.6 million (2011: \$62.0 million), an increase of 15.5%. AHG experienced strong growth across both our Car and Truck operations with Western Australia, Victoria and New Zealand delivering record profits.

The Logistics division contributed revenues of \$0.712 billion (2011: \$0.412 billion) and an Operating EBITDA result (before impairment, stamp duty and other fees linked to acquisition-related activities) of \$46.3 million (2011: \$29.0 million) representing growth rates of 72.8% and 59.7% respectively. Operating Profit before tax, impairment, stamp duty and other fees linked to acquisition-related activities was \$29.5 million (2011: \$17.9 million), an increase of 64.7%. AHG's Logistics division produced an outstanding result, increasing its contribution to earnings and benefiting from a number of significant acquisitions.

Consolidated Revenue and Results

Key Financial Data	Statutory Result	Impairment	Stamp duty and other fees associated with acquisition-related activities	Operating Result (excluding impairment, stamp duty and other fees)
For the year ending 30 June 2012				
\$'000				
Total Revenue	3,920,139	-	-	3,920,139
EBITDA	138,329	(9,711)	(5,467)	153,506
EBITDA margin %	3.5%			3.9%
Depreciation & amortisation	(26,466)	-	-	(26,466)
EBIT	111,862	(9,711)	(5,467)	127,039
Interest (Net)	(30,715)	-	-	(30,715)
Profit before tax	81,147	(9,711)	(5,467)	96,324
Tax expense	(27,595)	-	1,640	(29,235)
Profit after tax	53,552	(9,711)	(3,827)	67,089
Non controlling interest	(2,940)	-	-	(2,940)
Net profit after tax attributable to shareholders	50,612	(9,711)	(3,827)	64,149
Basic EPS (cents per share)	19.42			24.61

Significant Changes in State of Affairs

Significant changes in the state of affairs of the Group during the financial year were as follows:

1. Acquisitions of Covs, Harris Refrigerated, Daimler Trucks and Jeff Wignall Group. This impacted the financial performance and position of the Group at 30 June 2012 compared to 30 June 2011;
2. Profit for the full year includes the following item that is disclosed separately because of its nature, size or incidence:

		Consolidated	
		2012	2011
		\$'000	\$'000
Expenses			
Impairment of intangibles	(a)	9,711	19,854
		<u>9,711</u>	<u>19,854</u>

(a) Impairment of Intangibles

In accordance with the requirements of AASB 136 *Impairment of Assets*, the Group continues to undertake an ongoing process of assessing for impairment, its assets, on cash generating unit basis.

The accounts to 30 June 2012 include an impairment charge of \$9.711 million (2011: \$19.854 million) applicable to the carrying value of intangible assets related to the Group's automotive divisions in Queensland. Refer to comments in Review of Operations above.

Matters Subsequent to the End of the Year

- (a) On 1 July 2012 API exercised its option to purchase five of AHG's automotive dealership sites located in Perth and Sydney;
- (b) On 30 July 2012 AHG acquired certain business assets and liabilities of Toll Refrigerated, a temperature sensitive freight logistics company, for consideration of \$6.5 million;
- (c) On 1 August 2012 AHG acquired certain business assets and liabilities of Coffey Ford, an automotive retail operation in Dandenong, Melbourne, for consideration of \$2.0 million;
- (d) On 5 July 2012 AHG announced it was divesting the business assets and liabilities of its passenger car retail operations on the Gold Coast for consideration of \$4.5 million (including goodwill). Settlement of this divestment occurred in August 2012;
- (e) On 23 August 2012 AHG announced it was acquiring certain business assets and liabilities of Brisbane and Newcastle Mercedes-Benz truck operations for approximately \$8.0 million. Settlement is scheduled to occur in October 2012.

Except for those events detailed above, no other matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect:

- (a) The Group's operations in future financial years, or
- (b) The result of those operations in future financial years, or
- (c) The Group's state of affairs in future financial years.

Likely Developments and Expected Results of Operations

The Group continues to examine a range of organic and acquisition growth opportunities in the normal course of business, as demonstrated in Matters Subsequent to the End of the Year above.

The Group's automotive strategy, which will be developed within the parameters of manufacturers' retail distribution strategies, is focused on regional expansion and profitability through brand diversity and growth (organic, Greenfield sites, regional hubs and acquisitions).

The Group's logistic strategy is focused on client and product profitability with differentiation achieved through service offerings and utilisation of facilities. This will include organic growth, warehouse facilities management, technology differentiation and investment in facilities, equipment, people and processes.

Further information can be found on the Group's websites, ASX announcements and Annual Report.

Environmental Regulation

The Group always strives to be at the forefront of environmental compliance in respect of its operations and the design of new facilities as set out below. The Group holds environmental licences for its service centres. These licences arise under the requirements of various State Government regulations.

Management continues to work with local regulatory authorities to achieve best practice environmental management so as to minimise risk to the environment, reduce waste and ensure compliance with regulatory requirements. In line with this philosophy, the group has started rolling out controlled waste, tyre and battery disposal contracts to EPA standards on a state by state basis. Cardboards and steel recycling contracts have been introduced in WA with other states to follow in the 2012/13 year.

A new national printer contract included a provision to recycle all existing redundant or superseded equipment. Lighting audits of selected existing automotive sites have been undertaken to analyse the long term benefits of retrofitting dealership network to comply with ISO energy efficiency standards.

Rand Transport has completed a detailed energy audit of its Homebush facility which was partially funded by the NSW government Office of Environment and Heritage program. The suggested capital investment will drive down energy consumption for Rand in NSW. Rand's new developments are designed with a great emphasis on environmental and energy efficiency. To this end, recently completed Rand Facilities in Brisbane and Melbourne have delivered material operational cost savings over older Rand facilities.

In Automotive, new developments include, where possible, water recycling, water efficient hydraulic fixtures, energy management systems and solar panels. External lighting incorporates low energy after hour's security lighting.

Greenhouse Gas and Energy Data Reporting Requirements

The Group is subject to the reporting requirements of the *National Greenhouse and Energy Reporting Act 2007* (NGERS).

NGERS requires the Group to report its annual greenhouse gas emissions and energy use. The Group has registered with the Clean Energy Regulator (CER). An NGERS compliance plan has been adopted by the Board which identifies the members of the corporate group, identifies the relevant facilities and their boundaries and provides guidance *on the measuring and gathering of information and how to report such information*. The Group has implemented systems and processes for the collection and calculation of the data required and will submit its annual report to the CER by the reporting deadline of 31 October 2012, for the compliance year ended 30 June 2012.

Information on Directors

David Griffiths, B Econ (Honours) UWA, Master of Economics ANU, Hon.DEc UWA, FAICD. Chairman, Non-Executive (Independent)

Experience and expertise

Mr Griffiths was appointed as a non-executive director on 27 February 2007, Deputy Chairman on 3 April 2008 and Chairman on 19 November 2010. Mr Griffiths has held a range of senior financial executive positions and has extensive experience in equity capital markets, mergers and acquisitions and the corporate advisory sector. He is a former Divisional Director of Macquarie Bank Limited and Executive Chairman of Porter Western Limited. Mr Griffiths is Chairman of Northern Iron Limited and Deputy Chairman of ThinkSmart Limited and Deputy Chairman of Perth International Arts Festival.

Other current directorships (of listed entities)

Northern Iron Limited
ThinkSmart Limited

Former directorships in the last 3 years (of listed entities)

Great Southern Limited

Interest in shares

68,647 ordinary shares in AHG

Special responsibilities

- Chairman of the Board of Directors
- Chairman of the Remuneration and Nomination Committee
- Member of the Audit & Risk Management Committee

Giovanni (John) Groppoli, LLB, BJuris, FAICD, Non-Executive Director (Independent)

Experience and expertise

Mr Groppoli was appointed to the Board on 4 July 2006. Mr Groppoli was a partner of national law firm Deacons (now known as Norton Rose) from 1987 to 2004 where he specialised in franchising (and related wholesale and retail distribution networks), mergers and acquisitions, and corporate governance. He was Managing Partner of the Perth office of Deacons from 1998 to 2002.

Mr Groppoli left private practice in 2004 and is currently Managing Director of Milners Pty Ltd, a leading Australian brand marketing group specialising in premium homeware products, and Aviva Optical Pty Ltd, an importer and national distributor of optical products and accessories.

Mr Groppoli is a director of the Senses Foundation and public unlisted entities Retravisio (WA) Limited and Electcom Limited which manage and service the *Retravisio*, *Westcoast Hi Fi* and *Fridge & Washer City* retail brands in WA, SA and NT.

Other current directorships (of listed entities)

None

Former directorships in the last 3 years (of listed entities)

None

Interest in shares

43,325 ordinary shares in AHG

Special responsibilities

- Member of the Remuneration and Nomination Committee

Tracey Horton, BEcon (Hons) UWA, MBA Stan, Prof Emer, Non-Executive Director (Independent)

Experience and expertise

Ms Horton was appointed a non-executive director on 3 May 2012. Ms Horton has extensive international business and education experience most recently as Winthrop Professor and Dean of the UWA Business School where she was responsible for leading more than 200 faculty and staff and around 5,000 students.

Prior to this role she was a senior manager and partner at Bain and Company in San Francisco and Poynton and Partners in Perth and was an economist at the Reserve Bank of Australia.

Ms Horton has significant governance experience currently serving on a number of Boards including ASX listed Skilled Group Limited and Navitas Limited, as well as Cullen Wines and D'Orsogna. Ms Horton also chairs the Boards of the not-for-profit Western Australian Museum Foundation and Presbyterian Ladies College.

Other current directorships (of listed entities)

Skilled Group Limited

Navitas Limited

Former directorships in the last 3 years (of listed entities)

None

Interest in shares

Nil

Special responsibilities

- Member of the Audit & Risk Management Committee
- Member of the Strategy Steering Committee

Bronte Howson, MAICD, Executive Director

Experience and expertise

Mr Howson is recognised as one of the leading figures in the Australian automotive retailing industry with hands on experience gained in a career spanning 30 years. Mr Howson was appointed CEO of AHG in January 2000 and became Managing Director in 2007. During this time he established a track record of driving profitable growth. He successfully led AHG from being a private group with operations largely based in Western Australia to becoming the leading listed specialist Automotive and Logistics Group in Australia. This depth of industry knowledge and expertise is founded in his pioneering a successful automotive parts business, which he sold to AHG in 1988.

Mr Howson is President and Life Member of East Perth Football Club and was awarded honorary life membership of Rocky Bay for his support of the charity. Under Mr Howson's leadership, AHG has continued its long tradition of supporting a range of important charitable and community causes.

Other current directorships (of listed entities)

None

Former directorships in the last 3 years (of listed entities)

None

Interest in shares

5,580,418 ordinary shares in AHG

Special responsibilities

- Managing Director
- Member of the Strategy Steering Committee

Robert McEniry, MBA FAICD, Non-Executive Director (Independent)

Experience and expertise

Mr McEniry has over twenty-five years experience in the automotive industry including most recently five years as Chair, President and CEO of Mitsubishi Motors Australia Limited. Prior to that he held a number of senior executive roles including Director of Marketing for General Motors Holden, Vice President – Commercial and Marketing for Saab Automobile AB of Sweden, CEO of South Pacific Tyres Pty Ltd, Melbourne and CEO of Nucleus Network, Melbourne.

Mr McEniry is currently a director of Multiple Sclerosis Society Limited, Australian Home Care Services Pty Ltd and Stillwell Motor Group. Mr McEniry is also chair of EV Engineering Pty Ltd and chair of the Advisory Board, Department of Management at Monash University.

Other current directorships (of listed entities)

None

Former directorships in the last 3 years (of listed entities)

None

Interest in shares

Nil

Special responsibilities

- Member of the Strategy Steering Committee

Michael Smith, FAICD FAIM CMC, Deputy Chairman Non Executive (Independent)

Experience and expertise

Mr Smith was appointed as a non-executive director on 6 May 2010 and deputy chairman on 7 February 2011. Mr Smith operates a marketing and strategy consultancy firm Black House, which consults to a number of leading Australian companies. In addition to this, he is Chairman of Synergy, WA's largest energy retailer, iiNet Ltd, Australia's second largest internet service provider and is a past Chairman of the Perth International Arts Festival, the West Coast Eagles, Barking Gecko Theatre Company and Scotch College (Perth). He is also a director of 7-Eleven Stores Pty Ltd and Vice President of the Australian Institute of Company Directors WA. Mr. Smith's private consultancy, Black House, advises sector leading companies including Navitas, Hawaiian, Brightwater and the Satterley Property Group.

Other current directorships (of listed entities)

iiNet Limited

Former directorships in the last 3 years (of listed entities)

None

Interest in shares

21,175 ordinary shares in AHG

Special responsibilities

- Chairman of the Audit & Risk Management Committee
- Member of the Remuneration and Nomination Committee
- Chairman of the Strategy Steering Committee

Peter Stancliffe, BE (Civil) FAICD, Non-Executive Director (Independent)

Experience and expertise

Mr Stancliffe was appointed as a non-executive director on 25 November 2005. Mr Stancliffe has over 40 years experience in the management of large industrial companies both in Australia and overseas and has held various senior management positions, including Chief Executive Officer. He has extensive experience in strategy development and a detailed knowledge of modern company management practices. Mr Stancliffe is a graduate of the MIT Senior Management Program and the AICD Company Directors' Course. In addition to his listed company directorships he is a director of Harris Scarfe Pty Ltd.

Other current directorships (of listed entities)

Hills Industries Limited

Korvest Limited

Former directorships in the last 3 years (of listed entities)

None

Interest in shares

34,225 ordinary shares in AHG

Special responsibilities

- Member of the Audit & Risk Management Committee

Hamish Williams, FCA, MAICD, Executive Director

Experience and expertise

Mr Williams joined AHG as Chief Financial Officer in 1993. He was appointed Finance Director in 1996 and in that position was responsible for all corporate finance, taxation, audit and accounting matters in relation to AHG, including the treasury function. In 2009 Mr Williams took on the role of Executive Director – Strategy and Planning, reflecting the Board's decision to add to its senior management capabilities in undertaking strategic projects, corporate planning and continuous improvements programs.

Other current directorships (of listed entities)

None

Former directorships in the last 3 years (of listed entities)

None

Interest in shares

201,520 ordinary shares in AHG

Special responsibilities

- Member of the Strategy Steering Committee
- Acquisitions/divestments, strategic projects, corporate planning and continuous improvement programs
- Appointed Company Secretary from 3 June 2011 post resignation of Susan Symmons. Resigned as Company Secretary on 11 August 2011 with the appointment of David Rowland

Gregory Wall, MA, FAICD, F Fin, Non-Executive Director (Independent)

Mr Wall resigned as a director on 6 October 2011 upon his appointment as CEO of the motoring industry cooperative Capricorn Society.

Company Secretary & General Counsel

David Rowland, B.Juris LLB MAICD

Mr Rowland was appointed as Company Secretary and General Counsel of AHG on 11 August 2011. He has extensive legal experience with leading law firms Allens Ashurst in Melbourne and Sydney. As a corporate lawyer he advised a number of Australia's leading companies, specialising in mergers and acquisitions and corporate finance.

Prior to joining AHG, David gained ten years of listed company experience as General Counsel and Company Secretary of three ASX listed companies operating in a variety of industries including distribution, transport and logistics, media services and mining services.

Those roles involved direct responsibility for all legal, company secretarial, risk and investor relations matters and involvement in a wide range of corporate transactions and capital markets activities.

Hamish Williams, FCA, MAICD, Executive Director

Mr Williams was appointed Company Secretary on 3 June 2011 post resignation of Ms Symmons and resigned as Company Secretary on 11 August 2011 with the appointment of Mr Rowland.

Meetings of Directors

The number of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2012 and the number of meetings attended by each director are as follows:

	Full meetings of Directors		Audit & Risk Management		Remuneration and Nomination	
	A	B	A	B	A	B
G Groppoli	11	10	n/a	n/a	4	4
D Griffiths	11	11	5	5	4	4
T Horton	3	3	n/a	n/a	n/a	n/a
BM Howson	11	11	n/a	n/a	n/a	n/a
R McEniry	3	3	n/a	n/a	n/a	n/a
MJ Smith	11	11	5	5	4	4
PW Stancliffe	11	11	n/a	n/a	n/a	n/a
GJ Wall	3	3	3	3	1	1
HC Williams	11	11	n/a	n/a	n/a	n/a

A = Number of meetings held during the time the director held office or was a member of the committee

B = Number of meetings attended

No formal Non-Executive Director meetings were held during the year however the Non-Executive Directors regularly met on a casual basis to discuss significant matters.

Retirement, Election and Continuation in Office of Directors

In accordance with the Constitution of the Company, Messrs Smith and Williams will retire by rotation. Being eligible, Messrs Smith and Williams offer themselves for re-election at the next Annual General Meeting.

In accordance with the Constitution of the Company, Ms Horton and Mr McEniry were appointed directors on 3 May 2012 as a casual vacancy and offer themselves for re-election at the next Annual General Meeting.

Remuneration Report (Audited)

The Board has spent considerable time this year focusing on its remuneration framework, reflecting on past feedback, the current strategic direction of the business and how remuneration can best support the future needs of the Company.

During 2012 the Company undertook a comprehensive review of remuneration practices, and commissioned a review of the remuneration framework by external advisors PricewaterhouseCoopers (PwC). This review will result in significant changes to the remuneration framework, with the new remuneration structure to take effect for FY2013. Details of these changes and the framework for remuneration in FY2013 and beyond are provided later in this report.

This remuneration report sets out remuneration information for AHG's non-executive directors, executive directors and other key management personnel ("KMP").

The report is comprised of the following key sections:

Part A: Overview of the Company's Approach to Remuneration in FY2013 and Beyond

- a) Voting on the remuneration report at the last Annual General Meeting
- b) Independent review of remuneration policies and PwC recommendations
- c) Executive remuneration for FY2013
- d) Details of renegotiated executive service contract for the MD

Part B: FY2012 Remuneration Disclosures

- a) Who this report covers
- b) Remuneration governance
- c) Executive remuneration strategy and structure
- d) Non-executive director remuneration structure
- e) Link between performance and remuneration outcomes
- f) Details of remuneration for FY2012
- g) Service agreements

Part A: Overview of the Company's Approach to Remuneration in FY2013 and Beyond

a) Voting on the remuneration report at the last Annual General Meeting

The instructions given to validly appointed proxies in respect of the Adoption of the Remuneration Report resolution were as follows:

	For	Against	Abstain
No. of Votes	99,802,846	79,441,627	5,672,670

The motion was carried as an ordinary resolution on a poll the details of which are:

	For	Against	Abstain
No. of Votes	102,267,444	79,447,477	5,672,670

This constituted a vote against by greater than 25% of the votes cast which constituted a "first Strike" under the *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011 (Cth)*. The company acknowledged and respected this outcome and committed to consulting with shareholders to understand their comments and concerns in respect of AHG's remuneration structure.

b) Independent review of remuneration policies and PwC recommendations

In light of the "first strike" on remuneration and in consideration of a wider market review of AHG's remuneration strategy the Remuneration and Nomination Committee engaged PricewaterhouseCoopers ("PwC") as an independent consultant to review AHG's remuneration policies, and provide recommendations on the ongoing remuneration strategy and structure which cover KMP, with these changes to apply for the FY2013 year onwards.

The review examined the Company's reward strategy and structure (including benchmarking specific roles against comparable companies and direct competitors) having regard to:

1. Overall historical remuneration structure and legacy constraints
2. Remuneration mix (Fixed versus Variable) and performance metrics
3. Application of a Long Term Incentive program
4. Workforce segmentation
5. Recommended remuneration structures
6. Transition actions to migrate toward a target reward strategy

Under the terms of the engagement, PwC provided remuneration recommendations as defined in section 9B of the *Corporations Act 2001 (Cth)* and was paid \$75,200 for these services up to the date of this report. PwC has confirmed that the recommendations were made free from undue influence by members of AHG's KMP.

The following arrangements were made to ensure that the remuneration recommendations were free from undue influence:

- PwC was engaged by, and reported directly to, the Chairman of the Remuneration and Nomination Committee. The agreement for the provision of remuneration consulting services was executed by the Chairman of the Remuneration and Nomination Committee under delegated authority on behalf of the Board.
- All reports containing remuneration recommendations were provided by PwC directly to the Chairman of the Remuneration and Nomination Committee.
- Management provided factual information to PwC throughout the engagement about company processes, practices and other business issues. However, PwC did not provide any member of management with a copy of the draft or final reports that contained the remuneration recommendations.
- PwC provided no other services to AHG during the current reporting period.

As a consequence, the Board is satisfied that the recommendations were made free from undue influence from any members of the KMP.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee of the Board of Directors of AHG is responsible for determining compensation arrangements for the Directors and the senior management team. Remuneration levels and other terms of employment for the Directors and the senior management team are reviewed at least annually by the Committee, having regard to qualifications and experience, legacy issues, relevant market conditions, and performance against goals set each year.

The Committee assesses the appropriateness of the remuneration levels to ensure the Company is able to attract and retain high quality Executives. The Remuneration and Nomination Committee may utilise independent consultants to assist in this regard.

Remuneration Philosophy

The Company recognises that AHG operates in a competitive environment and to prosper in such it must attract, motivate and retain personnel of the highest calibre.

Remuneration for executives is designed to be market competitive and complementary to the reward strategy of the organisation.

The Remuneration and Nomination Committee is committed to continual review and refinement of the executive remuneration strategy to ensure it balances the changing needs of AHG with alignment to shareholders' interests:

Alignment to shareholders' interests	Alignment to AHG executives' interests
• economic profit as a core component of plan design; • sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering a consistent return on NPAT, TSR and EPS, as well as focusing the executive on key non-financial drivers of value; and • attracting and retaining high calibre executives.	• rewards capability and experience; • reflects competitive reward for contribution to growth in shareholder wealth; • provides a clear structure for earning rewards; and • provides recognition for contribution.

c) Executive remuneration in FY2013

Following the 2012 review of remuneration practices and the independent advice obtained from the PwC review of the Group's remuneration practices, the Board has identified and agreed a new remuneration structure to be implemented in FY2013.

The objective of the Group's executive reward structure is to ensure reward for performance is competitive and appropriate for the results delivered. The structure aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and reflects current market practice for delivery of reward. The Board aims to ensure that executive reward practices are aligned with the following key criteria for good reward governance practices such that executive remuneration is:

- competitive and reasonable, enabling the company to attract and retain key talent;
- aligned to the company's strategic and business objectives, and the creation of shareholder value;
- transparent;
- acceptable to shareholders; and
- aids in capital management needs.

FY2013 Executive Remuneration Structure

Implementation of the following remuneration structure will have regard to industry practise and legacy constraints with regard to existing contractual terms, however consistent with previous years the Group's remuneration structure will be aligned to three core components:

1. Fixed Remuneration

This consists of base salary, superannuation, allowances and any salary sacrifice components.

During FY2012, benchmarking of KMPs fixed remuneration was conducted by PwC against a custom peer group of companies of a similar size (by market capitalisation) and operating in a similar industry to AHG to ensure remuneration levels set meet the objectives of the Company and are aligned to broader market trends within the industries it operates for comparable roles linked to the specific responsibilities and competence of the individual.

2. Variable Remuneration

Variable Rewards – “at-risk” component relates to performance and comprises:

- a cash-based incentive; and
- participation in an equity incentive plan.

Cash-based Incentive

Due to the nature of AHG's key businesses, commission and bonuses typically form a significant component of total remuneration and are integral to attracting, motivating and retaining individuals of a high calibre with appropriate industry experience. However, the Board acknowledges the feedback received from shareholders and proxy advisors and is currently implementing key changes to the STI structure. The final STI structure is yet to be finalised, but is proposed to be similar to that for the MD (as outlined below) and has regard to the following:

- Limiting cash payouts through requiring a portion of above target STI to be awarded in a combination of cash and equity
- Re-weighting of metrics to ensure appropriate emphasis is placed between financial metrics and non-financial metrics
- Setting of targets that are based on improvement against historical performance, rather than budget
- Ensuring that threshold targets require an improvement on historical performance before any payment is triggered, and reducing the portion of STI paid out for threshold performance
- Wider participation in an equity-based plan to shift short-term variable remuneration to longer-term remuneration

Cash-based STI's will be split into financial and non-financial components:

Financial STI

Specific performance targets are set for delivery of outcomes which meet or exceed the performance target set. Financial STI's are based on the delivery of specific economic profit measures aligned to the individuals' responsibilities and/or the overall Group's profit result. Actual performance results are tightly aligned to the operating results achieved within specific segments or divisions. Actual performance is based on audited financial results and/or internally reviewed management reports. Measurement of actual performance is quantified through the inherent internal controls surrounding profit recognition and supported by internal and external audit review.

AHG is currently in the process of finalising the financial STI targets to be set for FY2013.

Non Financial STI

Key performance targets are set for individuals with regard to non financial targets linked to the overall objectives of AHG and/or specific operational objectives. Non financial performance targets are set from the strategic plan having regard to driving performance achievements which exceed the performance expected of the individuals' underlying responsibilities.

For FY2013 non financial Key Performance Indicators will be set in the context of the table below:

Core KPI Objective	Overview of KPI
OH&SE	• Specific measurement targets for minimising safety incidents • KPI's aligned to reducing claims • Support of safety incident reporting, training and education initiatives
People Management	• Clearly aligned leadership and development criteria to support succession planning and drive performance • Performance metrics surrounding staff retention and development • Compliance with and promotion of approved AHG values, policies and behaviours.
Compliance & Reporting	• Specific measures surrounding compliance with policies, and adherence with regulatory requirements
Business Development	• Identification and assessment of acquisition opportunities • Effective integration of acquisitions and alignment to target objectives • Input to core strategic issues facing operational businesses and/or AHG
Stakeholder Relationships	• Qualitative measures surrounding board and senior management communications • Management of external relationships (Manufacturers, suppliers, investors) • KPI's aligned to customer relationships and aligned to successful business outcomes
Physical Asset Management	• Property maintenance and compliance with leasehold obligations • KPI's related to inventory management, control and obsolescence

Equity-based Incentive

In light of PwC's recommendations, the Board has decided a greater proportion of total remuneration for executives be subject to longer term performance and be linked to an equity-based reward to enhance alignment of interests to those of shareholders. A number of different equity incentive vehicles were explored with the Board deciding that awards would be most appropriately delivered in the form of Performance Rights. As such, equity awards will be made under AHG's existing Performance Rights Plan. This plan provides participants with the rights to acquire shares in the Company ("Rights").

For FY2013, the Board intends to widen the participation in this plan. The opportunity to receive an equity-based incentive is split into two distinct participation levels and is dependent on the individual's specific responsibilities, ability to influence the Company's performance and role within the group. The first group will be comprised of the MD and a small group of senior executives who are responsible for the strategic direction of the Company. The second group will be comprised of executives who have significant operational impact or Group-wide functional influence. The structure of the equity awards to these two groups are distinct, the details of which are outlined below.

1. Performance Rights Award - subject to performance assessed over a 3-year period

Participation in this category is restricted to the MD and small group of senior executives who have substantive influence over the Company's overall performance, its strategy, and its acquisition activity. For employees in this category, it is intended that a set portion of their Total Annual Remuneration be comprised of an equity-based component.

These executives will be granted Performance Rights subject to performance hurdles assessed over a 3-year period. Each Performance Right is a right to be issued a share in the future, provided the performance-based vesting conditions are met.

From FY2013 onwards, equity grants to these executives will be made on an annual basis, such that equity will now form a key component of executives Total Annual Remuneration. The dollar value that executives will be entitled to receive is set at a fixed percentage of their base salary and ranges from 25% to 50% of base salary, depending on the participant's position within the Company. This quantum is in line with current market practice.

The number of Performance Rights to be granted is determined by dividing the LTI dollar value of the award by the fair value of a Performance Right.

Performance Conditions

The Board has considered current market practice in respect of LTI's when selecting performance conditions. To focus efforts on the creation of shareholder value, the Board has adopted a relative total shareholder return (TSR) measure and an absolute Earnings per Share (EPS) growth rate as the two equally weighted performance hurdles for FY2013. The Board will continue to refine the performance measures in FY2013 to agree the specific hurdles and relative comparator group before awarding any rights under this category.

2. Performance Rights Award – subject to performance assessed over a 12-month period with further 12-month deferral

PwC have further recommended a greater proportion of total remuneration be set in the form of an equity-based award for executives who have significant operational impact or Group-wide functional influence.

These awards are distinct to those awarded to the MD and senior executives to enable the assessment of performance against metrics that are more closely aligned to the participant's role, and will be structured as follows:

- For employees in this category, a set portion of their Total Annual Remuneration is set aside for an award.
- Performance is then assessed against financial and non-financial metrics over a 12-month period to determine the actual dollar value that is to be converted into the requisite number of Performance Rights. Each Performance Right is a right to be issued a share in the future.
- These Performance Rights do not vest and convert into Shares until a further 12-month service condition is met.

The awards may have regard to:

- *The individual having achieved an above target performance in the current financial year against financial and non-financial metrics.*
- *The retention impact to the individual given that vesting of the award is deferred by 12-months.*
- *The impact that the award will make to the individual's overall remuneration mix.*
- *Increased alignment to shareholders by converting potential cash-based STI to equity-based awards.*

The extent to which executives are eligible to participate will be assessed on a case by case basis.

Executive Contracts

In recognition of the recommendations made by the Corporations and Markets Advisory Committee ("CAMAC") with respect to executive remuneration, executive contracts will be amended to include clawback provisions where there has been a material misstatement in relation to a company's financial statements. All new employment contracts will also be amended to reflect these requirements.

Legacy constraints and transition considerations

It is the Board's intention that executive remuneration packages are transitioned towards a better balance between fixed remuneration, short-term remuneration and long-term remuneration. However, the Board notes that changes to the remuneration packages of KMP are restricted by fixed-term employment contracts that are currently in operation, and divergence from these contracts would be a significant cost to the Company.

Consequently, as these employment contracts expire and are renewed, it is the Board's intention to ensure that KMP remuneration is negotiated to align to the desired executive remuneration structure. The setting of remuneration packages for new employees and major promotions will take into consideration the remuneration framework agreed by the Board for FY2013 and beyond.

AHG notes that, whilst the above changes to executive remuneration in FY2013 are significant, they are aligned to strengthening the existing remuneration principles which have been successful in delivering significant shareholder value in recent years. In particular, AHG's existing reward structure sees executives earning an above average percentage of their remuneration linked to variable performance. It is AHG's view that this structure provides stronger linkage between the generation of shareholder value and the remuneration earned by employees, compared to a structure that contains a higher fixed remuneration component. Further the expansion of participation in the equity incentive scheme enables a larger portion of variable remuneration to be weighted towards longer-term equity-based awards, while also offering a significant opportunity to support the retention of key employees across the Group who are critical to driving shareholder value in the future.

d) Details of renegotiated executive service contract for the MD

As part of the remuneration review a new executive services contract has been negotiated with Mr B Howson, the Managing Director. The broad terms of this agreement remain in line with the terms of all executive services contracts, but now include the specific clauses required to comply with current legislation changes surrounding clawback provisions.

1. Fixed Remuneration

Base	\$1,100,000	Base salary is inclusive of cash, super, insurance, motor vehicle and any other salary sacrificed benefits.
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In light of the recommendations made by PwC and the wider remuneration review, the Board has negotiated with Mr Howson to agree a new remuneration package that is more closely aligned with the proposed executive structures for FY2013. Mr Howson's fixed remuneration has not changed in the last two financial years and will continue to be frozen for FY2013. As a result, he will not receive any increase to his fixed base remuneration from the current \$1,100,000 package which includes superannuation and motor vehicle allowances.

2. Variable Remuneration

Financial STI

Financial STI	\$800,000 (at target)	Financial STI at target performance is 73% of base payable. Financial STI is calculated and payable pro-rata between three levels of achievement (threshold, target and stretch) and is capped at 125% of target financial STI.
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Specific performance targets have been agreed on which financial STI's are quantified. Targets for FY2013 take into consideration the Group's historically strong performance achieved in FY2012 and the Board's expectations for exceeding this performance in FY2013. In setting these targets, consideration has been given to the acquisitions made throughout FY2012 and those expected to occur in FY2013. The requisite Financial performance and STI opportunity available to the MD is set out in the table below:

Threshold Performance	Minimum Operating profit target achieved	30% of Target STI is payable	\$240,000
Target Performance	Operating profit equals Target	100% of Target STI is payable	\$800,000
Stretch Performance	Operating profit exceeds Target	125% of Target STI is Payable	\$1,000,000

Pro rata payment: Where actual operating profit exceeds the minimum threshold target STI will be paid on a pro-rata basis up to the maximum \$1,000,000.

Due to the commercially sensitive nature of these financial targets, actual target figures are not disclosed.

Deferral of above target Financial STI

For Financial STI, achievement above target is payable 50% cash and 50% deferred as performance rights. The grant of performance rights is subject to shareholder approval at the AGM and are issued under the rules of the AHG Performance Rights Plan. Vesting of these performance rights will be subject to a further one years service condition.

Non Financial STI

Non-Financial STI	\$300,000 (maximum)	Non-financial STI is a maximum 27% of base payable on achievement of specific KPIs. These KPI's will be specific and measurable goals which are aligned to achievement of the operational, financial, strategic and cultural goals. These STI's will be set by the Remuneration and Nomination Committee in conjunction with the Managing Director for each financial year commencing in FY2013. Each KPI will have a percentage weighting of the maximum non-financial STI payable. The level of achievement of each non-financial KPI will be given a progress review in February 2013 following the half year result and the amount paid will be determined by the Remuneration and Nomination Committee following the end of the 2013 financial year.
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Further information on Non financial STI's are outlined above in the section titled Executive remuneration FY2013.

3. LTI

LTI	\$666,667 [maximum]	This is the monetary value of performance rights to be issued on the following basis: • Subject to shareholder approval at the AGM. • Issued under the rules of the AHG Performance Rights Plan. • Based on performance assessed over a three year vesting period against measures approved by the Board with no subsequent re-testing. • Performance rights granted prior to departure can be retained post departure subject to compliance with service agreement terms including non-compete restrictions. • For FY2013 the performance rights will vest subject to performance achieved against a relative Total Shareholder Return (TSR) hurdle (50% weighting) and an Earnings per Share (EPS) compound annual growth rate (50% weighting), the details of which are outlined below. Relative TSR • AHG's TSR performance over the relevant performance period will be assessed against the following peer group of companies (subject to changes as may be approved by the Board in consultation with an independent party if that is appropriate given changes to the peer group companies): • Amalgamated Holdings Ltd. • AP Eagers Ltd. • ARB Corp. Ltd. • Austal Ltd. • Austbrokers Holdings Ltd. • Austin Engineering Ltd. • Billabong International Ltd. • Bradken Ltd. • Breville Group Ltd. • CSR Ltd. • Emeco Holdings Ltd. • Fleetwood Corp. Ltd. • FlexiGroup Ltd. • GUD Holdings Ltd. • Industrea Ltd. • Mystate Ltd. • Pacific Brands Ltd. • Premier Investments Ltd. • Qube Logistics Holdings Ltd. • Steamships Trading Company Ltd. • Super Retail Group Ltd. • Wide Bay Australia Ltd. • Vesting of the TSR portion of the grant will occur on the following basis: <table><tr><th>TSR ranking in the comparator group</th><th>Vesting outcome of TSR portion of grant</th></tr><tr><td>Below 50th percentile</td><td>Nil</td></tr><tr><td>At 50th percentile</td><td>25% vesting</td></tr><tr><td>50th percentile up to 75th percentile</td><td>Progressive/pro-rata from 25-100%</td></tr><tr><td>At or above 75th percentile</td><td>100% vesting</td></tr></table> Operating EPS compound annual growth rate • Baseline operating EPS for assessment of performance over the relevant performance period is set at FY2012 operating EPS (24.6 cents) • Vesting of the EPS portion of the grant will occur on the following basis: <table><tr><th>Compound annual EPS growth performance</th><th>Vesting outcome of EPS portion of grant</th></tr><tr><td>Below 7% pa</td><td>Nil</td></tr><tr><td>At 7% pa</td><td>25% vesting</td></tr><tr><td>7% pa up to 10% pa</td><td>Progressive/pro-rata from 25-100%</td></tr><tr><td>At or above 10% pa</td><td>100% vesting</td></tr></table>	TSR ranking in the comparator group	Vesting outcome of TSR portion of grant	Below 50 th percentile	Nil	At 50 th percentile	25% vesting	50 th percentile up to 75 th percentile	Progressive/pro-rata from 25-100%	At or above 75 th percentile	100% vesting	Compound annual EPS growth performance	Vesting outcome of EPS portion of grant	Below 7% pa	Nil	At 7% pa	25% vesting	7% pa up to 10% pa	Progressive/pro-rata from 25-100%	At or above 10% pa	100% vesting
TSR ranking in the comparator group	Vesting outcome of TSR portion of grant																					
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7% pa up to 10% pa	Progressive/pro-rata from 25-100%																					
At or above 10% pa	100% vesting																					

Part B: FY2012 remuneration disclosures

a) Who this report covers

The following individuals, being the KMP's, had the authority and responsibility for planning, directing and controlling the activities of AHG and its controlled entities during the financial year ended 30 June 2012:

Name	Position
Non-executive and executive directors – refer pages 7 to 11 above.	
P Mirams	Chief Financial Officer (commenced employment 25 June 2012)
R Nuich	Chief Financial Officer (ceased employment 1 July 2012)
D Rowland	Company Secretary and General Counsel (appointed 11 August 2011)
G Kininmont	GM Finance
J Moroney	GM Organisational Effectiveness
E Kavanagh	Chief Information Officer

b) Remuneration governance

The Remuneration and Nomination Committee is a committee of the Board. It is primarily responsible for providing recommendations to the Board on:

- remuneration and incentive policies and practices; and
- specific recommendations on remuneration packages and other terms of employment for executive directors, non-executive directors and certain senior executives.

The Corporate Governance Statement provides further information on the role of this committee. This is available on AHG's website.

The Managing Director, other executive directors and senior executives do not participate in any decision relating to their own remuneration.

c) Executive remuneration strategy and structure

Remuneration strategy

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and reflects current market practice for delivery of reward. The Board aims to ensure that executive reward practices are aligned with the following key criteria for good reward governance practices such that executive remuneration is:

- competitive and reasonable, enabling the company to attract and retain key talent;
- aligned to the company's strategic and business objectives, and the creation of shareholder value;
- transparent;
- acceptable to shareholders; and
- aids in capital management needs.

Remuneration structure

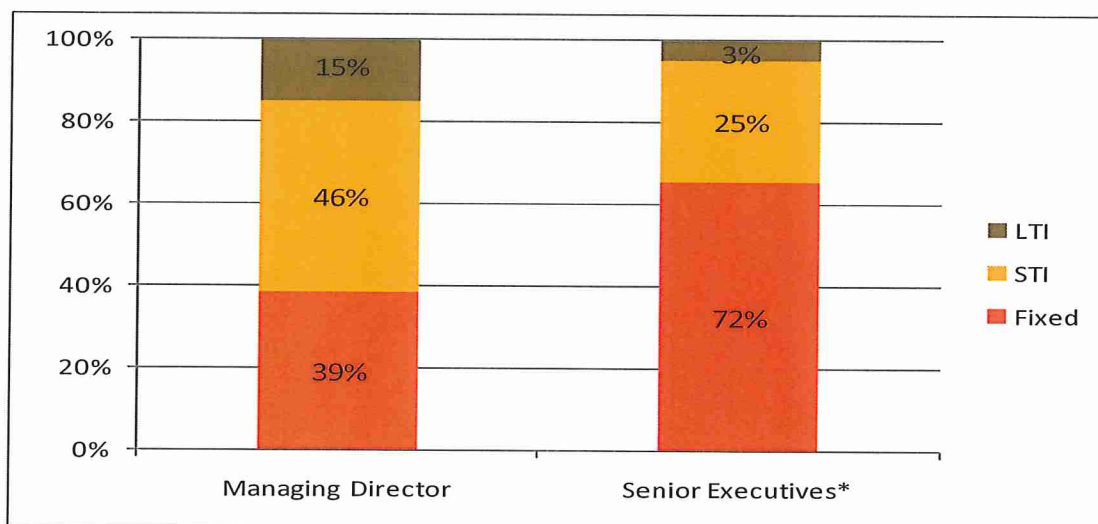
During FY2012, the executive remuneration and reward framework provided a mix of fixed and variable remuneration, and consisted of the following components:

- Fixed remuneration, comprised of base pay, superannuation and benefits;
- Short-term incentives ("STI"); and
- Long-term incentives ("LTI") for selected executives.

The combination of these components comprised the total remuneration paid to KMP. The Remuneration and Nomination Committee considers the level of remuneration and incentives to be paid each year.

Remuneration mixes

In accordance with the Company's objective to ensure that executive remuneration is aligned to company performance, a significant portion of executives' target remuneration is "at risk". The relative proportion of target FY2012 total remuneration packages split between fixed and variable remuneration is shown below:



* Average target remuneration mix of Senior Executives

The Managing Director's remuneration for FY2012 was based on the terms of a 3 year contract with FY2012 being the last year of that contract.

Fixed remuneration

The remuneration packages for the Managing Director, other executive directors and senior executives contain a fixed component that is not performance-linked. Fixed remuneration generally consists of base pay and benefits such as motor vehicles and life insurance, as well as employer contributions to superannuation funds.

The Company makes superannuation contributions to meet the minimum level of superannuation contributions required under any applicable legislation.

Fixed remuneration for senior executives is determined by the scope of their respective positions, and the knowledge, experience and skills required to perform their roles.

The Remuneration and Nomination Committee reviews base pay for executives on an annual basis through a remuneration review process that considers individual, business unit and overall Company performance. There is no guaranteed base pay increases included in any executives' contracts.

Short-term incentives ("STI")

During FY2012, the executives were entitled to STI that was payable on the fulfilment of certain financial and non-financial criteria. The bonuses earned during FY2012 are payable in cash by 30 September 2012. It was envisaged that use of a profit target would ensure that a reward was made available to executives when value was created for shareholders, and when profit was consistent with the business plan. Details of actual STI bonus amounts payable to each executive is set out under the *Details of remuneration for FY2012* section below. Details of AHG's financial performance is set out under the *Link between performance and remuneration outcomes* section below

Each year, the Remuneration and Nomination Committee considers the appropriate financial and non-financial metrics for the STI plan and the level of payout if these metrics are met. This includes setting any caps on the maximum payout under the STI plan, and minimum performance levels required to trigger payment of STIs.

The amount attributable to each executive's STI was dependent on the accountabilities of their role and their impact on the organisation's performance. For FY2012, STI for target performance ranged from 52% for the Managing Director to between 22% and 31% for senior executives:

STI	% of cash remuneration (total annual remuneration excluding LTI)	
	Target performance	Stretch performance
Managing director		
B Howson (Managing Director)	52%	55%
Senior executives		
H Williams (ED Strategy & Planning)	31%	31%
P Mirams (CFO) ¹	0%	0%
R Nuich (CFO) ²	26%	26%
D Rowland (Company Secretary and General Counsel) ³	28%	28%
G Kininmont (GM Finance)	27%	34%
J Moroney (GM Organisational Effectiveness)	23%	23%
E Kavanagh (Chief Information Officer)	22%	22%

¹ P Mirams commenced employment on 25 June 2012.

² R Nuich ceased employment on 1 July 2012.

³ D Rowland was appointed on 11 August 2011.

In FY2012, the Managing Director and Senior Executives who received less than 100% of their target STI entitlements were Hamish Williams (95%) and John Moroney (76%), based on assessment of performance against the STI criteria they were set. FY2012 was a record year for the Group in terms of revenue and operating profit achieved, supported by the successful execution and integration of acquisitions. This has resulted in high achievement levels by the Managing Director and Senior Executives against their STI performance criteria. FY2012 STI awards were based on the metrics and weightings as disclosed below. These targets were set by the Remuneration and Nomination Committee, and align to the Company's strategic and business objectives.

Automotive Holdings Group Limited
Directors' Report
For the year ended 30 June 2012

	Metric type	Target Weighting	Metric	Actual Payout	STI not Achieved
Managing Director	Financial	45%	Achievement of target operating NPAT will receive \$550,000, with pro-rata payment up to \$850,000 to stretch operating NPAT.	\$650,000	\$200,000
	Financial	39%	Achievement of target EPS will receive \$100,000, with pro-rata payment up to \$750,000 at stretch target.	\$600,000	\$150,000
	Non-financial	16%	Strategic metrics relating to business and organisation development, talent and succession management, and compliance and risk management.	\$152,500	\$47,500
Senior Executives	Financial	41%	Achievement of budget	\$380,000	\$Nil
	Non-financial	59%	Strategic metrics relating to business and organisation development, talent and succession management, and compliance and risk management.	\$445,875	\$34,125

These metrics vary with each executive's role and are established on an annual basis. The assessment of whether the above criteria are met and the level to which individual bonuses are earned is at the discretion of the Remuneration and Nomination Committee.

Long Term Incentives ("LTI")

During FY2012 no executives were eligible to participate in the AHG Performance Rights Plan as the Board had decided to re-examine the LTI plan in 2012 prior to further grants being made. Refer to Note 30.

The FY2009 LTI grant for the MD will vest 100% on 30 September 2012 based on achievement of performance criteria set in 2009 and measured across FY2010, FY2011 and FY2012. Associated rights, which have vested over that three year performance period, will be issued during the year ended 30 June 2013. The value of the LTI over the three year period is \$2.0 million which has been fully expensed over the three-year period from 30 June 2010 to 2012 and will be settled by 843,882 shares at \$2.37 per share (VWAP of shares at LTI issue date of 1 July 2009). The FY2010 LTI grant for the ED Planning & Strategy will vest on 30 September 2013 and the amount to be paid will be dependent on achievement of performance criteria. \$100,000 of the maximum \$200,000 has been expensed over the two-year period from 30 June 2011 to 2012.

The FY2009 LTI grant for the MD will vest based on the following performance criteria:

- Number of shares allocated will be based on cumulative Total Shareholder Return (TSR) for the period 1 July 2009 to 30 June 2012
- Cumulative TSR will be compared to a reference group of the ASX 300 excluding resource companies and financial institutions
- At the 50th percentile the MD will receive 421,941 shares
- For every 1% above the 50th percentile the MD will receive an additional 16,878 shares, to a maximum of 843,882 shares (75th percentile)
- AHG's actual TSR for the period 1 July 2009 to 30 June 2012 was at the 94th percentile

Details of equity plans currently in operation are as follows:

AHG Tax Exempt Share Plan

AHG has established a \$1,000 tax exempt share plan that provides eligible employees (those with more than 3 years service) with an opportunity to share in the growth in value of AHG shares. Under the tax exempt share plan, eligible employees have the opportunity to purchase \$1,000 worth of shares in the Company by way of salary sacrifice. The tax exempt share plan seeks to encourage participating employees to improve the performance of the Group and its return to shareholders through equity participation.

The number of shares purchased by eligible employees is based on the 5 day volume weighted average share price.

AHG Executive Share Plan

The AHG Executive Share Plan has been established which would allow directors and certain senior executives the opportunity to salary sacrifice their fees, salary, commission or bonus to purchase AHG shares up to a maximum of \$50,000 at a value to be determined.

Management of the Plans

The equity-based Plans outlined above are administered by the Board. The Company has appointed CPU Share Plans Pty Ltd to act as trustee of the Plan ("Trustee"). The Trustee will, at the direction of the Board (or Board committee), acquire the Company's shares either by way of on-market acquisition or by subscription, and the shares will be held on trust for participants under the Plans.

Should there be any future issues, it is the intention of the Board that the Trustee (or another appointed to act as trustee of the Plan) will either purchase shares on-market or subscribe for new shares using funds provided by the Company and hold those shares on trust for participants under the Plan. Once a participant satisfies their performance criteria, the Rights issued to that participant vest, and the participant may then direct the Trustee to transfer to him or her that number of shares equal to the number of the participant's Rights vesting.

d) Non-executive directors' remuneration structure

Fees and payments to non-executive directors (NEDs) reflect the demands which are made upon, and the responsibilities of, these directors. NED fees are reviewed annually by the Board. When setting changes to fees and other compensation for NEDs, the Board has taken the advice of independent remuneration consultants to ensure NED fees are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of NEDs and are based upon comparative roles in the external market provided by independent remuneration consultants. The Deputy Chairman's fees are also determined independently to the fees of NEDs having regard to additional duties the Deputy Chairman may be required to perform. NED fees have remained unchanged since 1 July 2010.

NEDs do not receive performance-based pay, however a salary sacrifice plan (AHG Executive Share Plan) for directors and senior executives was approved by shareholders at the 2007 Annual General Meeting. However, to date, it has not been utilised. If the Group elects to make the AHG Executive Share Plan operable it will enable directors and senior executives to sacrifice a portion of their directors' fees, salary, bonus or commission, as the case may be, in exchange for shares in the Company.

NED fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum director fee pool currently stands at \$750,000 per annum and was approved by shareholders at the 2010 Annual General Meeting.

The fees (including superannuation) that were applicable for the year ended 30 June 2012 are outlined in the table below, and remain unchanged from the year ended 30 June 2011:

Chairman	\$170,000
Deputy Chairman	\$127,000
Other non-executive directors	\$87,200

Additional fees for special duties:

Audit and Risk Management Committee Chairman	\$14,500
Audit and Risk Management Committee Member	\$7,265
Remuneration and Nomination Committee Chairman	\$7,265
Remuneration and Nomination Committee Member	\$3,630
Strategy Committee Chairman	\$7,265
Strategy Committee Member	\$3,630

The Company makes superannuation contributions to meet the minimum level of superannuation contributions required under any applicable legislation.

Payment of Expenses

In addition to remuneration, NEDs are entitled to receive reimbursement for travelling and other expenses that they properly incur in attending directors' meetings, attending any general meetings of the Company or in connection with the Company's business.

Payment for Extra Services

Any NED called upon to perform extra services or undertake any executive or other work for the Company beyond his or her general duties, may be remunerated either by a fixed sum or a salary as determined by the directors. This may be either in addition to or in substitution for the NED's share in the usual remuneration provided. No NED is currently being remunerated for services undertaken beyond their general duties.

Effect of Cessation of Office

Under the Company's Constitution, with the approval of the Company in general meeting, the directors may, upon a director ceasing to hold office or at any time after a director ceases to hold office, whether by retirement or otherwise, pay to the former director or any of the legal personal representatives or dependents of the former director in the case of death, a lump sum in respect of past services of the director of an amount not exceeding the amount either permitted by the *Corporations Act 2001* or ASX Listing Rules.

The Company may contract with any director to secure payment of the lump sum to the director, his or her legal personal representatives or dependants or any of them, unless prohibited by the *Corporations Act 2001* or the ASX Listing Rules. No such amounts were paid during the current financial year.

Financial Benefit

A director must ensure that the requirements of the *Corporations Act 2001* are complied with in relation to any financial benefit given by the Company to the director or to any other related party of the director.

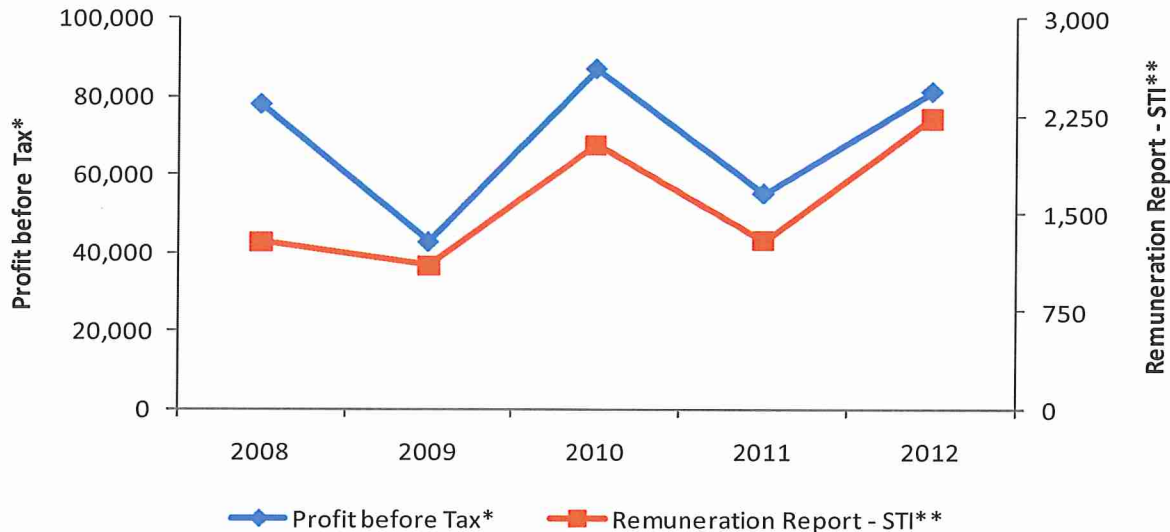
The Company does not make loans to directors or provide guarantees or security for obligations undertaken by directors except as may be permitted by the *Corporations Act 2001*.

e) Link between performance and remuneration outcomes

Performance of AHG

The following graphs illustrate the link between the Company's performance, shareholder wealth and key management personnel remuneration for the year ending 30 June 2012 and the previous 4 financial years.

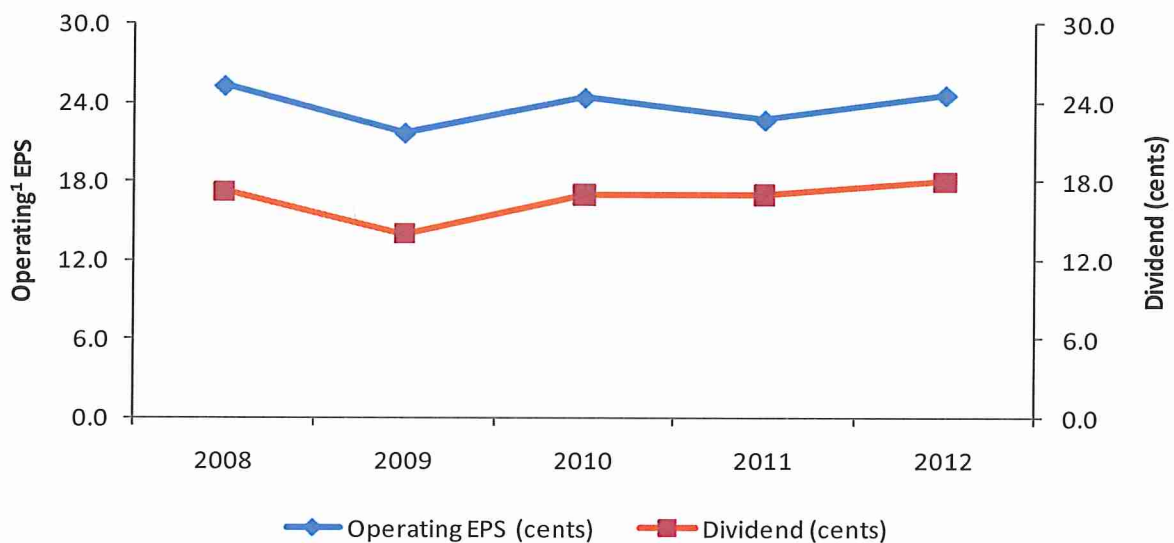
The first graph illustrates the link between AHG's profit before tax and payments made under the STI plan.



* Profit before tax is profit from continuing operations before income tax expense.

** STI remuneration reflects the STI amounts that were paid out to executives.

The second graph illustrates the link between AHG's basic operating¹ earnings per share and dividends to shareholders.



¹ Operating results exclude non-recurring items (including impairment, stamp duty and other fees associated with acquisition-related activities, GST on holdback and sale of investments)

The third graph illustrates the performance of AHG's share price in comparison to its ASX industry group (ASX 300 Retailing Index) over the five-year period from 1 July 2007 to 30 June 2012.



f) Details of remuneration for FY2012

Details of the FY2012 remuneration of directors and KMP (as defined in AASB 124 *Related Party Disclosures*) are set out in the following tables. For clarity, Dealer Principals/General Managers of the individual business units of the Group are not deemed to be senior managers or KMP because they do not have authority and responsibility for planning, directing or controlling the activities of the consolidated Group as a whole.

Automotive Holdings Group Limited
Directors' Report
For the year ended 30 June 2012

The below table provides remuneration details for directors of the Company and key management personnel of the Group for the year ended 30 June 2012:

	Short-term and long-term employment benefits			Termination/ Severance Benefits	Other LTI Benefits ⁶	Share Based Payments			Post Employment Benefits	Total
	Cash Salary and fees \$	Commission / Bonus Earned and Payable for June 2012	Other Non Monetary Benefits			Share Plan Benefits Vested (2011) \$	Share Plan Benefits (Accrued) (2012) \$	Share Plan Benefits Vested (2012) \$		
Non-Executive Directors⁷										
David Griffiths	173,383	-	-	-	-	-	-	-	15,604	188,987
Michael Smith	126,509	-	-	-	-	-	-	-	11,386	137,895
Giovanni (John) Groppoli	83,332	-	-	-	-	-	-	-	7,500	90,832
Peter Stanciliffe	73,333	-	-	-	-	-	-	-	13,867	87,200
Tracey Horton ¹	13,333	-	-	-	-	-	-	-	1,200	14,533
Robert McEniry ¹	13,333	-	-	-	-	-	-	-	1,200	14,533
Gregory Wall ²	25,700	-	-	-	-	-	-	-	2,313	28,013
	508,924	-	-	-	-	-	-	-	53,070	561,994
Executive Directors										
Bronte Howson	1,008,853	1,402,500	105,495	-	(212,778)	-	666,667	-	47,000	3,017,737
Hamish Williams	542,300	270,000	63,024	-	80,409	-	-	-	43,000	998,732
	1,551,153	1,672,500	168,519	-	(132,369)	-	666,667	-	90,000	4,016,469
Total Directors	2,060,077	1,672,500	168,519	-	(132,369)	-	666,667	-	143,070	4,578,463
Key Executives										
Ronald Nuich ³	295,000	120,000	-	229,124	-	-	-	-	40,000	684,124
Gus Kininmont	284,801	170,000	1,879	-	1,000	-	-	-	15,775	473,455
David Rowland ⁴	259,034	125,000	20,838	-	462	-	-	-	45,966	451,301
Eugene Kavanagh	237,225	80,000	17,969	-	9,380	-	-	-	27,775	372,349
John Moroney	230,250	60,875	(1,892)	-	5,915	-	-	-	43,982	339,130
Philip Mirams ⁵	10,417	-	-	-	-	-	-	-	938	11,354
Total Key Executives	1,316,726	555,875	38,794	229,124	16,757	-	-	-	174,436	2,331,712
Total	3,376,803	2,228,375	207,313	229,124	(115,613)	-	666,667	-	317,506	6,910,175

¹ Appointed 3 May 2012

² Resigned 6 October 2011

³ Employment ceased 1 July 2012. 57% of termination/severance benefit related to statutory obligations and accumulated employee entitlements

⁴ Appointed 11 August 2011

⁵ Appointed 25 June 2012

⁶ Movement in long service leave provision, based on average earnings paid during financial year

⁷ Movement in non-executive directors fees reflective of increased Committee roles and responsibilities and timing of payments.

Automotive Holdings Group Limited
Directors' Report
For the year ended 30 June 2012

Comparative details for the year ended 30 June 2011 are as follows:

	Short-term and long-term employment benefits				Share Based Payments			Post Employment Benefits	Total
	Commission / Bonus				Share Plan Benefits Vested (2010)	Share Plan Benefits (Accrued) (2011)	Share Plan Benefits Vested (2011)	Super-annuation	
	Cash Salary and fees	Earned and Payable for June 2011	Other Non Monetary Benefits	Termination/ Severance Benefits	\$	\$	\$	\$	\$
Non-Executive Directors									
David Griffiths	147,386	-	-	-	-	-	-	13,265	160,651
Robert Branchi	43,054	-	56,838	-	-	-	-	20,833	120,725
Michael Smith	100,688	-	-	-	-	-	-	9,062	109,750
Gregory Wall	96,662	-	-	-	-	-	-	8,700	105,362
Giovanni (John) Groppoli	83,331	-	-	-	-	-	-	7,500	90,831
Peter Stanciliffe	73,333	-	-	-	-	-	-	6,667	80,000
	544,454	-	56,838	-	-	-	-	66,026	667,318
Executive Directors									
Bronte Howson	1,011,853	705,000	64,005	-	7,580	793,249	-	47,000	2,628,688
Hamish Williams	538,066	200,000	43,934	-	948	-	-	43,000	859,281
	1,549,919	905,000	107,939	-	8,528	793,249	-	90,000	3,487,969
Total Directors	2,094,373	905,000	164,777	-	8,528	793,249	-	156,026	4,155,287
Key Executives									
Christopher Marwick ¹	476,885	220,000	39,266	810,630	-	-	-	27,300	1,574,081
Gus Kinnmont	273,803	126,500	18,414	-	-	-	-	15,199	433,916
Ronald Nuich	306,584	80,000	18,416	-	-	-	-	25,000	430,000
John Moroney	211,319	50,000	-	-	-	-	-	58,482	319,801
Eugene Kavanagh	217,801	35,000	30,084	-	-	-	-	27,199	310,084
Susan Symmons ²	227,536	-	-	-	-	-	-	24,299	251,835
Total Key Executives	1,713,928	511,500	106,179	810,630	-	-	-	177,479	3,319,716
Total	3,808,301	1,416,500	270,956	810,630	8,528	793,249	-	333,505	7,475,003

¹ Employment ceased 1 July 2011. 54% of termination/severance benefit related to statutory obligations and accumulated employee entitlements

² Resigned 3 June 2011

No Rights were issued under the AHG Performance Rights Plan for the year ended 30 June 2012.

The relative proportion of remuneration that is linked to performance and fixed is as follows:

	Fixed Remuneration		At risk - STI		At risk - LTI	
	2012	2011	2012	2011	2012	2011
Non-Executive Directors						
David Griffiths	100.0%	100.0%	Nil	Nil	Nil	Nil
Giovanni (John) Groppoli	100.0%	100.0%	Nil	Nil	Nil	Nil
Tracey Horton ¹	100.0%	Nil	Nil	Nil	Nil	Nil
Robert McEniry ¹	100.0%	Nil	Nil	Nil	Nil	Nil
Michael Smith	100.0%	100.0%	Nil	Nil	Nil	Nil
Peter Stancliffe	100.0%	100.0%	Nil	Nil	Nil	Nil
Gregory Wall ²	100.0%	100.0%	Nil	Nil	Nil	Nil
Executive Directors						
Bronte Howson	31.4%	42.7%	46.5%	26.8%	22.1%	30.5%
Hamish Williams	64.9%	72.7%	27.0%	23.3%	8.1%	4.0%
Key Executives						
Eugene Kavanagh	78.5%	88.7%	21.5%	11.3%	Nil	Nil
John Moroney	82.0%	84.4%	18.0%	15.6%	Nil	Nil
Gus Kininmont	64.1%	70.8%	35.9%	29.2%	Nil	Nil
Christopher Marwick ³	Nil	86.0%	Nil	14.0%	Nil	Nil
Ronald Nuich ⁴	82.5%	81.4%	17.5%	18.6%	Nil	Nil
David Rowland ⁵	72.3%	Nil	27.7%	Nil	Nil	Nil
Susan Symmons ⁶	Nil	100.0%	Nil	Nil	Nil	Nil
Philip Mirams ⁷	100.0%	Nil	Nil	Nil	Nil	Nil

¹ Appointed 3 May 2012

² Resigned 6 October 2011

³ Employment ceased 1 July 2011

⁴ Employment ceased 1 July 2012

⁵ Appointed 11 August 2011

⁶ Resigned 3 June 2011

⁷ Appointed 25 June 2012

g) Service agreements

Non-Executive Directors

On appointment to the Board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The directors also receive a Directors' Manual. Together, the letter and manual summarise the Board policies and terms, including compensation relevant to the office of director.

Executive Directors and KMP

Remuneration and other terms of employment for the executive directors are formalised in an Executive Service Agreement. The agreements for the executive directors provide for performance related cash bonuses and other benefits. The Executive Service Agreements are reviewed annually by the Remuneration and Nomination Committee for each executive director and details are as follows:

	Duration of contract	Notice required to terminate contract*	Base salary including superannuation**	Termination benefit ***
Executive directors				
Bronte Howson	Rolling contract (commenced 01 July 2012)	6 months	\$1,100,000	6 months base salary
Hamish Williams	Rolling contract (commenced 17 January 2005)	6 months	\$625,000	6 months base salary
Key executives				
Philip Mirams (commenced employment 25 June 2012)	Rolling contract (commenced 10 May 2012)	3 months	\$600,000	3 months base salary
Ron Nuich (ceased employment 1 July 2012)	Rolling contract (commenced 01 February 2009, ceased 01 July 2012)	3 months	\$325,000	3 months base salary
David Rowland	Rolling contract (commenced 11 August 2011)	3 months	\$305,000	3 months base salary
Gus Kininmont	Rolling contract (commenced 27 January 2010)	1 months	\$300,000	1 month base salary
John Moroney	Rolling contract (commenced 13 January 2009)	1 months	\$275,000	1 month base salary
Eugene Kavanagh	Rolling contract (commenced 24 December 2002)	1 months	\$265,000	1 month base salary

* Notice required to terminate contract can be given mutually by either party, being the employee or AHG Limited

** Base salaries quoted are for the year ended 30 June 2012; they are reviewed annually by the Remuneration and Nomination Committee.

*** For all new executive hires, or contracts that are materially varied after 1 November 2010, termination benefits will be limited to 12 months base salary or subject to shareholder approval.

This is the end of the audited remuneration report.

Insurance of Directors and Officers

During the year AHG paid insurance premiums in respect of a Directors' and Officers' liability insurance contract. The contract insures each person who is or has been a director or executive officer of the Group against certain liabilities arising in the course of their duties to the Group. The directors have not disclosed details of the nature of the liabilities covered or the amount of the premium paid in respect of the insurance contract as such disclosure is prohibited under the terms of the contract.

The directors and past directors of the Company are party to an *Access, Indemnity and Insurance Deed*, dated 2005, which provides, amongst other things:

- Access to Board papers whilst the director is a director of the Company and for 7 years after that person ceases to be a director of the Company;
- Subject to certain provisions, indemnification against any liability incurred by that director in their capacity as a director of the Company or of a subsidiary of the Company; and
- The Company obtaining a contract insuring a director against certain liabilities.

In addition, directors are entitled to seek independent legal and other professional advice where necessary to perform their duties with the Company meeting the cost of this advice or reimbursing the director as required.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or 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 any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Non Audit Services

The Group has employed the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the auditor (BDO Audit (WA) Pty Ltd) and affiliated offices for non-audit services provided during the year are set out below.

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

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

The following fees for non-audit services were paid / payable to the external auditors during the year ended 30 June 2012:

For the year ended 30 June 2012



Tel: +8 6382 4600
Fax: +8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

24 September 2012

Automotive Holdings Group Limited
The Board of Directors
21 Old Aberdeen Place
WEST PERTH WA 6005

Dear Sirs,

**DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF
AUTOMOTIVE HOLDINGS GROUP LIMITED**

As lead auditor of Automotive Holdings Group Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Automotive Holdings Group Limited and the entities it controlled during the period.

Brad McVeigh
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

Automotive Holdings Group Limited
Statement of Comprehensive Income
For the year ended 30 June 2012

		Consolidated	
		2012	2011
	Notes	\$'000	\$'000
Revenue from continuing operations	6	3,920,139	3,336,782
Other Income	6	-	148
Raw materials and inventory expense		(3,068,866)	(2,661,912)
Employee benefits expense	7	(425,751)	(331,715)
Depreciation and amortisation expense	7	(26,466)	(19,468)
Finance costs	7	(36,177)	(32,750)
Advertising and promotion		(29,580)	(28,935)
Occupancy costs		(85,690)	(72,225)
Vehicle preparation and service		(31,303)	(27,106)
Supplies and outside services		(31,725)	(27,997)
Motor vehicle expense		(12,215)	(8,627)
Equipment rental	7	(9,592)	(6,825)
Professional services		(5,270)	(4,596)
Other expense		(66,466)	(39,650)
Loss on sale of assets	7	(179)	-
Impairment of intangible assets	17	(9,711)	(19,854)
Profit before income tax		81,147	55,269
Income tax expense	8	(27,595)	(22,117)
Profit from continuing operations		53,552	33,153
Profit for the year before other comprehensive income		53,552	33,153
Other comprehensive income			
Available-for-sale financial assets	23	-	(127)
Unrealised changes in the fair value of cash flow hedges	23	(1,715)	(41)
Exchange differences on translation of foreign operations	23	123	(161)
Total comprehensive income for the year (net of tax)		51,960	32,824
Profit attributable to:			
Owners of Automotive Holdings Group Limited	23	50,612	31,217
Non-controlling interest		2,940	1,935
		53,552	33,153
Total comprehensive income attributable to:			
Owners of Automotive Holdings Group Limited		49,020	30,890
Non-controlling interest		2,940	1,934
		51,960	32,824
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share (cents)	10	19.4	13.5
Diluted earnings per share (cents)	10	19.4	13.5
Earnings per share is calculated on a weighted average number of shares of:		260,681,260	230,491,621

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Automotive Holdings Group Limited
Statement of Financial Position
As at 30 June 2012

		Consolidated	
	Notes	2012 \$'000	2011 \$'000
CURRENT ASSETS			
Cash and cash equivalents	11	81,382	129,996
Trade and other receivables	12	248,774	172,466
Inventories	13	584,219	443,827
Other current assets	14	13,658	16,493
		<u>928,033</u>	<u>762,782</u>
Assets classified as held for sale	38	69,213	-
TOTAL CURRENT ASSETS		<u>997,246</u>	<u>762,782</u>
NON CURRENT ASSETS			
Available-for-sale financial assets	15	2,250	-
Property, plant and equipment	16	158,098	175,909
Intangible assets	17	211,781	189,797
Deferred tax assets	8	29,075	18,979
TOTAL NON CURRENT ASSETS		<u>401,204</u>	<u>384,685</u>
TOTAL ASSETS		<u>1,398,450</u>	<u>1,147,467</u>
CURRENT LIABILITIES			
Trade and other payables	18	202,509	143,383
Interest-bearing loans and borrowings	21	514,992	394,258
Income tax payable		11,195	7,927
Provisions	19	41,265	31,347
		<u>769,961</u>	<u>576,915</u>
Liabilities directly associated with assets classified as held for sale	38	15,357	-
TOTAL CURRENT LIABILITIES		<u>785,318</u>	<u>576,915</u>
NON CURRENT LIABILITIES			
Interest-bearing loans and borrowings	21	139,000	106,868
Deferred tax liabilities	8	1,241	285
Provisions	20	14,970	10,649
TOTAL NON CURRENT LIABILITIES		<u>155,211</u>	<u>117,802</u>
TOTAL LIABILITIES		<u>940,529</u>	<u>694,717</u>
NET ASSETS		<u>457,921</u>	<u>452,750</u>
EQUITY			
Contributed equity	22	382,282	382,586
Reserves	23	(2,155)	(563)
Retained profits	23	74,012	67,716
Capital and reserves attributable to the owners of Automotive Holdings Group Limited		<u>454,139</u>	<u>449,739</u>
Non-controlling interest	24	3,782	3,012
TOTAL EQUITY		<u>457,921</u>	<u>452,750</u>

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

Automotive Holdings Group Limited
Statement of Changes in Equity
For the year ended 30 June 2012

Consolidated		Contributed Equity	Reserves	Retained Earnings	Total	Non- Controlling Interest	Total Equity
	Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2010		302,106	(235)	74,992	376,863	2,748	379,610
Profit for the year (after tax)		-	-	31,217	31,217	1,935	33,153
Changes in fair value of available-for-sale financial assets	23	-	(181)	-	(181)	-	(181)
Changes in fair value of cash flow hedges		-	(59)	-	(59)	-	(59)
Exchange differences on translation of foreign operations	23	-	(160)	-	(160)	(1)	(161)
Income tax relating to components of other comprehensive income	23	-	72	-	72	-	72
Total comprehensive income for the year		-	(328)	31,217	30,889	1,934	32,824
Transactions with owners in their capacity as equity holders:							
Contributions of equity, net of transaction costs	22	80,480	-	-	80,480	200	80,680
Dividends provided for or paid	9	-	-	(38,493)	(38,493)	(1,870)	(40,363)
		80,480	-	(38,493)	41,987	(1,670)	40,316
At 30 June 2011		382,586	(563)	67,716	449,739	3,012	452,750
		Contributed Equity	Reserves	Retained Earnings	Total	Non- Controlling Interest	Total Equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2011		382,586	(563)	67,716	449,739	3,012	452,750
Profit for the year (after tax)		-	-	50,612	50,612	2,940	53,552
Changes in fair value of cash flow hedges	23	-	(2,450)	-	(2,450)	-	(2,450)
Exchange differences on translation of foreign operations	23	-	123	-	123	-	123
Income tax relating to components of other comprehensive income	23	-	735	-	735	-	735
Total comprehensive income for the year		-	(1,592)	50,612	49,020	2,940	51,960
Transactions with owners in their capacity as equity holders:							
Contributions of equity, net of transaction costs	22	(304)	-	-	(304)	-	(304)
Dividends provided for or paid	9	-	-	(44,316)	(44,316)	(2,170)	(46,486)
		(304)	-	(44,316)	(44,620)	(2,169)	(46,790)
At 30 June 2012		382,282	(2,155)	74,012	454,138	3,782	457,921

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

Automotive Holdings Group Limited
Statement of Cash Flows
For the year ended 30 June 2012

		Consolidated	
		2012	2011
	Notes	\$'000	\$'000
Cash flow from operating activities			
Receipts from customers (inclusive of GST)		4,240,445	3,662,242
Payments to suppliers and employees (inclusive of GST)		(4,094,171)	(3,532,373)
Interest paid and costs of finance		(36,598)	(32,750)
Interest received		5,462	5,080
Income tax paid		(28,283)	(28,554)
Net cash inflow from operating activities	25	86,855	73,645
Cash flow from investing activities			
Payment for purchase of business, net of cash acquired		(66,408)	(12,516)
Deposit for purchase of business		-	(1,500)
Payment for property plant and equipment		(42,114)	(68,164)
Proceeds of sale of property, plant and equipment		6,103	3,278
Payment for purchase of investment		(2,250)	-
Net cash outflow from investing activities		(104,669)	(78,902)
Cash flows from financing activities			
Proceeds from borrowings		23,084	11,704
Repayment of borrowings		(7,905)	(18,159)
Proceeds from issue of shares, net of transaction costs	22	507	80,292
Dividends paid to members	9	(44,316)	(38,493)
Dividends paid to non-controlling interest		(2,170)	(1,870)
Net cash (outflow) / inflow from financing activities		(30,800)	33,475
Net (decrease) / increase in cash and cash equivalents		(48,614)	28,217
Cash and cash equivalents at the beginning of the year		129,996	101,778
Cash and cash equivalents at the end of the year	11	81,382	129,996

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

Non-cash financing and investing activities

During the year the consolidated entity acquired plant and equipment with a fair value of \$2,737,758 (2011: \$12,982,613) by means of finance leases (excluding those assumed in acquisitions – refer note 16). These acquisitions are not reflected in the statement of cash flows.

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1. Summary of significant accounting policies

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The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all financial years unless otherwise stated. The financial statements are for the consolidated entity consisting of Automotive Holdings Group Limited, its subsidiaries and joint ventures.

The parent entity, Automotive Holdings Group Limited, is a listed public company, incorporated and domiciled in Australia. The financial report is presented in Australian currency.

1. Summary of significant accounting policies (continued)

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 and the *Corporations Act 2001*. Automotive Holdings Group Limited is a for-profit entity for the purpose of preparing the financial statements.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

(a) Compliance with IFRS

These consolidated financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(b) New accounting standards and interpretations

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, the adoption of AASB 1054 *Australian Additional Disclosures* and AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project* enabled the removal of certain disclosures in relation to commitments and the franking of dividends.

Early adoption

There are no standards available for early adoption that have been early adopted in the current financial year.

Accounting standards issued not yet effective

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial year ended 30 June 2012 and have not been adopted in preparing the financial report for the year ended 30 June 2012. In all cases the entity intends to apply these standards applicable from the period first commencing after the effective date as indicated below:

1. Summary of significant accounting policies (continued)

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 9 (issued December 2009 and amended December 2010)	Financial Instruments	Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. Under AASB 9, there are three categories of financial assets: • Amortised cost • Fair value through profit or loss • Fair value through other comprehensive income. The following requirements have generally been carried forward unchanged from AASB 139 <i>Financial Instruments: Recognition and Measurement</i> into AASB 9. These include the requirements relating to: • Classification and measurement of financial liabilities; and • De-recognition requirements for financial assets and liabilities. However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.	Periods commencing on or after 1 January 2015	The entity has financial assets classified as available-for-sale. When AASB 9 is first adopted, the entity will reclassify these into the fair value through profit or loss category. On 1 July 2015, the cumulative fair value changes in the available-for-sale reserve will be reclassified into retained earnings and subsequent fair value changes will be recognised in profit or loss. These changes apply prospectively so comparatives do not need to be restated. The entity does not have any financial liabilities measured at fair value through profit or loss. There will therefore be no impact on the financial statements when these amendments to AASB 9 are first adopted.
AASB 10 (issued August 2011)	Consolidated Financial Statements	Introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present: • Power over investee (whether or not power used in practice) • Exposure, or rights, to variable returns from investee • Ability to use power over investee to affect the entity's returns from investee.	Annual reporting periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, there is not anticipated to be any material impact on the Group based on the transactions and balances recognised in the 2012 financial statements.

1. Summary of significant accounting policies (continued)

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 11 (issued August 2011)	Joint Arrangements	Joint arrangements will be classified as either 'joint operations' (where parties with joint control have rights to assets and obligations for liabilities) or 'joint ventures' (where parties with joint control have rights to the net assets of the arrangement). Joint arrangements structured as a separate vehicle will generally be treated as joint ventures and accounted for using the equity method (proportionate consolidation no longer allowed). However, where terms of the contractual arrangement, or other facts and circumstances indicate that the parties have rights to assets and obligations for liabilities of the arrangement, rather than rights to <u>net assets</u>, the arrangement will be treated as a joint operation and joint venture parties will account for the assets, liabilities, revenues and expenses in accordance with the contract.	Annual reporting periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, there will be no material impact on transactions and balances recognised in the financial statements.

1. Summary of significant accounting policies (continued)

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 13 (issued September 2011)	Fair Value Measurement	Currently, fair value measurement requirements are included in several Accounting Standards. AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes in the financial statements. Additional disclosures required for items measured at fair value in the statement of financial position, as well as items merely disclosed at fair value in the notes to the financial statements. Extensive additional disclosure requirements for items measured at fair value that are 'level 3' valuations in the fair value hierarchy that are not financial instruments, e.g. land and buildings, investment properties etc.	Annual reporting periods commencing on or after 1 January 2013	The entity has yet to conduct a detailed analysis of the differences between the current fair valuation methodologies used and those required by AASB 13. However, when this standard is adopted for the first time for the year ended 30 June 2014, there will be no impact on the financial statements because the revised fair value measurement requirements apply prospectively from 1 July 2013. When this standard is adopted for the first time for the year ended 30 June 2014, additional disclosures will be required about fair values.
AASB 2011-9 (issued September 2011)	Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income	Amendments to align the presentation of items of other comprehensive income (OCI) with US GAAP. Various name changes of statements in AASB 101 as follows: 1 statement of comprehensive income - to be referred to as 'statement of profit or loss and other comprehensive income' 2 statements - to be referred to as 'statement of profit or loss' and 'statement of comprehensive income'. OCI items must be grouped together into two sections: those that could subsequently be reclassified into profit or loss and those that cannot.	Annual periods commencing on or after 1 July 2012	When this standard is first adopted for the year ended 30 June 2013, there will be no impact on amounts recognised for transactions and balances for 30 June 2013 (and comparatives). However, the statement of comprehensive income will include name changes and include subtotals for items of OCI that can subsequently be reclassified to profit or loss in future (e.g. foreign currency translation reserves) and those that cannot subsequently be reclassified (e.g. fixed asset revaluation surpluses).

1. Summary of significant accounting policies (continued)

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 119 (reissued September 2011)	Employee Benefits	Main changes include: • Elimination of the 'corridor' approach for deferring gains/losses for defined benefit plans • Actuarial gains/losses on remeasuring the defined benefit plan obligation/asset to be recognised in OCI rather than in profit or loss, and cannot be reclassified in subsequent periods • Subtle amendments to timing for recognition of liabilities for termination benefits Employee benefits <u>expected to be settled</u> (as opposed to <u>due to settled</u> under current standard) wholly within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used wholly within 12 months of end of reporting period will in future be discounted when calculating leave liability.	Annual periods commencing on or after 1 January 2013	The entity currently calculates its liability for annual leave employee benefits on the basis that it is due to be settled within 12 months of the end of the reporting period because employees are entitled to use this leave at any time. The amendments to AASB 119 require that such liabilities be calculated on the basis of when the leave is expected to be taken, i.e. expected settlement. When this standard is first adopted for 30 June 2014 year end, annual leave liabilities will be recalculated on 1 July 2012 as long-term benefits because they are not expected to be settled wholly within 12 months after the end of the reporting period. This will result in a reduction of the annual leave liabilities recognised on 1 July 2012, and a corresponding increase in retained earnings at that date.
IFRS (issued May 2012)	Annual Improvements to IFRSs 2009-2011 Cycle	Non-urgent but necessary changes to IFRSs	Periods commencing on or after 1 January 2013	There will be no significant impact on amounts recognised or disclosed in the financial statements arising from these annual improvements.
AASB 12 (issued August 2011)	Disclosure of Interests in Other Entities	Combines existing disclosures from AASB 127 <i>Consolidated and Separate Financial Statements</i> , AASB 128 <i>Investments in Associates</i> and AASB 131 <i>Interests in Joint Ventures</i> . Introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities.	Annual reporting periods commencing on or after 1 January 2013	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required for interests in associates and joint arrangements, as well as for unconsolidated structured entities.

1. Summary of significant accounting policies (continued)

(c) Principles of Consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Automotive Holdings Group Limited, the ultimate parent entity, as at 30 June 2012 and the results of all controlled entities for the year then ended. Automotive Holdings Group Limited and its controlled entities together are referred to in these financial statements as the Group or Consolidated Entity. Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights.

The financial statements of subsidiaries are prepared for the same reporting period as the parent using consistent accounting policies.

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.

The effects of all transactions between entities in the Group are eliminated in full.

Non-controlling interest

Non-controlling interests are allocated their share of net profit or loss after tax in the consolidated statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity attributable to the owners of the parent.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

Jointly controlled operations

The proportionate interests in the assets and liabilities of jointly controlled operations have been incorporated in the consolidated statement of financial position under the appropriate headings. The share of the income and expenses is recognised in the consolidated statement of comprehensive income under the appropriate headings. Details of jointly controlled operations are set out in note 26.

Share Trust

The Group has formed a trust to administer the Group's employee share scheme. The trust is consolidated as the substance of the relationship is that the trust is controlled by the Group.

Shares held by the trust are disclosed as treasury shares and deducted from contributed equity.

1. Summary of significant accounting policies (continued)

(d) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. It is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have passed to the buyer and can be reliably measured. Risk and rewards are considered to have passed to the buyer upon the delivery of goods to the customer.

Rendering of services

Revenue from the rendering of a service is recognised in the period in which the service is provided.

Commissions

Commissions are recognised in the period in which the related sale of goods or rendering of service is recognised.

Interest income

Interest income is recognised as interest accrues using the effective interest rate method. The effective interest rate method uses the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

Dividends

Dividends are recognised as revenue when the right to receive payment is established.

(e) Goods and Services Tax (GST)

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

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

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

1. Summary of significant accounting policies (continued)

(f) Income Tax – refer note 8

The income tax expense for the period is the tax payable on the current period's taxable income based on a corporate taxation rate of 30% adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amount in the financial statements.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation:

Automotive Holdings Group Limited (the head entity) and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single consolidated entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Refer to (gg) (ii) for further details.

1. Summary of significant accounting policies (continued)

(g) Business Combinations

The purchase method of accounting is used for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets transferred, shares issued or liabilities undertaken at the date of the acquisition. Costs directly attributable to the acquisition are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(h) Impairment of Assets

At each reporting date the Group assesses whether there is any indication that individual assets are impaired.

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount assessed as its value-in-use or, for assets held for sale, its fair value less costs to sell. For the purposes of assessing impairment, assets are grouped at the lowest levels for which separately identifiable cash flows are generated (cash generating units).

For the purpose of assessing value-in-use, the estimated future cash flows of a cash generating unit are discounted to their present value using a pre-tax discount rate that reflects a current market assessment of the time value of money and the risks specific to the asset.

For the purpose of assessing fair value less costs to sell, the estimated future net consideration to be received on sale is used.

1. Summary of significant accounting policies (continued)

(i) Segment Reporting – refer note 5

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entities chief operating decision-maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. The Group has determined that its chief operating decision-maker is its Managing Director and through this role, the Board.

The Group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in the following respects:

- Nature of the products and services;
- Nature of the production process;
- Type or class of customer for the products or services;
- Methods used to distribute the products or provide the services, and if applicable
- Nature of the regulatory environment

Operating segments that meet the quantitative criteria as prescribed in AASB 8 *Operating Segments* are reported separately. This has resulted in the separate disclosure of the Group's transport and cold storage operations from within the existing Logistics Division.

The Board has determined that AHG's operating segments be divided between a single reportable automotive segment, two reportable logistics segments comprising AHG's transport and cold storage operations and the balance of all of its other logistical operations, and a single reportable property segment.

(j) Foreign Currency Translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('functional currency'). The consolidated financial statements are presented in Australian dollars, which is AHG's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the Group's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit for the year, except when deferred in equity as part of the net investment in a foreign operation.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

1. Summary of significant accounting policies (continued)

(j) Foreign Currency Translation (continued)

Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate of the reporting date;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as other comprehensive income (foreign currency translation reserve).

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. On disposal of a foreign entity the cumulative exchange difference recognised in the foreign currency translation reserve relating to that particular foreign operation is recognised in the statement of comprehensive income.

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

(k) Cash and Cash Equivalents – refer note 11

For statement of cash flow presentation purposes, cash and cash equivalents includes cash on hand, deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(l) Banking Transactions

Outstanding cheques are recorded as payables whilst outstanding deposits are shown as receivables.

(m) Trade Receivables – refer note 12

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable may be impaired. The amount and the present value of estimated future cash flows are discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of any impairment loss is recognised in profit for the period within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

1. Summary of significant accounting policies (continued)

(n) Inventories – refer note 13

New motor vehicles are stated at the lower of cost (purchase price less any discounts or rebates) and net realisable value (estimated selling price in the ordinary course of business less costs to sell). Demonstrator vehicles are written down to net realisable value. Costs are assigned to individual vehicles on the basis of specific identification.

Used motor vehicles are stated at the lower of cost and net realisable value on a unit by unit basis. Net realisable value has been determined by reference to the likely net realisable value given the age and condition of the vehicle at reporting date. Costs are assigned to individual vehicles on the basis of specific identification.

Parts and associated products are stated at the lower of cost and net realisable value. Costs are assigned to individual items on the basis of weighted average cost.

Work in progress is stated at cost. Cost includes labour incurred to date and consumables utilised during the service. Costs are assigned to individual customers on the basis of specific identification.

(o) New Motor Vehicle Stock and Related Bailment

Motor vehicles secured under bailment plans are provided to the Group under bailment agreements between the floor-plan loan providers and entities within the Group. The Group obtains title to the vehicles immediately prior to sale. The floor-plan providers treat the vehicles from a practical point of view as forming part of the Group's trading stock. Both the inventory value and the corresponding floor-plan obligation have been included in the financial statements although ownership of such inventory rests with the floor-plan financiers.

(p) Investments and Other Financial Assets

The Group classifies its investments or other financial assets in the following categories: available-for-sale financial assets and loans and receivables. The classification depends on the purpose for which the investments or other financial assets were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

Available-For-Sale Financial Assets – refer note 15

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Available-for-sale financial assets are subsequently carried at fair value.

Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in other comprehensive income in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the statement of comprehensive income as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis and pricing models to reflect the issuer's specific circumstances.

1. Summary of significant accounting policies (continued)

(p) Investments and Other Financial Assets (continued)

Purchases and sales of investments are recognised on the trade-date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Loans and receivables – refer note 12

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the carrying value of the asset is adjusted accordingly.

(q) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Assumptions used are based on observable market prices and rates at reporting date. The fair value of long-term debt instruments is determined using quoted market prices for similar instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

1. Summary of significant accounting policies (continued)

(r) Property, Plant and Equipment – refer note 16

Property, plant and equipment (excluding land) is measured on a historical cost basis and is depreciated on a straight line basis over its estimated useful economic life, as follows:

Category	Life
Buildings	40 years
Plant & equipment (including motor vehicles and computer software)	2½ – 20 years

Historical cost includes costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less depreciation and any impairment.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

Land and buildings are shown at cost less subsequent depreciation for buildings. 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 the statement of comprehensive income during the financial period in which they are incurred.

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease (including option periods) or the estimated useful life of the improvement to the Group, whichever is the shorter. Assets under construction are not amortised until they are completed and transferred to their appropriate asset category.

(s) Leased Assets – refer note 16

Leasing of plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired under finance leases are capitalised at the leases inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments (note 32). They are amortised over the anticipated life of the relevant lease. Lease payments are allocated between interest expense and reduction in the lease liability to achieve a constant rate on the finance balance outstanding.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 32). Operating lease assets are not capitalised and rental payments are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

1. Summary of significant accounting policies (continued)

(t) Intangibles – refer note 17

Goodwill on acquisition

The difference between the purchase consideration and the fair value of identifiable net assets acquired is initially brought to account as goodwill or discount on acquisition. Goodwill on the acquisition of subsidiaries is included in intangible assets.

Goodwill is not amortised. Instead, goodwill is tested for impairment at each reporting date, or more frequently if events or change in circumstances indicate that it might be impaired and is carried at cost less any accumulated impairment losses. Impairment of goodwill cannot be reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Impairment is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates.

Franchise rights

The Group has franchise agreements with manufacturers for the distribution of new vehicles and parts. These franchise rights agreements have varying terms and periods of renewal. The Group considers that the franchise agreements will be renewed indefinitely and accordingly no amortisation is charged on these assets. The Group assesses the franchise rights for impairment on a periodic basis, but at least at each reporting date and where there are indications of impairment the franchise rights values are adjusted to their recoverable amounts.

(u) Trade and Other Payables – refer note 18

These amounts represent liabilities for goods and services provided to the Group prior to the reporting date and which are unpaid at reporting date. The amounts are generally unsecured and are usually paid within 30 days of recognition. Amounts are recognised initially at fair value and subsequently at amortised cost.

(v) Interest Bearing Loans and Borrowings – refer note 21

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not incremental costs relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the estimated term of the facility.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. This policy also applies to inter-company borrowings within the Group.

(w) Finance Costs

Borrowing costs are recognised as expenses in the period in which they are incurred. These costs include:

- interest on bank overdrafts, short and long-term borrowings;
- interest on new vehicle bailment arrangements; and
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings

1. Summary of significant accounting policies (continued)

(x) Provisions – refer notes 19 and 20

Provisions for legal and other claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

An extended mechanical warranty is offered on the majority of the Group's retail used vehicle sales. The majority of the Group's operations pay a fee to an independent third party to administer the warranty program and an amount is set aside as a provision for future warrantable repairs in respect of all policies taken up. All warrantable repairs are submitted to the administrator for approval and, once approved, are charged against the provision. Where an independent third party is not used to determine the warranty provision the Group makes a best estimate of the expenditure required to settle the present obligation at reporting date. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate the risks specific to the liability.

(y) Employee Benefits – refer notes 19 and 20

Wages, salaries and annual leave

The provision for employee entitlements, salaries (including non-monetary benefits) and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long Service Leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised as current and is measured at the amount of long service leave to which employee are currently entitled.

Where the liability for long service leave is expected to be settled more than 12 months from the reporting date, the associated obligations are still presented as a current liability in the statement of financial performance if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur. For those long service leave liabilities that are a non current liability within employee entitlements, they are measured as 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 anticipated future wage and salary levels, experience of employee departures and periods of service.

Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Company's shareholders after agreed adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Share-based payments

Share-based compensation benefits are provided to eligible senior executives of the Company via the AHG Performance Rights Plan. Information relating to this scheme is set out in note 30.

The fair value of performance rights are recognised as an employee benefit expense based on the probability of certain executives meeting performance hurdles during a performance period.

1. Summary of significant accounting policies (continued)

(y) Employee Benefits – refer notes 19 and 20 (continued)

Share-based payments (continued)

At each reporting date, the Group revises its estimate of the number of performance rights that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimates.

(z) Contributed Equity – refer note 22

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Consideration paid for treasury shares is deducted from equity attributable to owners until the shares are re-issued.

(aa) Dividends – refer note 9

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

(bb) Earnings per Share – refer note 10

Basic earnings per share

Basic earnings per share is determined by dividing profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year (excluding treasury shares).

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 the conversion of dilutive potential ordinary shares (the numerator); and the weighted average number of shares assumed to have been issued in relation to these dilutive potential ordinary shares (the denominator).

(cc) Rounding of Amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the “rounding off” of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(dd) Financial Guarantee Contracts – refer notes 27 and 33

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payment that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligation.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions as part of the cost of the investment.

1. Summary of significant accounting policies (continued)

(ee) Derivatives and Hedging Instruments

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

- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges);
- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or
- hedges of a net investment in a foreign operation (net investment hedges).

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

Movements in the hedging reserve in shareholders' equity are show in note 23.

(i) Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income within other income or other expense.

The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the statement of comprehensive income within 'finance costs'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging import purchases is recognised in the statement of comprehensive income within 'raw materials and inventory expense'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (e.g. inventory) the gains or losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in the statement of comprehensive income as raw materials and inventory expense.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to the statement of comprehensive income.

1. Summary of significant accounting policies (continued)

(ff) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying value will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less cost to sell, except for assets such as deferred tax assets, assets arising from employee benefits and financial assets that are carried at fair value which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of sale is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised. Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial performance. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial performance.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical areas of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations

(gg) Parent Entity Financial Information – refer note 4

The financial information for the parent entity, AHG Limited, disclosed in note 4 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investment in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures are accounted for at cost in the financial statements of AHG Limited. Dividends received from associates are recognised in the parent entity's the statement of comprehensive income rather than being deducted from the carrying amount of these investments.

(ii) Tax consolidated legislation

Automotive Holdings Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Automotive Holdings Group Limited and the controlled entities in the tax consolidated group continue to account for their own income tax expense, current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer.

In addition to its own income tax expense, current and deferred tax amounts, Automotive Holdings Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under the tax funding arrangement with the tax consolidated entities are recognised as accounts receivable from or payable to other entities in the Group.

2. Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, contingent liabilities, revenue and expenses. Management continually evaluates its judgements and estimates basing them on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom exactly equal the related actual results. The following estimates and assumptions have an element of risk which may result in an adjustment to the carrying amounts of assets and liabilities within the next financial year and are discussed below.

Demonstrator vehicle write-down to net realisable value

In determining the amount of write-downs required for demonstrator vehicle inventory, management has made judgements based on the expected net realisable value of that inventory. Historic experience and current knowledge of the products has been used in determining any write-downs to net realisable value. Details regarding the write-down of vehicles to net realisable value are shown at note 13.

Used vehicle write-down to net realisable value

In determining the amount of write-downs required for used vehicle inventory, management has, in consultation with published independent used vehicle valuations, made judgements based on the expected net realisable value of that inventory. Historic experience, current knowledge of the products and the valuations from an independent used car publication has been used in determining any write downs to net realisable value. Details regarding the write-down of vehicles to net realisable value are shown at note 13.

Impairment of intangibles with indefinite useful lives

The Group determines whether intangibles with indefinite useful lives are impaired at least at each reporting date under the criteria set out in AASB 136 *Impairment of Assets*. This requires an estimation of the recoverable amount of the cash generating units, to which the intangible is allocated, using a value-in-use discounted cash flow methodology. The assumptions used in this estimation of recoverable amount and the carrying amount of intangibles with indefinite useful lives, including sensitivity analysis, are discussed in note 17.

Warranties

The Group uses a third party in the majority of circumstances to determine the level of provision required for mechanical warranties. Where the Group does not use a third party, judgements have been made in respect of the expected performance of the vehicles delivered, number of customers who will use the warranty and how often, and the cost of fulfilling the performance of the mechanical warranty. The related carrying amounts are disclosed in notes 19 and 20.

3. Financial risk management objectives and policies

The Group's principal financial instruments comprise; receivables; payables; commercial borrowings; available-for-sale investments and cash (including overdrafts) and short term deposits.

Risk exposure and responses

The Group's activities expose it to a variety of financial risks – *foreign exchange risk, interest rate risk, price risk, credit risk and liquidity risk*. The Group's overall risk management framework focuses on the effective management of its financial risks arising through the automotive retail and logistics businesses. The management program establishes sound policy to minimise financial risk and in particular, any uncertainty faced due to volatility of Group cash flows. The Group uses different methods to measure different types of risk to which it is exposed – these include; sensitivity analysis in the case of interest rate risk; and ageing analysis for credit risk across its receivable balance from both a business unit and Group perspective. In addition the Group undertakes cash flow analysis at regular intervals to manage its liquidity risk and augment its annual cash flow budgeting process.

Risk management is monitored by the Audit & Risk Management Committee which advises the Board and reports on the status of business risks through application of integrated risk management programs aimed at ensuring risks are identified, assessed and appropriately managed.

In addition, the Group has implemented a Financial Risk Management Framework that seeks to:

- identify actual and potential financial exposures, through timely information flow within the Group;
- ensure effective management processes are followed for the financial risks identified and any exposure is contained within acceptable levels to avoid / minimise losses;
- deliver managed outcomes in terms of Australian dollar cash flows, employing an approach that focuses on risk minimisation and moderation of cash flow volatility;
- safeguard the Group's financial resources by adhering to authorised credit parameters, appropriate levels of credit authority, operational controls and credit guidelines;
- maintain the adequacy and appropriateness of selected treasury facilities and lines of credit in order to minimise the Group's financial exposure whilst meeting its short and long-term liquidity needs;
- ensure that accounting policies adopted for the treasury function are in accordance with generally accepted accounting practices; and
- ensure that the taxation treatment of treasury products is in accordance with income tax regulations.

Under the Group's Treasury Policy, a Treasury Committee has been established comprising of the Executive Director – Strategy and Planning, Chief Financial Officer, General Manager - Finance, Company Secretary and an external treasury adviser. This Committee meets regularly, at least on a quarterly basis, to review internal and external reports, with minutes circulated to the Board after each meeting. The Committee's responsibilities include:

- discussing current industry and financial market trends, views and expectations;
- supervision of financial market activities and exposures in terms of the potential impact on the Group and Policy;
- reviewing current debt structures, with a view to any top-up and/or restructuring opportunities that may exist or may be permitted;
- discussing and recommending appropriate strategies for both short-term defensive and long-term strategic hedging; and
- periodically reviewing required changes to the Policy and making recommendation to the Audit & Risk Management Committee (who in turn make recommendations to the Board where required).

3. Financial risk management objectives and policies (continued)

Risk exposure and responses (continued)

The Group holds the following financial instruments:

	Consolidated	
	2012	2011
	\$'000	\$'000
Financial Assets		
Cash and cash equivalents	81,382	129,996
Trade and other receivables	248,774	172,460
Derivative financial instruments	-	7
Available-for-sale financial assets	2,250	-
	332,406	302,462
Financial Liabilities		
Trade and other payables	200,059	143,317
Interest-bearing loans and borrowings	653,992	501,127
Derivative financial instruments	2,450	66
	856,501	644,509

The carrying amounts of assets pledged as security against current and non-current borrowings are reflected in note 21. Refer to note 37 for details of derivative financial instruments included in trade and other receivables and trade and other payables.

Market risk

Interest rate risk

In the context of Group activities, interest rate risk arises from exposure in respect of:

- inventory financing arrangements via its floor-plan financing for its dealership group;
- surplus cash within the Group businesses (including monies on deposit); and
- specific debt financing as a result of acquisitions or strategic developments of the Group.

The key elements of the Group approach to managing interest rate risk are to:

- support working capital requirements at a cost of funds that is market competitive;
- manage daily cash position to ensure funds are available to meet operating expenditure and reduce the incidence of bank account overdrafts;
- monitor counterparty covenants and compliance ratios;
- manage any substantial surplus of Australian dollar funds; and
- minimise the overall cost of funds through prudent, effective and efficient management of borrowings and investments.

The Group's main interest rate risk arises from its cash and short and long-term borrowings. Borrowings sourced at variable rates expose the Group to *cash flow* interest rate risk. Borrowings sourced at fixed rates expose the Group to *fair value* interest rate risk. Group policy is to maintain an appropriate level of core non-trade facilities at a fixed rate. This is achieved through a fixed interest borrowing structure. In particular, the Group finances its long-term plant and equipment purchases through fixed rate finance lease and hire purchase facilities.

In the case of general corporate debt, this will be assessed in terms of budget and forecast expenditure and investment requirements.

3. Financial risk management objectives and policies (continued)

Interest rate risk (continued)

Within the fixed interest borrowing structure, the Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees to exchange, at specified intervals (e.g. monthly) the difference between fixed contract rates and floating rate interest amounts by reference to the agreed notional principal amounts. Fixed rate borrowings are carried at amortised cost and are not subject to variable interest rate risk. The fixed rate borrowings under interest rate swaps amounted to \$90.0 million (2011: \$30.0 million) at 30 June 2012, at a weighted average interest rate of 4.7% (2011: 5.0%).

During 2011 and 2012, the Group's borrowings were principally denominated in Australian dollars. The following table reflects the net debt position subject to variable interest rate risk.

Consolidated 2012		\$'000	\$'000	- 25Bps		- 50Bps	
	Weighted Average Interest Rate ¹	Notional Amount	Carrying Amount	Profit (after tax)	Equity (after tax)	Profit (after tax)	Equity (after tax)
Financial Assets							
Cash and cash equivalents	3.7%		81,382	(203)		(407)	
Financial Liabilities							
Vehicle borrowings	5.9%		(501,946)	1,255		2,509	
Derivatives - cash flow hedges	4.7%	(90,000)	(796)		(225)		(450)
Other borrowings	4.5%		(100,396)	251		502	
Total Increase / (Decrease)				1,302	(225)	2,605	(450)
Consolidated 2011		\$'000	\$'000	+ 50Bps		+ 100Bps	
	Weighted Average Interest Rate ¹	Notional Amount	Carrying Amount	Profit (after tax)	Equity (after tax)	Profit (after tax)	Equity (after tax)
Financial Assets							
Cash and cash equivalents	4.1%		129,996	492		985	
Derivatives - cash flow hedges	5.0%	(30,000)	7		150		300
Financial Liabilities							
Vehicle borrowings	6.9%		(382,134)	(1,375)		(2,750)	
Other borrowings	5.0%		(40,616)	(142)		(284)	
Total Increase / (Decrease)				(1,025)	150	(2,049)	300

¹ based on weighted average interest rates in effect at 30 June, excluding fees

Group Sensitivity

The above table for the year ended 30 June 2012 reflects a sensitivity analysis on potential interest rate movements of up of 25 and 50 basis points (bps to relevant floating borrowing balances as at reporting date); there is significant ongoing volatility in the current market regarding expectations of likely interest rate movements, the quantum of such movements and the direction of these movements. Accordingly, the above tables equally reflect the impact for both interest rate decreases and increases on the Group's financial performance. The above table for the year ended 30 June 2011 reflects a sensitivity analysis on an interest rate movement up of 50 and 100 basis points (Bps) to relevant floating borrowing balances as at reporting date.

3. Financial risk management objectives and policies (continued)

Foreign currency risk

The Group is exposed to foreign exchange risk arising from the currency exposures centred on the purchase of inventory (and associated trade payables and finance company loans) and, accordingly, had entered into forward exchange contracts to buy EUR26.9 million (2011: EUR15.0 million) and USD13.9 million (2011: USD12.3 million) as of 30 June 2012.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Group's functional currency. The risk is measured using cash flow forecasting and sensitivity analysis. The Group's Treasury Committee assists the Group subsidiary in managing their foreign exchange risk exposure through the use of forward exchange contracts such as detailed above. All material short-term foreign exchange exposures are hedged and therefore changes in exchange rates will have an immaterial impact on profit or loss or equity.

Price risk

The Group holds an available-for-sale financial asset in One Way Traffic (Carsguide). This is an unlisted security and is immaterial in terms of the possible impact on profit and loss or total equity.

Credit risk

Credit risk is managed at both the business unit and Group level. Credit risk arises predominately from credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

The objective of the Group's credit risk policy is to contain the potential for losses arising from customer unwillingness and inability or failure to discharge outstanding debts to the Group. The Group's credit risk policy ensures:

- the development of credit approval procedures;
- analysis of aged debtor balances; and
- collection of delinquent debtor accounts.

Specifically, the Group's credit risk arises from:

- fleet customer purchases where deferred payment terms have been negotiated; and
- concentration of high volume/frequency fixed operation customers in like industries;

The key elements of the Group's approach to managing credit risk are to:

- review aged trade debtors on a regular basis from a business and Group perspective;
- enforce cash on delivery (COD) sales of retail and fleet vehicles and documentation of deferred payment terms to approved fleet customers where these have been negotiated; and
- enforce trading terms and requirement of COD until trade accounts are finalised.

There are no significant concentrations of credit risk through exposure to individual customers.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised below.

3. Financial risk management objectives and policies (continued)

Credit risk (continued)

Maximum Credit Risk	Consolidated	
	2012 \$'000	2011 \$'000
Deposits	7,052	5,364
Vehicle debtors	86,959	51,244
Parts and service debtors	116,396	76,254
Factory receivables	22,741	23,655
Finance and insurance receivables	12,093	11,948
<i>Allowance for impairment of trade receivables</i>	<i>(2,648)</i>	<i>(2,275)</i>
Total trade receivables	242,593	166,190

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Credit Quality of Total Trade Receivables	Consolidated	
	2012 \$'000	2011 \$'000
Counterparties with external credit ratings		
AA	12,473	8,633
A	3,314	1,780
BBB	4,752	6,712
BB	5,781	7,579
B	3,593	2,848
	29,913	27,552
Counterparties without external credit ratings		
Group 1	73,355	38,748
Group 2	114,946	88,144
Group 3	27,026	14,022
	215,328	140,914
Total trade receivables (gross of allowance for impairment)	245,241	168,465
Cash and cash equivalents		
AA	56,372	104,996
BBB	25,010	25,000
	81,382	129,996

Group 1 - new customers (less than 6 months)

Group 2- existing customers (more than 6 months) with no defaults in the past

Group 3 - existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.

3. Financial risk management objectives and policies (continued)

Liquidity risk

The objective of the Group's liquidity risk policy is to ensure that it has adequate financing facilities and operating cash flows available to meet its financial commitments.

The Group's liquidity risk management approach is to identify and manage its financial commitments on the following basis:

- long-term liquidity management involving the structuring of the Group's statement of financial position and debt maturity profile to protect against liquidity problems in the future; and
- maintain flexible funding arrangements with financiers so as to allow for additional lines of credit to be established as required.

The following table provides a maturity profile for the Group's financial liabilities. The amounts disclosed in the table are the gross contractual undiscounted cash flows required to settle the respective liabilities.

Gross Contractual Liability Cash Flow Outgoings (\$'000)						
Consolidated 2012	Carrying Amount	1 - 12 months	1 - 2 years	2 - 5 years	5 + years	Total Gross Cash flow
Used car VIL borrowings	44,878	45,200	-	-	-	45,200
New car floor-plan *	457,067	460,560	-	-	-	460,560
Trade payables	93,579	93,561	18	-	-	93,579
Other payables and accruals	108,930	107,908	515	507	-	108,930
Finance lease liabilities	21,405	4,991	5,489	15,089	622	26,191
Hire purchase liabilities	29,153	11,526	9,492	12,373	291	33,682
External loans	101,489	4,159	3,876	100,227	500	108,761
	856,501	727,904	19,390	128,195	1,413	876,903

Gross Contractual Liability Cash Flow Outgoings (\$'000)						
Consolidated 2011	Carrying Amount	1 - 12 months	1 - 2 years	2 - 5 years	5 + years	Total Gross Cash flow
Used car VIL borrowings	48,829	49,245	-	-	-	49,245
New car floor-plan *	308,305	310,928	-	-	-	310,928
Trade payables	73,049	72,415	35	598	1	73,049
Other payables and accruals	70,334	69,646	495	192	1	70,334
Finance lease liabilities	27,055	9,437	4,756	10,304	8,891	33,387
Hire purchase liabilities	20,153	5,761	6,672	11,109	532	24,074
External loans	71,785	4,242	73,670	380	551	78,842
	619,509	521,673	85,628	22,583	9,977	639,860

* The Group finances the acquisition of its new vehicle inventory via a bailment arrangement, with multiple financiers, known as floor-plan financing. Under its floor-plan financing arrangement, the Group's total inventory borrowings are comprised of individually secured loans against specific items of inventory. Generally, upon finalisation of a retail sale and receipt of retail customer funds (COD delivery) in respect of an item of inventory, the Group discharges the specific amount owing under its floor-plan financing arrangement. In this way, cash flow required to meet the Group's floor-plan financing obligations is available as part of the Group's working capital cycle.

3. Financial risk management objectives and policies (continued)

Fair value measurements

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period (current bid price). These instruments are included in level 1. \$Nil at 30 June 2012.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The group has level 2 derivative financial instruments at fair value comprising derivative assets of \$Nil (2011: \$6,000) and derivative liabilities of \$2,450,000 (2011: \$66,000).

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted securities. Specific valuation techniques used to value financial instruments include discounted cash flow analysis and other techniques.

As of 30 June 2012, there was only one level 3 investment, being an unlisted investment in One Way Traffic Pty Ltd with a fair value of \$2.25 million (2011: \$Nil).

The fair value of the unlisted equity security is determined based on the present value of net cash inflows from future profits and subsequent disposal of the security. These net cash inflows are discounted to their present value using a pre-tax discount rate that reflects a current market assessment of the time value of money and the risks specific to the asset. If the estimated risk-adjusted discount rate was 10% higher or lower, the fair value (and equity reserves) would increase/decrease by \$0.15 million (2011: \$Nil).

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting their future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value of current borrowings approximates the carrying value amount, as the impact of discounting is not significant.

4. Parent entity information

The following details information related to the parent entity, Automotive Holdings Group Limited, at 30 June 2012. The information presented is in line with the Group's accounting policies as presented in Note 1.

	Parent	
	2012	2011
	\$'000	\$'000
Current assets	255,511	231,546
Non current assets	241,479	255,834
Total assets	496,991	487,380
Current liabilities	2,313	21,624
Non-current liabilities	100,996	70,653
Total Liabilities	103,309	92,277
Contributed equity	384,112	383,585
Reserves	(2,492)	(41)
Retained profits	12,062	11,559
Total Equity	393,682	395,103
Profit for the year	44,820	33,128
Other comprehensive loss for the year	(1,715)	(168)
Total comprehensive income for the year	43,104	32,959

Profit for the year is net of impairment to investments in subsidiary entities of \$9.711 million (2011: \$19.854 million) arising from the intangible impairment charge in the consolidated financial statements.

Unsecured guarantees, indemnities and undertakings have been given by the parent entity in the normal course of business in respect of financial trade arrangements entered into by its controlled entities. It is not practicable to ascertain or estimate the maximum amount for which the parent entity may become liable in respect thereof. At 30 June 2012 no controlled entity was in default in respect of any arrangement guaranteed by the parent entity and all amounts owed have been brought to account as liabilities in the financial statements.

Cross guarantees have been given by AHG and controlled entities as described in note 33. Where appropriate the parent entity has recognised impairment adjustments equivalent to the deficiency of net assets of controlled entities. No contingent liabilities exist in respect of joint venture interests (note 26). Capital commitments of the parent in relation to property, plant and equipment are the same as those consolidated capital commitments disclosed in note 32. Contingent liabilities of the parent are disclosed in note 33.

5. Operating segments

The Board has determined that AHG's operating segments be divided between a single reportable automotive segment, two reportable logistics segments comprising of AHG's transport and cold storage operations and the balance of all of its other logistical operations and a single reportable property segment, per note 1(i). All segments operate within the geographical area of Australia and New Zealand. Operations in Australia and New Zealand are classified and managed as one geographical area, and therefore geographic disclosures have not been included.

Automotive Retail

The automotive segment has 132 dealerships franchise sites operating within the geographical areas of Australia and New Zealand.

AHG's automotive operations exhibit similar economic characteristics. They have similar product offerings and a consistency of customer base. The generic characteristics of these businesses allow AHG to consistently measure operating performance within this segment.

Transport and Cold Storage

It was determined that AHG's transport and cold storage operations be disclosed as a separate reportable segment given the unique characteristics attendant to these operations, vis-à-vis the Group's other logistical operations, as well as the proportion of AHG's profit generated by them.

Other Logistics

The other logistical operations segment comprises AHG's automotive parts warehousing and distribution businesses, motorcycle distribution and vehicle storage and engineering.

Property

The property segment comprises AHG's direct property interests in land and buildings.

Sales between segments are eliminated on consolidation, as noted in the tables below. There is no significant reliance on any individual major customers within the segment revenues.

5. Operating segments (continued)

Segment Reporting June 2012	Automotive Retail	Transport and Cold Storage	Other Logistics	Logistics	Property	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross revenue	3,567,277	335,711	426,300	762,011	607	4,329,895
Less: intercompany sales	(363,771)	(10,786)	(40,661)	(51,447)	-	(415,218)
Segment revenue	3,203,506	324,925	385,639	710,563	607	3,914,677
Interest earned	3,964	255	1,244	1,498	-	5,462
				-		-
Total revenue	3,207,470	325,179	386,883	712,062	607	3,920,139
Total revenue						3,920,139
EBITDA	105,612	28,031	13,463	41,493	934	148,039
Depreciation and amortisation	(13,375)	(10,712)	(2,150)	(12,862)	(229)	(26,466)
EBIT	92,236	17,319	11,312	28,631	705	121,573
Interest expense (net)	(21,346)	(4,538)	576	(3,962)	(5,407)	(30,715)
Segment result before impairment						90,858
Impairment of intangibles						(9,711)
Profit before tax for the year						81,147
Income tax expense						(27,595)
Reportable segment profit after tax for the year						53,552
Total revenue	3,207,470	325,179	386,883	712,062	607	3,920,139
EBITDA before impairment, stamp duty and other fees	106,285	29,826	16,461	46,287	934	153,506
EBIT before impairment, stamp duty and other fees	92,910	19,115	14,310	33,425	705	127,039
Segment result before impairment, stamp duty and other fees	71,564	14,577	14,886	29,462	(4,702)	96,324
Acquisition-related stamp duty and other fees	(673)	(1,796)	(2,998)	(4,793)	-	(5,467)
Segment result before impairment	70,891	12,781	11,888	24,669	(4,702)	90,858
Impairment of intangible assets	(9,711)	-	-	-	-	(9,711)
Reportable segment result (profit before tax)	61,180	12,781	11,888	24,669	(4,702)	81,147
Segment Reporting June 2012	Automotive Retail	Transport and Cold Storage	Other Logistics	Logistics	Property	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment assets	1,072,116	123,506	148,246	271,752	54,582	1,398,450
Total consolidated assets						1,398,450
Segment liabilities	643,494	108,206	131,596	239,802	57,233	940,529
Total consolidated liabilities						940,529
Acquisition of property, plant, equipment, intangibles and other non current segment assets	53,658	5,413	3,147	8,560	6,518	68,735

5. Operating segments (continued)

Segment Reporting June 2011	Automotive Retail	Transport and Cold Storage	Other Logistics	Logistics	Property	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross revenue	2,986,412	201,621	246,538	448,159	1,558	3,436,129
Less: intercompany sales	(67,681)	(235)	(36,467)	(36,702)	(529)	(104,912)
Segment revenue	2,918,730	201,386	210,071	411,458	1,029	3,331,217
Interest earned	5,051	165	337	502	11	5,564
Total revenue						3,336,782
EBITDA	92,615	19,787	7,959	27,745	1,416	121,777
Depreciation and amortisation	(11,475)	(6,009)	(1,665)	(7,674)	(319)	(19,468)
EBIT	81,140	13,778	6,294	20,072	1,097	102,309
Interest expense (net)	(19,864)	(2,364)	(1,068)	(3,431)	(3,890)	(27,185)
Segment result before impairment						75,123
Impairment of intangibles						(19,854)
Profit before tax						55,269
Income tax expense						(22,117)
Reportable segment profit after tax						33,153
Total revenue	2,923,781	201,551	210,409	411,960	1,041	3,336,782
EBITDA before impairment, stamp duty and other fees	93,311	19,787	9,202	28,989	1,416	123,717
EBIT before impairment, stamp duty and other fees	81,836	13,778	7,538	21,315	1,097	104,249
Segment result before impairment, stamp duty and other fees	61,972	11,414	6,470	17,884	(2,792)	77,063
Acquisition-related stamp duty and other fees	(696)		(1,244)	(1,244)		(1,940)
Segment result before impairment	61,275	11,414	5,226	16,640	(2,792)	75,123
Impairment of intangible assets	(6,679)	-	(13,175)	(13,175)	-	(19,854)
Reportable segment result (profit before tax)	54,596	11,414	(7,949)	3,465	(2,792)	55,269
Segment Reporting June 2011	Automotive Retail	Transport and Cold Storage	Other Logistics	Logistics	Property	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment assets	907,890	79,076	87,611	166,687	72,890	1,147,467
Total consolidated assets						1,147,467
Segment liabilities	484,029	66,321	71,509	137,830	72,857	694,717
Total consolidated liabilities						694,717
Acquisition of property, plant, equipment, intangibles and other non current segment assets	31,282	8,517	1,031	9,548	55,037	95,867

6. Revenue and other income

Sales revenue

Sale of goods
Rendering of services

Other revenue

Interest
Other revenue

Total Revenue

Consolidated	
2012	2011
\$'000	\$'000
3,341,304	2,914,473
557,172	401,723
3,898,476	3,316,195
5,462	5,564
16,201	15,022
21,663	20,586
3,920,139	3,336,782

Other Income

Net gain on disposal of property, plant and equipment

Consolidated	
2012	2011
\$'000	\$'000
-	148
-	148

7. Expenses

	Consolidated	
	2012	2011
	\$'000	\$'000
Depreciation		
Vehicles, plant, furniture and equipment	18,373	12,581
Buildings	371	369
	<u>18,744</u>	<u>12,951</u>
Amortisation		
Capitalised leased assets	4,016	3,980
Leasehold improvements	3,706	2,538
	<u>7,722</u>	<u>6,517</u>
Finance costs (for financial liabilities not at fair value through profit and loss)		
Interest paid - other	6,233	5,473
Interest paid - finance leases	1,865	1,990
Interest paid - hire purchase	2,860	1,605
Interest paid - floor plan	25,219	23,682
	<u>36,177</u>	<u>32,750</u>
Lease payments		
Rental expenses relating to property operating leases	67,756	57,900
Rental expenses relating to equipment operating leases	9,592	6,825
	<u>77,348</u>	<u>64,725</u>
Employee benefits expense		
Wages, salaries and employee benefits	397,414	309,829
Superannuation	27,671	21,084
Share-based payments expense	667	802
	<u>425,751</u>	<u>331,715</u>
Other expenses		
Bad debts written off	802	494
Net loss on sale of plant and equipment	179	-
	<u>981</u>	<u>494</u>

8. Income tax

Income tax expense

Current tax
Deferred tax
Adjustment for current tax of prior periods

Income tax expense is attributable to:

Profit from continuing operations

Deferred income tax expense included in income tax expense comprises:

Increase in deferred tax assets
Increase in deferred tax liabilities

Consolidated	
2012	2011
\$'000	\$'000
31,999	23,650
(4,068)	(797)
(336)	(736)
27,595	22,117
27,595	22,117
27,595	22,117
(5,023)	(876)
955	79
(4,068)	(797)

Amounts charged or credited directly to equity

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity

Current tax - credited directly to equity
Net deferred tax - credited directly to equity

Consolidated	
2012	2011
\$'000	\$'000
-	(154)
(754)	(996)
(754)	(1,150)

Numerical reconciliation of income tax expense to prima facie tax payable

Profit from continuing operations before income tax expense
Corporate tax at the rate of 30% (2011: 30%)

Non-deductible expenses
Non-deductible diminution of investment and impairment of intangibles
Non-deductible stamp duty attributed to goodwill on acquisition
Other

Income tax expense

Adjustments in respect of current income tax of previous years
--

Income tax expense

Consolidated	
2012	2011
\$'000	\$'000
81,147	55,269
24,349	16,581
496	471
2,913	5,956
173	-
-	(155)
27,931	22,853
(336)	(736)
27,595	22,117

8. Income tax (continued)

Recognised deferred tax assets and liabilities

Deferred tax asset

	Consolidated	
	2012	2011
	\$'000	\$'000
Opening balance 1 July	18,979	16,877
Acquisition of subsidiaries	4,319	75
Adjustments in respect of deferred income tax of prior years	-	(43)
Credited to income	5,023	918
Credited to equity	754	1,150
Closing balance 30 June	29,075	18,979
The balance comprises temporary differences attributable to:		
Amounts recognised in the statement of comprehensive income		
Doubtful debts	793	673
Finance leases	191	199
Inventory	235	294
Property, plant & equipment	3,080	1,468
Fringe benefits tax	160	142
Accrued expenses	5,709	2,866
Provisions:		
Employee benefits	12,854	9,731
Warranties	2,531	2,129
Other provisions	2,203	671
Amounts recognised directly in the statement of financial position		
Share issue expenses	566	788
Cash flow hedges	753	18
Deferred tax assets	29,075	18,979

Deferred tax liability

	Consolidated	
	2012	2011
	\$'000	\$'000
Opening balance 1 July	285	206
Charged against income	955	79
Closing balance 30 June	1,241	285
The balance comprises temporary differences attributable to:		
Amounts recognised in the statement of comprehensive income		
Prepayments	1,241	285
Deferred tax liability	1,241	285

Deferred tax assets of \$20,841,000 (2011: \$13,379,000) and liabilities of \$1,241,000 (2011: \$285,000) are expected to be settled within 12 months. The balance is expected to be settled after 12 months.

9. Dividends paid and proposed

Recognised amounts

Dividends on ordinary shares:

Final dividend for the year ended 30 June 2011 of 10 cents per fully paid share on 30 September 2011 (30 June 2010 of 10 cents per fully paid share on 1 October 2010)

Interim dividend for the half-year ended 31 December 2011 of 7 cents per fully paid share on 3 April 2012 (31 December 2010 of 7 cents per fully paid share on 1 April 2011)

Parent	
2012	2011
\$'000	\$'000
26,068	22,639
18,248	15,854
44,316	38,493

Unrecognised amounts

Dividends on ordinary shares:

Since year end, the directors have recommended the payment of a fully franked final dividend of 11 cents per share (2011: 10 cents), based on tax paid at 30%. The aggregate amount of dividends to be paid on 2 October 2012 (2011: 30 September 2011) out of the retained profits at 30 June 2012, but not recognised as a liability at year end is

Parent	
2012	2011
\$'000	\$'000
28,675	26,068

Franking credit balance

Franking credits available for subsequent financial years based on a tax rate of 30%

AHG Tax Consolidated Group	
2012	2011
\$'000	\$'000
100,384	92,867

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 current tax liability; and
- franking debits that will arise from the payment of dividends either proposed at the reporting date, or recommended for payment subsequent to the reporting date but prior to sign-off of these financial statements;

The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of \$12,289,350 (2011: \$11,172,136).

9. Dividends paid and proposed (continued)

Tax rates

The tax rate at which paid dividends have been franked is 30% (2011: 30%). Dividends proposed will be franked at 30% (2011: 30%).

10. Earnings per share

Basic earnings per share

	Cents	Cents
	2012	2011
Earnings per share for profit attributable to the ordinary equity holders of the company:		
Basic earnings per share (cents)	19.4	13.5
Diluted earnings per share (cents)	19.4	13.5
	Cents	Cents
	2012	2011
Earnings per share for profit attributable from continuing operations¹ attributable to the ordinary equity holders of the company:		
Basic earnings per share (cents)	24.6	22.7
Diluted earnings per share (cents)	24.6	22.7

¹ excludes impairment, stamp duty and other fees associated with acquisition-related activities.

Reconciliation of earnings used in calculating earnings per share

	Consolidated	
	2012	2011
	\$'000	\$'000
<i>Basic Earnings Per Share</i>		
Profit attributable to the ordinary equity holders of the Company from continuing operations excluding impairment and acquisition and integration costs	64,149	52,429
Profit / (loss) attributable to the ordinary equity holders of the Company from impairment and acquisition and integration costs	(13,537)	(21,212)
Profit attributable to the ordinary equity holders of the Company from continuing operations in calculating basic earnings per share	50,612	31,217

The Group has no instruments that have a dilutive effect on earnings per share.

Weighted average number of shares used as the denominator

	Number	
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	260,681,260	230,491,621

11. Current assets – cash and cash equivalents

	Consolidated	
	2012	2011
	\$'000	\$'000
Cash at bank and on hand	55,872	104,456
Deposits at call	25,510	25,540
	81,382	129,996

The above figures agree to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows.

Cash on hand is non-interest bearing. Cash at bank attracts floating interest rates between 2.85% and 3.50% (2011: 1.40% and 5.50%). The interest rates applicable to deposits at call at 30 June 2012 vary between 3.70% and 5.28% (2011: 2.00% and 6.62%).

The Group's exposure to interest rate risk is disclosed in Note 3.

12. Current assets – trade and other receivables

	Consolidated	
	2012	2011
	\$'000	\$'000
Trade receivables	245,222	168,465
Allowance for impairment of receivables	(2,648)	(2,275)
Loans to related parties	1,100	1,100
Other receivables	5,100	5,176
	248,774	172,466

Impaired trade receivables

The Group has recognised a loss of \$801,000 (2011: \$494,000) in respect of impaired trade receivables during the year ended 30 June 2012. The loss has been included in "other expenses" in the profit for the year.

At 30 June 2012 the Group recognised \$2,648,000 (2011: \$2,275,000) as an allowance for impaired receivables. This amount covers the automotive and logistics businesses and is reflective of the underlying risk of non-recovery of aged receivables. It is assessed that a proportion of these receivables is expected to be recovered.

12. Current assets – trade and other receivables (continued)

	Consolidated	
	2012	2011
	\$'000	\$'000
Opening balance	(2,276)	(2,687)
Translation adjustment	(0)	2
Allowance for impaired receivables	(1,422)	(1,435)
Receivables written off during the year	801	494
Reversal of amounts provided	250	1,350
Closing balance	(2,648)	(2,276)

Past due not impaired

As at 30 June 2012, trade receivables of \$55,621,000 (2011: \$31,075,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated	
	2012	2011
	\$'000	\$'000
Days Past Due		
1 - 30	36,754	24,582
31 - 60	14,071	3,572
61 - 90	2,486	1,524
91 +	2,310	1,397
	55,621	31,075

Fair value and credit risk

Due to the short-term nature of receivables, carrying amount is viewed as approximating fair value.

The maximum exposure to credit risk at the reporting date and the Group's approach to risk management are discussed in note 3.

13. Current assets – inventories

	Consolidated	
	2012	2011
	\$'000	\$'000
Vehicles inventory - at cost	512,834	396,175
Write-down to net realisable value	(9,139)	(8,063)
Other inventories - at cost	87,211	59,380
Write-down to net realisable value	(6,687)	(3,666)
	584,219	443,827

Inventory recognised as an expense (cost of sales) during the year ended 30 June 2012 (including write-down of inventories to net realisable value) amounted to \$3,068,866,000 (2011: \$2,661,912,000).

14. Current assets – other

	Consolidated	
	2012	2011
	\$'000	\$'000
Prepaid expenses and deposits	13,658	16,493
	13,658	16,493

15. Non-current assets – available for sale financial assets

	Consolidated	
	2012	2011
	\$'000	\$'000
Shares in unlisted companies	2,250	-
	2,250	-

Unlisted securities

Unlisted securities are traded in inactive markets. Refer to Note 3 for further information about the methods used and assumptions applied in determining fair value.

15. Non-current assets – available for sale financial assets (continued)

	Consolidated	
	2012	2011
	\$'000	\$'000
Opening balance	-	-
Acquisitions	2,250	-
Closing balance	2,250	-

Impairment and risk exposure

For an analysis of the sensitivity of available-for-sale financial assets to price risk refer to note 3.

16. Non-current assets – property, plant and equipment

Carrying amounts measured at cost less accumulated depreciation and amortisation

	Consolidated	
	2012	2011
	\$'000	\$'000
Land and buildings	23,112	67,804
Accumulated depreciation	(15)	(1,080)
	23,097	66,724
Plant and equipment at cost	133,940	101,077
Accumulated depreciation	(67,063)	(52,442)
	66,877	48,636
Capitalised leased assets	29,620	38,535
Accumulated amortisation	(8,820)	(12,143)
	20,801	26,392
Leasehold improvements at cost	52,807	32,117
Accumulated amortisation	(13,214)	(10,164)
	39,594	21,954
Assets under construction	7,730	12,204
Total property, plant & equipment	158,098	175,909

16. Non-current assets – property, plant and equipment (continued)

Reconciliation of carrying amounts at the beginning and end of the year

Consolidated 2012	Land and buildings	Plant and equipment	Capitalised leased assets	Leasehold improvements	Assets under construction	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2011	66,724	48,636	26,392	21,954	12,204	175,909
Translation adjustment	-	26	-	9	3	38
Additions	-	19,482	2,738	1,066	21,566	44,852
Acquisitions through business combinations	-	20,036	-	1,459	-	21,495
Disposals	-	(6,104)	-	(178)	-	(6,282)
Transfers	(27)	4,205	(3,865)	19,616	(19,929)	(0)
Assets classified as held for sale	(43,229)	(1,030)	(449)	(625)	(6,114)	(51,447)
Depreciation / amortisation	(371)	(18,373)	(4,016)	(3,707)	-	(26,466)
Carrying amount at 30 June 2012	23,097	66,877	20,801	39,593	7,730	158,098

Consolidated 2011	Land and buildings	Plant and equipment	Capitalised leased assets	Leasehold improvements	Assets under construction	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2010	23,741	41,954	25,195	17,798	8,062	116,750
Translation adjustment	-	(26)	-	(6)	(2)	(34)
Additions	41,449	16,202	6,403	2,867	14,226	81,147
Acquisitions through business combination	-	643	-	-	-	643
Disposals	(2)	(3,056)	-	(71)	-	(3,129)
Transfers	1,906	5,500	(1,227)	3,903	(10,081)	(0)
Depreciation / amortisation	(369)	(12,581)	(3,980)	(2,538)	-	(19,468)
Carrying amount at 30 June 2011	66,724	48,636	26,392	21,954	12,204	175,909

Property, plant and equipment pledged as security for liabilities

Leased assets are pledged as security for related finance lease liabilities.

Land and buildings with a carrying amount of \$18,788,000 (2011: \$18,937,000) are subject to a first mortgage from certain other loans as disclosed in note 21.

Land and buildings with a carrying amount of \$47,538,000 (2011: \$47,787,000) are pledged as security for non-current liabilities as disclosed in note 21.

Other property, plant & equipment with a carrying amount of \$122,419,000 (2011: \$63,531,000) are pledged as security for non-current liabilities as disclosed in note 21.

17. Non-current assets – intangible assets

Intangibles (Goodwill & Franchise Rights) are allocated to the Group's Cash Generating Units (CGUs) identified according to business segments; being Automotive Retail, Transport & Cold Storage and Other Logistics operations (note 5). A segment level summary of this intangible allocation is presented below.

	Goodwill	Franchise Rights & Distribution Agreements	Total
	\$'000	\$'000	\$'000
Consolidated 2012			
Carrying amount at 1 July 2011	59,803	129,994	189,797
Additions	20,042	11,653	31,695
Impairment charges	-	(9,711)	(9,711)
Carrying amount at 30 June 2012	79,845	131,936	211,781
Consolidated 2011			
Carrying amount at 1 July 2010	72,807	125,767	198,574
Additions	3,692	7,385	11,077
Impairment	(16,697)	(3,157)	(19,854)
Carrying amount at 30 June 2011	59,803	129,994	189,797

	Goodwill	Franchise Rights & Distribution Agreements	Total
	\$'000	\$'000	\$'000
Consolidated 2012			
Automotive Retail	54,155	124,993	179,149
Transport and Cold Storage	14,905	-	14,905
Other Logistics	10,785	6,943	17,728
Carrying amount at 30 June 2012	79,845	131,936	211,781
Consolidated 2011			
Automotive Retail	48,460	123,554	172,014
Transport and Cold Storage	5,000	-	5,000
Other Logistics	6,343	6,440	12,783
Carrying amount at 30 June 2011	59,803	129,994	189,797

There are no intangible assets associated with the property segment.

Impairment testing

The recoverable amounts of the Group's various CGUs are determined based on value-in-use calculations for these units or, for assets held for sale, its fair value less costs to sell. Value-in-use calculations use cash flow projections based on financial budgets covering a projected five-year period to determine a unit's recoverable amount that is then compared with the carrying value of the assets of that unit. Fair value less costs to sell use the estimated future net consideration to be received on sale.

17. Non-current assets – intangible assets (continued)

Key assumptions used for value-in-use calculations

Calculating value-in-use for each CGU, a pre-tax discount rate of 12% (2011: 12%) is applied, which represents the Group's weighted average cost of capital. The growth rate used to project cash flows beyond the following year's approved budget period is 3% (2011: 3%). This growth rate is consistent with forecasts included in industry reports and reflective of impacts of carbon tax and fuel tax credits across the Group.

In the analysis of the value-in-use calculation a number of sensitivity assumptions have been incorporated, including the following:

- (i) Sensitivity of discount rates applied. A range of discount rates from 9.5% to 15% (2011: 9.5% to 15%) were tested;
- (ii) Breakeven analysis of value-in-use calculations based on estimated future cash flows after extrapolating an appropriate discount rate; and
- (iii) Sensitivity analysis of estimated future cash flows against the pre-tax discount rate of 12% (2011: 12%) and the breakeven point.

Impact of possible changes in key assumptions

The recoverability of CGU assets has been reviewed across the automotive retail and logistics business segments incorporating various sensitivity assumptions as discussed above. A review of the results of this testing leads to a conclusion that no change in these key underlying assumptions, within the range assessed, would significantly affect the Group's capacity to recover the carrying amount of its CGU assets.

Impairment charge

As a result of the above impairment testing process at 30 June 2012, an amount of \$9.711 million (2011: \$19.854 million) has been brought to account in the year ended 30 June 2012 as an impairment charge. This amount is in relation to operations based in Queensland.

\$1.651 million of the impairment is attributed to the pending loss by AHG of a Truck franchise in Queensland as a result of an international restructuring to their brand grouping. AHG will cease to trade the franchise in late 2012 or 2013. A further \$0.556 million of the impairment relates to the disposal of AHG's Gold Coast dealerships post 30 June 2012 (fair value less costs to sell). The balance of the impairment is applicable to specific Automotive Retail operations located in Queensland.

In relation to 2011, \$13.175 million of the impairment charge arose in relation to goodwill associated with the Queensland Parts Distribution operation (which is included within the Other Logistics CGU segment) following a decision by Mitsubishi to re-align their parts distribution strategy. The remaining \$6.679 million of the impairment charge arose in relation to goodwill (\$2.891 million) and franchise rights (\$3.789 million) associated with four of the Group's seventeen Automotive Retail dealerships in Queensland.

Further impairment testing carried out at 31 December 2010 resulted in the reinstatement of previously impaired franchise rights of \$0.631 million. This was offset by impairments across other Group cash generating units to the equivalent value. The net impact on the Group's statement of comprehensive income and statement of financial position was nil.

18. Current liabilities – trade and other payables

	Consolidated	
	2012	2011
	\$'000	\$'000
Trade payables	93,579	73,049
Other payables and accruals	101,489	66,234
Goods and services tax	7,441	4,101
	202,509	143,383

19. Current liabilities – provisions

	Consolidated	
	2012	2011
	\$'000	\$'000
Annual leave	20,402	14,838
Long service leave	15,644	13,685
Other	2,694	457
Warranties	2,525	2,366
	41,265	31,347

Movements in provisions and amounts not expected to be settled within 12 months

Please refer to note 20 for details.

20. Non-current liabilities – provisions

	Consolidated	
	2012	2011
	\$'000	\$'000
Warranties	5,625	4,732
Long service leave	6,416	4,430
Make good provisions	2,929	1,487
Other	-	-
	14,970	10,649

20. Non-current liabilities – provisions (continued)

Warranties

Ongoing provision is made for estimated customer claims in respect of extended warranties provided on certain retail vehicle sales. Warranties provided are typically offered up to a three year period; therefore the reported balance is expected to settle over the next three years. Management estimates the provision based on historical warranty claim information and any recent trends that suggest future claims could differ from historical amounts.

Make Good Provision

At the end of the respective lease term, the Group is required to restore various leased business premises to their condition at the time of entering the lease, subject to fair wear and tear. A provision has been recognised for the present value of the estimated expenditure required to restore various leasehold sites to this condition. These costs have been capitalised as part of the cost of the leasehold and are amortised over the shorter of the term of the lease or the useful life of the leasehold assets.

Movements in provisions

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

	WarrantiesMake Good / Other	
	\$'000	\$'000
At 1 July 2011	7,098	1,944
Additional provisions recognised	4,552	3,679
Payments / other sacrifices of economic benefits	(3,500)	-
At 30 June 2012	8,150	5,623
Current 2012	2,525	2,694
Non-current 2012	5,625	2,929
	8,150	5,623
Current 2011	2,366	457
Non-current 2011	4,732	1,487
	7,098	1,944

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes accrued annual leave, vesting sick leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experiences, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The amount of leave that is not expected to be taken or paid within the next 12 months is \$28,836,000 (2011: \$22,819,000).

21. Interest-bearing loans and borrowings

Current

	Consolidated	
	2012	2011
	\$'000	\$'000
Finance company loans	501,946	382,134
Lease liability	3,567	7,650
Hire purchase liability	9,479	4,249
Other loans	-	225
	514,992	394,258

Finance company loans

Finance company loans (floorplan facilities) are in respect of vehicles provided to the Group (note 1(o)) and are secured over these vehicle inventories. The Group has total floorplan facilities amounting to \$563,220,000 (2011: \$487,810,000). At 30 June 2012 \$501,946,000 (2011: \$382,134,000) of these facilities were used. The weighted average interest rate applicable at 30 June 2012 on these loans was 5.86% (2011: 6.89%).

Lease and hire purchase liabilities

Lease and hire purchase liabilities are fully secured.

Other loans

\$Nil (2011: \$225,000) is the current component of a franchise supported working capital loan between Auckland Automotive Collection Limited and UDC Finance Limited. Interest is charged on the loan at an average rate of 6.27% (2011: 6.25%).

Non-current

	Consolidated	
	2012	2011
	\$'000	\$'000
Other loans	101,089	71,160
Lease liability	17,838	19,405
Hire purchase liability	19,674	15,904
Amounts owing to manufacturer	400	400
	139,000	106,868

Other Loans

\$100,000,000 (2011: \$70,000,000) are commercial bills secured over certain properties, plant and equipment, receivables, cash and inventories of the Group. Interest is charged at an average rate of 4.52% (2011: 4.95%) for the period of the current bills in place.

\$500,000 (2011: \$500,000) are commercial loans with a five year term. Interest is charged at a variable rate of 7.50% at 30 June 2012 (2011: 8.65%).

21. Interest-bearing loans and borrowings (continued)

Other Loans

\$396,279 (2011: \$390,390) is a franchise supported working capital loan between Auckland Automotive Collection Limited and UDC Finance Limited. Interest is charged at an average rate of 6.27% (2011: 6.25%).

\$106,216 (2011: \$154,448) is a loan between Auckland Automotive Collection Limited and UDC Finance Limited for minor capital works. Interest is charged at an average rate of 6.27% (2011: 6.25%).

\$86,065 (2011: \$115,378) is a supplier loan to fund minor capital works in fixed operations.

Lease and hire purchase liabilities

Lease and hire purchase liabilities are fully secured.

Amounts owing to manufacturer

\$400,000 (2011: \$400,000) is an unsecured amount owing to a manufacturer and is non-interest bearing.

Fair values

	Carrying Value		Fair Value	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Group				
Finance liabilities				
Advances	101,002	71,045	101,002	71,045
Lease liability	17,838	19,405	17,838	19,405
Hire purchase liability	19,674	15,904	19,674	15,904
Amounts owing to manufacturer	400	400	400	400
Other loans	86	115	86	115
	139,000	106,868	139,000	106,868

Interest rate and liquidity risk

Details regarding interest rate and liquidity risk are disclosed in note 3.

21. Interest-bearing loans and borrowings (continued)

Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current interest-bearing liabilities are:

	Note	Consolidated	
		2012	2011
		\$'000	\$'000
Current			
Floating charge			
Cash and cash equivalents	11	81,382	129,996
Trade and other receivables		8,011	18,583
Inventories	13	584,219	443,827
Other current assets		12,407	13,963
Total current assets pledged as security		686,018	606,369
Non - Current			
First mortgage			
Freehold land and buildings	16	18,788	18,937
Finance lease			
Plant and equipment	16	20,801	26,392
Floating charge			
Freehold land and buildings	16	47,538	47,787
Plant and equipment	16	122,419	63,531
Total non-current assets pledged as security		209,545	156,647
Total assets pledged as security		895,564	763,016

Facilities

Group borrowing facilities and amounts utilised for current and non-current interest-bearing liabilities are:

	Consolidated		
	Utilised	Un-utilised	Total Facility
	\$'000	\$'000	\$'000
Bank overdraft	-	3,000	3,000
Finance company loans	501,946	61,274	563,220
Lease and HP liabilities	50,558	38,777	89,335
Commercial loans	101,089	73,000	174,089
Amounts owing to manufacturer	400	-	400
	653,992	176,051	830,044
Contingent liabilities (guarantees)	16,370	1,664	18,034
	670,362	177,715	848,077

22. Contributed equity

	Parent		Parent	
	2012	2011	2012	2011
	Shares	Shares	\$'000	\$'000
Ordinary shares fully paid	260,683,178	260,449,209	384,112	383,586
Treasury shares	(843,882)	(420,000)	(1,830)	(1,000)
Total contributed equity	259,839,296	260,029,209	382,282	382,586

Ordinary Shares

On the show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

	No. of Shares	Issue Price	\$'000
01/07/10 Opening Balance at 1 July 2010	226,491,073		302,106
19/05/11 Institutional Placement	33,958,136	\$ 2.44	82,858
Less: transaction costs arising on share issue			(2,565)
Deferred Tax Credit recognised directly in equity			1,187
30/06/11 Balance at 30 June 2011	260,449,209		383,586
04/07/11 Share Purchase Plan	233,969	\$ 2.44	571
Less: transaction costs arising on share issue			(64)
Deferred Tax Credit recognised directly in equity			19
30/06/12 Balance at 30 June 2012	260,683,178		384,112

(a) Institutional Placement

On 19 May 2011 AHG completed an institutional placement of 33,958,136 shares at \$2.44 per share to raise gross proceeds of \$82.858 million. Transaction costs of this placement totalled \$2.565 million.

(b) Share Purchase Plan

On 4 July 2011 AHG completed a Share Purchase Plan issuing 233,969 shares. Existing shareholders participated in the opportunity to obtain additional shares at \$2.44 per share to raise gross proceeds of \$0.6 million. Transaction costs of this placement totalled \$0.064 million.

Treasury Shares

	No. of Shares	Issue Price	\$'000
01/07/10 Opening Balance at 1 July 2010	-		-
23/12/10 AHG Employee Share Plan Trust Acquisition	(420,000)	\$ 2.38	(1,000)
30/06/11 Balance at 30 June 2011	(420,000)		(1,000)
29/09/11 AHG Employee Share Plan Trust Acquisition	(423,882)	\$ 1.96	(830)
30/06/12 Balance at 30 June 2012	(843,882)		(1,830)

22. Contributed equity (continued)

(c) Treasury Shares

Treasury shares are shares in AHG Limited that are held by the AHG Employee Share Plans Trust for the purpose of issuing shares under the various AHG share-based payment plans (see note 30 for further information regarding the employee share plan).

Capital management

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

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.

Consistently with others in the industry, the Group and the parent entity monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position (including minority interest) plus net debt.

	Consolidated	
	2012	2011
	\$'000	\$'000
Total Borrowings	653,993	501,127
Less: cash and cash equivalents	(81,382)	(129,996)
Net Debt	572,611	371,131
Total equity	457,921	452,750
Total capital under management	1,030,531	823,881
Gearing ratio	55.6%	45.0%

	Consolidated	
	2012	2011
	\$'000	\$'000
Current debt	514,992	394,258
Less: finance company loans	(501,946)	(382,134)
Current debt excluding finance company loans	13,046	12,125
Less: cash and cash equivalents	(81,382)	(129,996)
Net cash excluding finance company loans	(68,336)	(117,871)
Non Current debt	139,000	106,868
Net Debt excluding finance company loans and cash	70,665	(11,003)
Total Assets	1,398,450	1,147,467
Less: cash and cash equivalents	(81,382)	(129,996)
Less: finance company loans	(501,946)	(382,134)
Total Assets less finance company loans and cash	815,123	635,338
Gearing ratio	8.7%	-1.7%

AHG has complied with the financial covenants of its borrowings facilities during the 2012 and 2011 reporting periods.

23. Retained earnings and reserves

Movements in retained earnings were as follows:

	Consolidated	
	2012	2011
	\$'000	\$'000
Opening balance at 1 July	67,716	74,992
Net profit for the year attributable to members	50,612	31,217
Dividends paid to members	(44,316)	(38,493)
Closing balance at 30 June	74,012	67,716

Other reserves

Consolidated	Asset revaluation reserve	Hedge Reserve	Foreign Currency Translation	Total
	\$'000	\$'000	\$'000	\$'000
At 1 July 2010	127	-	(362)	(235)
Changes in fair value of available-for-sale financial	(181)	-	-	(181)
Cash flow hedges	-	(59)	-	(59)
Exchange differences on translation of foreign operations	-	-	(160)	(160)
Income tax relating to components of other comprehensive income	54	18	-	72
At 30 June 2011	-	(41)	(522)	(563)
At 1 July 2011	-	(41)	(522)	(563)
Cash flow hedges	-	(2,450)	-	(2,450)
Exchange differences on translation of foreign operations	-	-	123	123
Income tax relating to components of other comprehensive income	-	735	-	735
At 30 June 2012	-	(1,757)	(398)	(2,155)

23. Retained earnings and reserves (continued)

Nature and purpose of reserves

Available-for-sale investments revaluation reserve

Changes in the fair value of investments classified as available-for-sale financial assets are taken to this reserve, as described in note 1(p). Amounts are recognised in the statement of comprehensive income when the associated assets are sold or impaired.

Hedge revaluation reserve

Changes in the fair value of hedging instruments are taken to this reserve, as described in note 1(ee). Amounts are recognised in the statement of comprehensive income when the associated hedge transaction affects the statement of comprehensive income.

Foreign currency translation reserve

Exchange differences arising on translation of the controlled foreign entity are taken to the foreign currency translation reserve, as described in note 1(j). The reserve is recognised in the statement of comprehensive income when the net investment is disposed of.

24. Non-controlling interest

Interest in:
Share capital
Retained profit
Balance 30 June

Consolidated	
2012	2011
\$'000	\$'000
1,205	1,205
2,577	1,806
3,782	3,012

25. Statement of cash flows reconciliation

	Consolidated	
	2012	2011
	\$'000	\$'000
Profit for the year after tax	53,552	33,153
<i>Non operating activity cash flow in profit</i>		
- Profit on sale of assets	-	(148)
- Loss on sale of assets	179	-
<i>Non cash flow in profit</i>		
- Depreciation	18,744	12,951
- Amortisation	7,722	6,517
- Impairment of intangibles	9,711	19,854
<i>Changes in operating assets and liabilities</i>		
Increase in trade debtors	(71,298)	(8,576)
Decrease in inventories (net of finance company loans)	5,978	16,237
Decrease / (increase) in prepayments	3,851	(5,319)
Increase in deferred tax assets	(5,759)	(855)
Increase / (decrease) in current tax payable	4,117	(5,944)
Increase / (decrease) in trade creditors	23,224	(7,005)
Increase in accruals	31,122	12,105
Increase in employee entitlements	3,506	2,530
Increase / (decrease) in other provisions	1,251	(1,932)
Increase in deferred tax liabilities	955	79
Net cash inflow from operating activities	86,855	73,645

26. Interest in a jointly controlled operation

A Group subsidiary has entered into a jointly controlled operation called Vehicle Parts (WA) Pty Ltd for the distribution of Subaru Parts. The Company has a 50% (2011: 50%) participating interest in this jointly controlled operation and is entitled to 50% of its profit. The Company's interest in the assets employed and liabilities assumed in the jointly controlled operation are included in the consolidated statement of financial position, in accordance with the accounting policy described in note 1(c) and are set out below:

	Consolidated	
	2012	2011
	\$'000	\$'000
Share of assets employed in joint venture:		
Cash and cash equivalents	222	311
Trade and other receivables	508	475
Inventories	870	734
Deferred tax assets	13	13
	1,613	1,534
Share of liabilities assumed in joint venture:		
Trade and other payables	308	359
Income tax payable	23	61
Deferred tax liabilities	-	-
	332	420
Share of joint venture revenue, expenses and results:		
Revenue	5,288	5,894
Expenses	(4,798)	(5,270)
Profit before income tax	491	624

There are no capital expenditure commitments associated with this operation.

27. Related party disclosures

Subsidiaries

Name Of Entity	Country of Incorporation	Equity Holding 2012	Equity Holding 2011
Corporate			
AHG Services (NSW) Pty Ltd	Australia	100%	100%
AHG Services (WA) Pty Ltd	Australia	100%	100%
AHG Services (Vic) Pty Ltd	Australia	100%	100%
AHG Services (Qld) Pty Ltd	Australia	100%	100%
ACN 150 616 890 Pty Ltd	Australia	100%	100%
ACN 150 616 747 Pty Ltd	Australia	100%	100%
AHG Training Pty Ltd	Australia	100%	-
Logistics			
Rand Transport (1986) Pty Ltd	Australia	100%	100%
Rand Transport Pty Ltd	Australia	100%	100%
Rand Transport Unit Trust	Australia	100%	100%
Motorcycle Distributors Pty Ltd	Australia	100%	100%
Butmac Pty Ltd	Australia	100%	100%
Motorbike Unit Trust	Australia	100%	100%
Janasen Pty Ltd	Australia	100%	100%
VMS Pty Ltd	Australia	100%	100%
Vehicle Storage & Engineering Pty Ltd	Australia	100%	100%
Shemapel 2005 Pty Ltd	Australia	100%	100%
Covs Parts Pty Ltd	Australia	100%	100%
Vehicle Parts (WA) Pty Ltd	Australia	50%	50%
Zupps Parts Pty Ltd	Australia	100%	100%
Castlegate Enterprises Pty Ltd	Australia	100%	100%
AHG Management Co Pty Ltd	Australia	100%	100%
AHG International Pty Ltd	Australia	100%	100%
LWC Limited	New Zealand	100%	100%
LWC International Limited	New Zealand	100%	100%
KTM New Zealand Limited	New Zealand	74%	74%
Automotive			
Auckland Auto Collection Limited	New Zealand	100%	100%
AHG Finance 2005 Pty Ltd	Australia	100%	100%
AHG Finance Pty Ltd	Australia	100%	100%
AHG Finance Unit Trust	Australia	100%	100%
MBSA Motors Pty Ltd	Australia	100%	100%
AHG Property Head Trust 1 Unit Trust	Australia	100%	100%
ACN 132 712 111 Pty Ltd	Australia	100%	100%
AHG Property Sub Trust 1 Unit Trust	Australia	100%	100%
AHG Property Sub Trust 2 Unit Trust	Australia	100%	100%
AHG Property Pty Ltd	Australia	100%	100%
Allpike Autos Pty Ltd	Australia	100%	100%
Big Rock 2005 Pty Ltd	Australia	80%	80%
Big Rock Pty Ltd	Australia	100%	100%
Big Rock Unit Trust	Australia	100%	100%
Chellingworth Pty Ltd	Australia	100%	100%
AUT 6 Pty Ltd	Australia	100%	100%
Mounts Bay Unit Trust	Australia	100%	100%
City Motors (1981) Pty Ltd	Australia	100%	100%
Lionteam Pty Ltd	Australia	100%	100%
City Motors Unit Trust	Australia	100%	100%
Dual Autos Pty Ltd	Australia	100%	100%
Duncan Autos 2005 Pty Ltd	Australia	100%	100%
Duncan Autos Pty Ltd	Australia	100%	100%
Duncan Autos Unit Trust	Australia	100%	100%
Giant Autos (1997) Pty Ltd	Australia	100%	100%
Giant Autos Pty Ltd	Australia	100%	100%
Giant Autos Unit Trust	Australia	100%	100%
Grand Autos 2005 Pty Ltd	Australia	80%	80%
SWGT Pty Ltd	Australia	100%	100%
SWGT Unit Trust	Australia	100%	100%

27. Related party disclosures (continued)

Subsidiaries (continued)

Name Of Entity	Country of Incorporation	Equity Holding 2012	Equity Holding 2011
Automotive			
North City 2005 Pty Ltd	Australia	100%	100%
North City (1981) Pty Ltd	Australia	100%	100%
North City Unit Trust	Australia	100%	100%
Northside Nissan (1986) Pty Ltd	Australia	100%	100%
Northside Autos 2005 Pty Ltd	Australia	100%	100%
Northside Nissan Unit Trust	Australia	100%	100%
Nuford Ford Pty Ltd	Australia	100%	100%
Kingspoint Pty Ltd	Australia	100%	100%
New Dealership Unit Trust	Australia	100%	100%
Melville Autos 2005 Pty Ltd	Australia	100%	100%
Melville Autos Pty Ltd	Australia	100%	100%
Melville Autos Unit Trust	Australia	100%	100%
Osborne Park Autos Pty Ltd	Australia	100%	100%
Janetto Holdings Pty Ltd	Australia	100%	100%
Osborne Park Unit Trust	Australia	100%	100%
Perth Auto Alliance Pty Ltd	Australia	100%	100%
Skipper Trucks Pty Ltd	Australia	100%	100%
Geraldine Nominees Pty Ltd.	Australia	100%	100%
Belmont Unit Trust	Australia	100%	100%
Southside Autos 2005 Pty Ltd	Australia	100%	100%
Southside Autos (1981) Pty Ltd	Australia	100%	100%
Southside Unit Trust	Australia	100%	100%
Total Autos 2005 Pty Ltd	Australia	100%	100%
Total Autos (1990) Pty Ltd	Australia	100%	100%
Total Autos Unit Trust No. 2	Australia	100%	100%
WA Trucks Pty Ltd	Australia	100%	100%
Falconet Pty Ltd	Australia	100%	100%
Truck Unit Trust	Australia	100%	100%
AHG 1 Pty Ltd	Australia	100%	100%
Ferntree Gully Autos Pty Ltd	Australia	90%	90%
ACM Autos Pty Ltd	Australia	85%	90%
ACM Liverpool Pty Ltd	Australia	100%	100%
Automotive Holdings Group (NSW) Pty Ltd	Australia	100%	100%
Castle Hill Autos No. 1 Pty Ltd	Australia	100%	100%
Castle Hill Autos No. 2 Pty Ltd	Australia	100%	100%
Castle Hill Autos No. 3 Pty Ltd	Australia	100%	100%
Highland Autos Pty Ltd	Australia	80%	80%
Highland Kackell Pty Ltd	Australia	100%	100%
MCM Autos Pty Ltd	Australia	85%	90%
MCM Sutherland Pty Ltd	Australia	100%	100%
Automotive Holdings Group (Qld) Pty Ltd	Australia	100%	100%
Southeast Automotive Group Pty Ltd	Australia	100%	100%
Southern Automotive Group Pty Ltd	Australia	100%	100%
Southwest Automotive Group Pty Ltd	Australia	100%	100%
Zupps Holdings Pty Ltd	Australia	100%	100%
Zupps Aspley Pty Ltd	Australia	100%	100%
Zupps Gold Coast Pty Ltd	Australia	100%	100%
Zupps Mt Gravatt Pty Ltd	Australia	100%	100%
Zupps Southside Pty Ltd	Australia	100%	100%
Mornington Auto Group (2012) Pty Ltd	Australia	100%	-
Melbourne City Autos (2012) Pty Ltd	Australia	100%	-
Automotive Holdings Group (Victoria) Pty Ltd	Australia	100%	-
AHG 2012 Shelf Company 1 Pty Ltd	Australia	100%	-
Brisbane Commercial Vehicles Pty Ltd	Australia	100%	-
CFD (2012) Pty Ltd	Australia	100%	-
Newcastle Commercial Vehicles Pty Ltd	Australia	100%	-

27. Related party disclosures (continued)

Subsidiaries (continued)

The consolidated financial statements incorporate the assets, liabilities and results of the above subsidiaries in accordance with the accounting policy described in note 1(c). All controlled entities are either directly controlled by AHG or wholly-owned within the consolidated entity, have ordinary class shares and are incorporated in Australia or New Zealand. The Deed of Cross Guarantee (refer note 33) relieves wholly-owned entities from lodging financial reports under Class Order 98/1418 (as amended) issued by ASIC.

Ultimate Parent

The parent entity in the wholly-owned group is Automotive Holdings Group Limited.

Transactions with related parties

During the year to 30 June 2012, entities within the wholly-owned Group paid rent on premises to:

	Consolidated	
	2012	2011
	\$'000	\$'000
Orient Holdings Pty Ltd	-	212
Auto Management Pty Ltd	-	444
Expense attributable to the ordinary equity holders of AHG	-	656

The rental agreements are under terms and conditions no more favourable than those which it is reasonable to expect would have applied if the transactions were at arm's length. Robert Branchi is a director of Orient Holdings Pty Ltd and Auto Management Pty Ltd, and was a director of AHG until 19 November 2010. The above transactions are for the period which he was a director of AHG.

Transactions of directors and director related entities concerning shares

Transactions relating to ordinary shares and subscriptions for new ordinary shares were on the same terms and conditions that applied to other shareholders.

Other transactions of directors and director related entities

Subsidiaries may, from time to time, sell motor vehicles, parts and servicing of motor vehicles for use to directors of entities in the Consolidated Entity or their director-related entities on terms and conditions consistent with a normal employee relationship.

Detailed remuneration disclosures in relation to key management personnel are provided in the Directors' Report under the heading 'Remuneration Report'.

Guarantee by executive directors

Vehicle registration requirements in Queensland require a personal guarantee and indemnity be granted by the directors of the relevant operating company. The nature of the obligation is to indemnify the State of Queensland against any loss and damage it may suffer as a result of AHG subsidiaries' failure to comply with relevant vehicle licensing requirements connected to AHG's automotive business. This personal obligation (provided by the executive directors) is indemnified by AHG Limited under the terms of the Access Indemnity and Insurance Deed ("AIID") entered into between AHG and those individuals in their capacity as director and officer of AHG Limited and all its group entities.

28. Company details

AHG's registered office and principal place of business is 21 Old Aberdeen Place, West Perth, WA 6005.

29. Key management personnel

Key management personnel compensation

	Consolidated	
	2012	2011
	\$'000	\$'000
Short-term employee benefits	5,812	5,496
Long-term employee benefits	(116)	33
Share-based payments	667	802
Termination benefits	229	811
Post-employment benefits	318	334
	6,910	7,475

Refer to note 30 for further details on share-based payments scheme with key management personnel.

Equity instrument disclosures relating to key management personnel

The number of shares in the company held during the financial year by each director of Automotive Holdings Group Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2012		Balance at the start of the year	Changes during the year	Balance at the end of the year
Directors	Beneficial Owners			
Bronte Howson	Croystone Nominees Pty Ltd as trustee for BBK Unit Trust	5,000,000	Nil	5,000,000
	BM Howson	460,418	26,000 ⁶	486,418
	BM & CC Howson	94,000	Nil	94,000
Hamish Williams	Hamish Calder Williams	201,520	Nil	201,520
Gregory Wall	GJ Wall	32,500	(32,500) ¹	Nil
Peter Stancliffe	PW Stancliffe	34,225	Nil	34,225
Giovanni Groppoli	Magix Communications Pty Ltd	43,325	Nil	43,325
David Griffiths	Darju Pty Ltd, Mrs JM Griffiths, Miss JM Griffiths & Mr TD Griffiths atf Lake Avenue Trust	42,500	26,147 ⁶	68,647
Michael Smith	RP Smith	11,150	10,425 ⁶	21,575
Robert McEniry		Nil	Nil ²	Nil
Tracey Horton		Nil	Nil ²	Nil
Other Key Management Personnel				
Eugene Kavanagh	E & M Kavanagh	2,374	Nil	2,374
Christopher Marwick	CB Marwick	914,485	(914,485) ³	Nil
John Moroney	J&H Moroney Family Holdings Pty Ltd	43,219	Nil	43,219
Ronald Nuich		Nil	Nil	Nil
David Rowland		Nil	Nil ⁴	Nil
Gus Kininmont	FY Kininmont	2,200	Nil	2,200
Philip Mirams		Nil	Nil ⁵	Nil

¹ Resigned as Director on 6 October 2011, changes during the year reflect director ceasing to be key management personnel

² Appointed as Director on 3 May 2012

³ Employment ceased on 1 July 2011, changes during the year reflect employee ceasing to be key management personnel

⁴ Appointed as Company Secretary and General Counsel on 11 August 2011

⁵ Appointed as CFO on 25 June 2012

⁶ 10,147 of the shares were acquired under the SPP (4 July '11) and 52,425 shares were acquired through on-market purchases

29. Key management personnel (continued)

Equity instrument disclosures relating to key management personnel (continued)

2011		Balance at the start of the year	Changes during the year	Balance at the end of the year
Directors	Beneficial Owners			
Robert Branchi ¹	Auto Management Pty Ltd as trustee for The Branchi Family Trust	17,654,091	(17,654,091) ¹	Nil
Bronte Howson	Croystone Nominees Pty Ltd as trustee for BBK Unit Trust	5,000,000	Nil	5,000,000
	BM Howson	572,276	(111,858)	460,418
	BM & CC Howson	94,000	Nil	94,000
Hamish Williams	Hamish Calder Williams	184,252	17,268	201,520
Gregory Wall	GJ Wall	32,500	Nil	32,500
Peter Stancliffe	PW Stancliffe	34,225	Nil	34,225
Giovanni Groppoli	Magix Communications Pty Ltd	43,325	Nil	43,325
David Griffiths	Mrs JM Griffiths, Miss JM Griffiths & Mr TD Griffiths atf Lake Avenue Trust	42,500	Nil	42,500
Michael Smith	RP Smith	11,150	Nil	11,150
Other Key Management Personnel				
Eugene Kavanagh	E & M Kavanagh	2,374	Nil	2,374
Christopher Marwick	CB Marwick	914,485	Nil	914,485
John Moroney	J&H Moroney Family Holdings Pty Ltd	43,219	Nil	43,219
Ronald Nuich		Nil	Nil	Nil
Susan Symmons ²	Shucked Investments Pty Ltd	48,000	(48,000) ²	Nil
Gus Kininmont		Nil	2,200	2,200

¹ Resigned as Director on 19 November 2010, changes during the year reflect director ceasing to be key management personnel

² Resigned as Company Secretary on 3 June 2011, changes during the year reflect employee ceasing to be key management personnel

Loans to key management personnel

There were no loans to key management personnel (2011: nil).

Other transactions with key management personnel

Related party disclosures relating to key management personnel are set out in Note 27.

Aggregate amounts of each of the above types of other transactions with key management personnel of Automotive Holdings Group Limited:

Amounts recognised as distributions to shareholders

Dividends paid

Amounts recognised as expense

Rent of premises

Consolidated	
2012	2011
\$'000	\$'000
1,025	2,958
-	656
1,025	3,615

30. Share based payment plans

AHG Performance Rights Plan

The AHG Performance Rights Plan (Plan), approved by Shareholders on 29 November 2007, awards eligible senior executives of the Company, as determined by the Board from time to time, with rights to acquire shares in the Company (Rights). The vesting of these Rights will be subject to certain specific performance criteria. Summary of the terms of the Plan are as follows:

Type of Plan

Awards under the Plan will be structured as Rights to acquire ordinary shares in the Company for nil consideration, provided specified performance criteria decided by the Board are met within defined time restrictions.

The Plan rules allow participation by any executive director of the Company and other senior executives of the Company deemed to be eligible by the Board. Awards under the Plan will be expressed as a number of Rights to acquire a certain number of ordinary shares in the Company (generally one share for every Right).

Purchase Price

Plan participants will not be required to pay any amount in respect of the award of the Rights or on acquisition of the shares pursuant to the exercise of Rights.

Number of Rights to be Issued

The Board will determine the number of Rights to be granted to each participant through an assessment of market remuneration practice, performance against budget and in line with the Company's executive remuneration strategy. The number of Rights to be awarded to eligible executives is based on the 5 day volume weighted average share price. The Board will call on recommendations from the Remuneration and Nomination Committee.

Vesting

Subject to certain performance criteria being satisfied (see below) Rights will vest on 30 September each year (after the finalisation of the Company's yearly audited financial statements) during the applicable performance period. In the normal course, the exact number of Rights that will vest will be determined by reference to whether the performance criteria have been achieved. No Rights were issued during the year.

Rights linked to Total TSR that remain unvested when the performance criteria are first tested will be carried forward on 30 September in the following two performance periods, after which they will immediately lapse. Rights linked to performance against budget lapse immediately if the performance criteria are not met for that particular year.

The Board has retained discretion under the Plan to permit variations to the terms on which Rights are issued (including to permit early vesting of the Rights) in some limited circumstances, particularly where a "cessation event" or "change of control" event occurs. "Cessation events" include (among other things) the death, retirement or redundancy of a participant. "Control" has the meaning given to it in section 50AA of the *Corporations Act 2001*.

Performance Criteria

Performance criteria will be designed to align the performance of senior executives with the interests of shareholders. While performance hurdles will be determined by the Board at its discretion, TSR has been used as a measure of performance for executive directors and achievement to budget for operations executives.

TSR will be determined on the basis of the total shareholder return (including dividends) during the relevant performance period.

30. Share based payment plans (continued)

AHG Performance Rights Plan (continued)

The LTI for the MD will vest 100% on 30 September 2012 based on achievement of performance criteria set in 2009 and measured across FY2010, FY2011 and FY2012. Associated rights, which have vested over that three year performance period, will be issued during the year ended 30 June 2013. The value of the LTI over the three year period is \$2.0 million which has been fully expensed over the three-year period from 30 June 2010 to 2012 and will be settled by 843,882 shares at \$2.37 per share (VWAP of shares at LTI issue date of 1 July 2009). The LTI for the ED Planning & Strategy will vest on 30 September 2013 and the amount to be paid will be dependent on achievement of performance criteria. \$100,000 of the maximum \$200,000 has been expensed over the two-year period from 30 June 2011 to 2012. No Rights were issued for the year ended 30 June 2011. Share-based payments expense \$733,334 (2011: \$801,777).

TSR Schedule

The percentage of TSR Rights that will be exercisable will be calculated by reference to the Company's TSR as follows:

Company's TSR relative to Reference Group comprising of the ASX 300 companies (excluding resources, financial institutions)	Percentage of Rights that are exercisable
< 51 st percentile	0%
≥ 51 st percentile but ≤ 75 th percentile	50% (plus a pro rata increase of 2% for each higher percentile ranking up to the 75 th percentile)
≥ 75 th percentile	100%

Cap

The aggregate number of shares subject to outstanding Rights (that is, Rights that have not yet been exercised and that have not lapsed) that have been awarded under all of the Company's equity incentive plans will not exceed 5% of the issued share capital.

AHG Tax Exempt Share Plan

AHG has also introduced a tax exempt share plan that provides eligible employees with more than 3 years service with an opportunity to share in the growth in value of AHG shares and to encourage them to improve the performance of the Group and its return to shareholders by the issue of \$1,000 of shares which are purchased by the employee by way of salary sacrifice.

The number of shares to be purchased by eligible employees is based on the 5 day volume weighted average share price.

AHG Executive Share Plan

The AHG Executive Share Plan has been established but is not operational. Should the plan become operational, it will allow directors and certain senior executives the opportunity to salary sacrifice their fees, salary, commission or bonus to purchase AHG shares up to a maximum of \$50,000 at a value to be determined.

The Group has formed a trust to administer the Group's share-based payment plans and employee schemes. The trust is consolidated as the substance of the relationship is that the trust is controlled by the Group.

Shares will be issued by the trust to eligible participants in the plans and schemes. Shares held by the trust and not yet issued to employees at the end of the reporting period are disclosed as treasury shares and deducted from contributed equity (note 22).

31. Business combinations

A. Cova

On 1 July 2011 Automotive Holdings Group Limited acquired certain business assets and liabilities of Coventry's Automotive Parts WA, an automotive parts distributing and retailing company throughout Western Australia, for consideration of \$28.964 million. The acquisition operates similar activities to those undertaken by AHG's existing parts distribution subsidiaries through other states in Australia and will provide the Group with access to new markets and suppliers as well as synergistic benefits through economies of scale in inventory holding and distribution costs.

The business contributed revenues of \$139.440 million and a net profit before tax of \$3.595 million (\$6.260 million gross of acquisition related-costs) for the full year ended 30 June 2012. Costs of \$2.665 million directly associated with the acquisition of the business are included across employee benefits expense, professional services and other expenses in the consolidated statement of comprehensive income and operating cash flows in the statement of cash flows.

Details of the purchase consideration, the net assets acquired and intangible assets identified are as follows:

	\$'000
Purchase consideration	
Cash paid	28,964
Less: cash balance acquired	(21)
Net cash paid	<u>28,943</u>
	Fair Value
	\$'000
Cash and cash equivalents	21
Parts inventories	24,868
Other current assets	386
Property, plant and equipment	1,505
Deferred tax	1,152
	<u>27,932</u>
Trade and other payables	(72)
Employee entitlements	(3,205)
Other provisions	(635)
	<u>(3,912)</u>
Net identifiable assets acquired	<u>24,020</u>
Add: Goodwill	4,441
Add: Distribution Agreements	503
Net assets acquired	<u>28,964</u>

The goodwill is attributed to the profitability of the business and the synergistic benefits to be achieved with other parts distribution activities within AHG. It and the distribution agreements are only deductible for tax purposes upon any future sale of this business or loss of the agreements

There was no contingent consideration and no receivables were acquired in the transaction.

31. Business combinations (continued)

B. Harris

On 1 July 2011 Automotive Holdings Group Limited acquired the business assets and liabilities of Harris Refrigerated Transport Pty Ltd (including associated entities), a temperature sensitive freight logistics company, for consideration of \$32.120 million. The acquisition provides logistical services throughout mainland Australia, is complementary in nature and activities to those undertaken by AHG's existing Rand Transport subsidiary and will provide the Group with a greater market share in this sector together with synergistic benefits through combined economies of scale.

The business contributed revenues of \$100.076 million and a net profit before tax of \$5.311 million (\$7.107 million gross of acquisition related-costs) for the full year ended 30 June 2012. Costs of \$1.796 million directly associated with the acquisition of the business are included across employee benefits expense, professional services and other expenses in the consolidated statement of comprehensive income and operating cash flows in the statement of cash flows.

Details of the purchase consideration, the net assets acquired and intangible assets identified are as follows:

	\$'000
Purchase consideration	
Cash paid	16,324
Hire purchase liabilities assumed	15,796
Total purchase consideration	<u>32,120</u>
	Fair Value
	\$'000
Receivables	9,533
Other inventory	269
Other current assets	641
Property, plant and equipment	18,523
Deferred tax	2,688
	<u>31,654</u>
Trade and other payables	(4,349)
Employee entitlements	(2,393)
Other provisions	(2,697)
	<u>(9,439)</u>
Net identifiable assets acquired	<u>22,215</u>
Add: Goodwill	9,905
Net assets acquired	<u>32,120</u>

The goodwill is attributed to the profitability of the business and the synergistic benefits to be achieved with other logistical services provided within AHG. It is only deductible for tax purposes upon any future sale of this business.

There was no contingent consideration.

31. Business combinations (continued)

C. Daimler Trucks

On 18 November 2011 Automotive Holdings Group Limited acquired certain business assets and liabilities of Diesel Motors Trucks, a truck automotive retail operation in Perth, for consideration of \$5.486 million.

The business contributed revenues of \$72.204 million and a net profit before tax of \$1.358 million (\$1.702 million gross of acquisition related-costs) for the year ended 30 June 2012. If the acquisition had occurred on 1 July 2011, consolidated revenue and profit for the year ended 30 June 2012 would have been \$4.054 billion and \$55.4 million respectively.

Costs of \$0.344 million directly associated with the acquisition of the business are included across employee benefits expense, professional services and other expenses in the consolidated statement of comprehensive income and operating cash flows in the statement of cash flows.

Details of the purchase consideration, the net assets acquired and intangible assets identified are as follows:

	\$'000
Purchase consideration	
Cash paid	5,486
Total purchase consideration	<u>5,486</u>
	Fair Value
	\$'000
Vehicle inventories	4,818
Parts inventories	932
Other inventory	284
Property, plant and equipment	211
Deferred tax	209
	<u>6,454</u>
Trade and other payables	(40)
Bailment (vehicle inventories)	(4,098)
Employee entitlements	(479)
Current tax adjustment	144
	<u>(4,473)</u>
Net identifiable assets acquired	<u>1,981</u>
Add: Goodwill	1,168
Add: Franchise Rights	2,337
	<u>5,486</u>

The Group has reported provisional amounts for goodwill and franchise rights (Mercedes and Freightliner) as part of this acquisition. The identification and valuation of intangible assets in any business combination requires careful consideration and judgement unique to that acquisition. This process will be completed within the permitted provisional accounting timeframe. The intangible assets are only deductible for tax purposes upon any future sale of this business.

There was no contingent consideration and no receivables were acquired in the transaction.

31. Business combination (continued)

D. Wignall Group

On 1 May 2012 Automotive Holdings Group Limited acquired certain business assets and liabilities of the Jeff Wignall Group (JWG) (excluding Southern Mitsubishi), a Victorian dealership group of 9 dealership points (Ford, Mitsubishi and Kia) located in the Mornington Peninsula, for consideration of \$15.014 million.

The business contributed revenues of \$18.008 million and a net profit before tax of \$0.380 million (\$0.700 million gross of acquisition related-costs) for the year ended 30 June 2012. If the acquisition had occurred on 1 July 2011, consolidated revenue and profit for the year ended 30 June 2012 would have been \$4.029 billion and \$55.3 million respectively.

Costs of \$0.320 million directly associated with the acquisition of the business are included across employee benefits expense, professional services and other expenses in the consolidated statement of comprehensive income and operating cash flows in the statement of cash flows.

Details of the purchase consideration, the net assets acquired and intangible assets identified are as follows:

	\$'000
Purchase consideration	
Cash paid	15,014
Less: cash balance acquired	(1)
Total purchase consideration	<u>15,013</u>
	Fair Value
	\$'000
Cash and cash equivalents	1
Vehicle inventories	10,787
Parts inventories	314
Other inventory	65
Other current assets	17
Property, plant and equipment	907
Deferred tax	219
	<u>12,310</u>
Trade and other payables	(54)
Bailment (vehicle inventories)	(9,600)
Employee entitlements	(732)
	<u>(10,386)</u>
Net identifiable assets acquired	<u>1,924</u>
Add: Goodwill	4,363
Add: Franchise Rights	8,727
Net assets acquired	<u>15,014</u>

The Group has reported provisional amounts for goodwill and franchise rights (Ford, Mitsubishi and Kia) as part of this acquisition. The identification and valuation of intangible assets in any business combination requires careful consideration and judgement unique to that acquisition. This process will be completed within the permitted provisional accounting timeframe. The intangible assets are only deductible for tax purposes upon any future sale of this business.

There was no contingent consideration and no receivables were acquired in the transaction.

32. Commitments

Capital Commitments

Property, plant and equipment

Consolidated	
2012	2011
\$'000	\$'000
17,177	16,820
17,177	16,820

Remuneration Commitments

Within one year

Later than one year but not later than 5 years

Consolidated	
2012	2011
\$'000	\$'000
1,100	863
-	-

Finance Lease Commitments

Within one year

Later than one year but not later than 5 years

Later than five years

Total lease payments

Future finance charges

Lease liability

Representing lease liabilities:

Current

Non-current

Consolidated	
2012	2011
\$'000	\$'000
5,150	9,437
20,419	15,060
622	8,891
26,191	33,387
(4,785)	(6,333)
21,405	27,055
3,567	7,650
17,838	19,405
21,405	27,055

32. Commitments (continued)

Hire Purchase Commitments

	Consolidated	
	2012	2011
	\$'000	\$'000
Within one year	11,666	5,761
Later than one year but not later than 5 years	21,725	17,780
Later than five years	291	532
Total lease payments	33,682	24,074
Future finance charges	(4,529)	(3,921)
HP liability	29,153	20,153
Representing HP liabilities:		
Current	9,479	4,249
Non-current	19,674	15,904
	29,153	20,153

Operating Lease Commitments

	Consolidated	
	2012	2011
	\$'000	\$'000
Within one year	75,579	54,604
Later than one year but not later than 5 years	239,601	174,522
Later than five years	118,979	70,781
	434,159	299,907

33. Contingencies

A liability exists for after sales service and finance rebates but the amount cannot be quantified. In the opinion of the directors the amount is not material to the financial statements.

Unsecured guarantees, indemnities and undertakings have been given by AHG in the normal course of business in respect of banking and financial trade arrangements entered into by its controlled entities. The total of these guarantees is \$16,369,994. At 30 June 2012 no controlled entity was in default in respect of any arrangement guaranteed by AHG.

The Group has a contingent asset by virtue of it having lodged a claim for compensation under the *Land Administration Act (WA) 1997*. The claim is for potential loss of business and associated costs arising as a consequence of the state government's taking of land by way of compulsory purchase order. The amount of any contingent asset cannot be quantified at this time.

33. Contingencies (continued)

At 30 June 2012, trusts within the Group had entered into sale and buyback agreements for a number of vehicles. At this date the directors of the trustee companies are of the opinion that the repurchase price of these vehicles, net of the relevant provision at 30 June 2012, is below their expected selling price.

Deed of Cross Guarantee

Unless separately detailed below, Automotive Holdings Group Limited (the parent entity) has entered into a Deed of Cross Guarantee with each of its eligible wholly-owned Australian subsidiaries (the Closed Group), under which each member of the Closed Group guarantees the debts of other members of the Closed Group. By entering into this Deed of Cross Guarantee it allows the Group to take advantage of Class Order 98/1418 relief from accounting requirements for wholly-owned subsidiaries.

Please see the table at note 27 (subsidiaries) which details the Group's corporate structure, including those entities that are wholly-owned, but also those entities that are not, who are eligible to form part of the Extended Closed Group where they are controlled by AHG.

Since 30 June 2011, but before finalising these accounts, the following subsidiaries were added to the Deed of Cross Guarantee by Assumption Deed (contemplated by the Deed of Cross Guarantee):

- Mornington Auto Group (2012) Pty Ltd;
- Melbourne City Autos (2012) Pty Ltd;
- Automotive Holdings Group (Victoria) Pty Ltd;
- AHG 2012 Shelf Company 1 Pty Ltd;
- Brisbane Commercial Vehicles Pty Ltd;
- CFD (2012) Pty Ltd; and
- Newcastle Commercial Vehicles Pty Ltd
- AHG Training Pty Ltd

The parent entity has determined that there is no material deficiency not disclosed elsewhere in this Report in any member of the Closed Group and therefore, there is no further liability that should be recognised in relation to these guarantees in the books of the parent.

34. Economic dependency

The Group is dependent on various vehicle manufacturers for the supply of new vehicles and replacement parts and motorcycles for sale.

Various subsidiaries have dealer agreements with manufacturers. The dealer agreements are franchise agreements for the purpose of the Franchising Code of Conduct which confers on the parties certain rights and obligations in respect of termination, assignment and mediation that override any conflicting provisions in the dealer agreements.

Dealership agreements usually run for a fixed term, typically between 3 and 5 years, often with no automatic right of renewal. There is a risk that these arrangements may not be renewed which would have a detrimental effect on the future financial performance of the Group. The manufacturers and distributors usually include a termination clause which provides them with the ability to terminate the agreements on short notice. If a franchise is terminated, it would have a detrimental effect on the future financial performance of the Group.

35. Events after the reporting date

API Property Divestment and Investment

On 1 July 2012 Australasian Property Investments (API) exercised its option to purchase five of AHG's automotive dealership sites located in Perth and Sydney. AHG agreed in February 2012 to enter into an exclusive arrangement with API to launch a \$66m unlisted automotive property trust – AHG Property Syndicate No 1 – involving five automotive dealership sites. Of that total amount, \$47m was to be paid to AHG as the purchase price for the five properties and \$19m is for development costs.

The sale of the properties was completed on 17th August 2012. The syndicated properties are:

- Midway Ford dealership, Midland WA
- Rockingham Hyundai and Suzuki, Rockingham WA
- Challenger Ford (new vehicle dealership), Rockingham WA
- Challenger Ford (used vehicle dealership), Rockingham WA
- Castle Hill Holden and Hyundai (plus two dealerships to be constructed), Castle Hill NSW

AHG will invest \$6.0 million to close the offer.

The financial effects of these transactions have not been brought to account at 30 June 2012, other than to re-classify the relevant assets as current assets held for sale.

35. Events after the reporting date (continued)

Acquisition of Coffey Ford

On 1 August 2012 Automotive Holdings Group Limited ('AHG') acquired certain business assets and liabilities of Coffey Ford, an automotive retail operation in Dandenong, Melbourne, for consideration of \$2.0 million. The acquisition expands AHG's automotive retail operations in Victoria, focused on the South East growth corridor.

The financial effects of this transaction have not been brought to account at 30 June 2012. The operating results, assets and liabilities will be consolidated from 1 August 2012.

i. Contingent consideration, non-controlling interests and acquisition costs

There is no contingent consideration associated with the acquisition, nor any non-controlling interests to be accounted for.

Acquisition-related costs of \$0.085 million will be included in professional services in the statement of comprehensive income in the reporting year ended 30 June 2012.

ii. Information not disclosed as not yet available

At the time the financial statements were authorised for issue, the group had not yet completed the accounting for the acquisition of Coffey Ford.

Acquisition of Toll Refrigerated

On 30 July 2012 Automotive Holdings Group Limited ('AHG') acquired from Toll Holding Limited certain business assets and liabilities of Toll Refrigerated, a temperature sensitive freight logistics company, for consideration of \$6.5 million. The acquisition provides logistical services throughout mainland Australia, is complementary in nature and activities to those undertaken by AHG's existing Rand Transport subsidiary and will provide the Group with a greater market share in this sector together with synergistic benefits through combined economies of scale.

The financial effects of this transaction have not been brought to account at 30 June 2012. The operating results, assets and liabilities will be consolidated from 30 July 2012.

i. Contingent consideration, non-controlling interests and acquisition costs

There is no contingent consideration associated with the acquisition, nor any non-controlling interests to be accounted for.

Acquisition-related costs of \$0.110 million will be included in professional services in the statement of comprehensive income in the reporting year ended 30 June 2012.

ii. Information not disclosed as not yet available

At the time the financial statements were authorised for issue, the group had not yet completed the accounting for the acquisition of Toll Refrigerated.

35. Events after the reporting date (continued)

Divestment of AHG Queensland Gold Coast Operations

On 5 July 2012 Automotive Holdings Group Limited ('AHG') announced it was divesting to the Von Bibra Group the business assets and liabilities of its passenger car retail operations on the Gold Coast (Southport, Helensvale and Burleigh), for consideration of \$4.5 million, comprising goodwill of \$3.3 million and net assets of \$1.2 million. The divestment is part of the restructure of AHG's Queensland operations and will allow management to focus on the Group's Brisbane dealerships.

The financial effects of these transactions have not been brought to account at 30 June 2012, other than to re-classify all assets and liabilities associated with these dealerships as current assets held for sale and an impairment of \$0.556 million booked to the statement of comprehensive income relating to fair value considerations linked to the disposal consideration.

The operating results, assets and liabilities will be derecognised from the dates of their disposal.

i. Contingent consideration

There is no contingent consideration associated with the divestment.

Acquisition of Brisbane and Newcastle Mercedes-Benz Truck Operations

On 23 August 2012 Automotive Holdings Group Limited ('AHG') announced it was acquiring certain business assets and liabilities of Brisbane and Newcastle Mercedes-Benz truck operations for approximately \$8.0 million, comprising net assets and goodwill, with settlement due in October 2012. The acquisition is complementary in nature and activities to those undertaken by AHG's existing truck retail operations across Australia and will provide the Group with a greater market share in this sector together with synergistic benefits through combined economies of scale.

The financial effects of this transaction have not been brought to account at 30 June 2012. The operating results, assets and liabilities will be consolidated from the date of settlement.

i. Contingent consideration, non-controlling interests and acquisition costs

There is no contingent consideration associated with the acquisition, nor any non-controlling interests to be accounted for.

Acquisition-related costs of \$0.213 million will be included in professional services in the statement of comprehensive income in the reporting year ended 30 June 2012.

ii. Information not disclosed as not yet available

At the time the financial statements were authorised for issue, the group had not yet settled the acquisition of the Brisbane and Newcastle Mercedes-Benz truck operations.

36. Auditor's remuneration

During the year the following services were paid or payable to the auditor of the parent entity, its related practices and non related audit firms:

Audit Services

Fees paid or payable to BDO Audit (WA) Pty Ltd

Audit and review of financial reports and other audit work under the Corporations Act 2001

Fees paid or payable to affiliated offices of BDO Audit (WA) Pty Ltd

Audit and review of financial reports and other audit work under the Corporations Act 2001

Advisory Services

Fees paid or payable to BDO Audit (WA) Pty Ltd

Advice and provision of support services for AHG's Internal Audit function

Fees paid or payable to affiliated offices of BDO Audit (WA) Pty Ltd

Provision of Training to AHG management in respect of Executive Management Leadership

Provision of accounting assistance to New Zealand entities

Taxation Services

Fees paid or payable to BDO Tax (WA) Pty Ltd

Fees paid or payable to affiliated offices of BDO Tax (WA) Pty Ltd

Total of Non-Audit Services provided to the Group

Consolidated	
2012	2011
\$	\$
686,857	581,000
274,550	446,850
961,407	1,027,850
2,170	16,304
-	4,500
-	17,892
445,888	442,827
53,690	7,580
501,748	489,103

37. Derivative financial instruments

Current assets

Interest-rate swap contracts (included in Receivables note 12)

Current liabilities

Interest-rate swap contracts (included in Payables note 18)

Forward foreign exchange contracts (included in Payables note 18)

Consolidated	
2012	2011
\$'000	\$'000
-	7
796	-
1,655	66
2,450	66

(a) Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the Group's financial risk management policies (refer to note 3).

(i) Interest rate swaps – cash flow hedges

Bank loans of the Group currently bear an average variable interest rate of 4.8% (2011: 5.0%) (excluding fees). It is policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable interest rates and to pay interest at fixed rates.

Swaps currently in place cover approximately 90% (2011: 40%) of the variable loan principal outstanding. The average fixed interest rate is 4.7% (2011: 5.0%). The contracts require settlement of net interest receivable or payable on a monthly basis.

The gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. It is reclassified into the statement of comprehensive income when the hedged interest expense is recognised. In the year ended 30 June 2012 a loss of \$170,231 (2011: loss of \$47,216) was reclassified into the statement of comprehensive income and included in finance costs. There was no hedge ineffectiveness in the current year.

(ii) Forward exchange contracts – cash flow hedges

Components of the Other Logistics segment purchase inventory in Euros and US Dollars. In order to protect against exchange rate movements, the Group has entered into forward exchange contracts to purchase Euros and US Dollars. These contracts are hedging highly probable forecasted purchases for the ensuing financial year. The contracts are timed to mature when payments for major shipments are scheduled to be made.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income. When the cash flows occur, the Group adjusts the initial measurement recognised in the statement of financial position by removing the related amount from other comprehensive income.

During the year ended 30 June 2012 \$44,355 (2011: \$Nil) was reclassified from other comprehensive income and included in the cost of sales.

(b) Risk exposures and fair value measurements

Information about the Group's exposure to foreign exchange and interest rate risk and about the methods and assumptions used in determining fair values is provided in note 3.

38. Assets and liabilities classified as held for sale

Assets and directly associated liabilities classified as held for sale

	Consolidated	
	2012 \$'000	2011 \$'000
Non-current assets held for sale (i)		
Land and buildings	49,328	-
Disposal group - assets held for sale (ii)		
Receivables	4,297	-
Inventory	13,469	-
Property, plant and equipment	2,119	-
Total assets of disposal group held for sale	19,885	-
Total assets classified as held for sale	69,213	-
Disposal group - liabilities held for sale (ii)		
Payables	2,781	-
Provisions	1,264	-
Borrowings	11,312	-
Total liabilities directly associated with disposal group held for sale	15,357	-

(i) Non-current assets held for sale

On 1 July 2012 Australasian Property Investments (API) exercised its option to purchase five of AHG's automotive dealership sites located in Perth and Sydney (refer to note 35). AHG agreed in February 2012 to enter into an exclusive arrangement with API to launch a \$66m unlisted automotive property trust – AHG Property Syndicate No 1 – involving five automotive dealership sites. Of that total amount, \$47m was to be paid to AHG as the purchase price for the five properties and \$19m is for development costs. The sale of the properties settled on 17th August 2012. The syndicated properties are:

- Midway Ford dealership, Midland WA
- Rockingham Hyundai and Suzuki, Rockingham WA
- Challenger Ford (new vehicle dealership), Rockingham WA
- Challenger Ford (used vehicle dealership), Rockingham WA
- Castle Hill Holden and Hyundai (plus two dealerships to be constructed), Castle Hill NSW

AHG will invest \$6.0 million to close the offer. These properties are part of the Property Segment in note 5. No gain or loss has been recognised in the 30 June 2012 financial statements in respect of this transaction.

(ii) Disposal group held for sale

On 5 July 2012, AHG announced it was divesting its automotive retail operations at the Gold Coast in Queensland (refer to note 35). The financial year-end asset and liability balances associated with these operations are disclosed in the above and below tables respectively. These dealerships were included in the Automotive Retail Segment in note 5. Included in the impairment expense is an amount of \$0.556 million related to this disposal group.

The directors of the company declare that:

1. The financial statements, comprising; the statement of comprehensive income; statement of financial position; statement of cash flows; statement of changes in equity; and accompanying notes, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date.
2. The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
4. The remuneration disclosures included in the directors' report (as part of the audited remuneration report), for the year ended 30 June 2012, comply with section 300A of the *Corporations Act 2001*.
5. The directors have been given declarations by the chief executive officer and chief financial officer required by section 295A.

At the date of this declaration there are reasonable grounds to believe that the companies which are parties to the Deed of Cross Guarantee (see note 33 to the annual accounts) will, as the consolidated entity will, be able to meet any obligations or liabilities to which they are, or may become subject to, by virtue of the Deed of Cross Guarantee.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



David C Griffiths

Chairman

Perth

24 September 2012

**DECLARATION BY
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
TO THE DIRECTORS OF AHG LIMITED
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012**

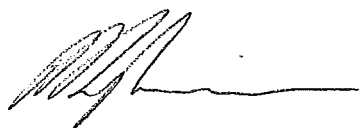
The Chief Executive Officer and Chief Financial Officer, as required by section 295A of the *Corporations Act 2001*, declare that, in their opinion, for the financial year ended 30 June 2012:

1. The financial records of the company/disclosing entity have been properly maintained in accordance with section 286 of the *Corporations Act 2001*.
2. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the consolidated entity.
3. Any other matters prescribed by the Regulations for the purposes of section 295A have been satisfied in relation to the financial statements and notes for the financial year.
4. The financial statements are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board. The company's risk management and internal compliance and control systems are operating efficiently and effectively in all material respects.

This declaration is signed by the Chief Executive Officer and Chief Financial Officer:



BM Howson



P Mirams

Perth

24 September 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUTOMOTIVE HOLDINGS GROUP LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Automotive Holdings Group Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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



Opinion

In our opinion:

- (a) the financial report of Automotive Holdings Group Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. 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.

Opinion

In our opinion, the Remuneration Report of Automotive Holdings Group Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'BDO' followed by a stylized signature.

Brad McVeigh
Director

Perth, Western Australia
Dated this 24th day of September 2012

The shareholder information set out below was applicable at 20 September 2012.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	No. of Shareholders
1 - 1,000	574
1,001 - 5,000	835
5,001 - 10,000	462
10,001 - 100,000	666
100,001 and over	95
	2,632

The number of holders holding a less than marketable parcel of ordinary shares based on the market price as at 20 September 2012 was 323 holders holding 3,137 shares.

B. Equity Security Holders

The names of the twenty largest holders of fully paid ordinary shares are listed below:

	Ordinary Shares	
	Number Held	% of Issued Shares
AP Eagers Limited	28,442,772	10.91
National Nominees Pty. Ltd.	21,992,596	8.44
JP Morgan Nominees Australia Limited	20,528,878	7.88
Auto Management Pty Ltd <<Branchi Family Account>>	17,654,091	6.77
HSBC Custody Nominees (Australia) Limited	15,136,968	5.81
AP Eagers Limited <<PFV Security A/C>>	14,769,528	5.67
Citicorp Nominees Pty. Ltd.	14,148,884	5.43
AC McGrath & Co Pty Ltd	10,638,765	4.08
Zero Nominees Pty. Ltd.	9,422,606	3.61
BNP Paribas Noms Pty Ltd <<Master Cust Drp>>	8,317,440	3.19
Mr VC Wheatley and Ms JE Wheatley <<Pulo Road Super Fund>>	6,900,000	2.65
Croystone Nominees Pty Ltd <<BBK Unit Account>>	5,000,000	1.92

Automotive Holdings Group Limited
Shareholder and Optionholder Information
30 June 2012

Argo Investments Limited	4,600,295	1.76
AMP Life Limited	3,877,836	1.49
BNP Paribas Noms Pty Ltd <<SMP Accounts Drp>>	3,860,612	1.48
Mr Damon Stuart Wheatley	3,723,799	1.43
Mrs Michelle Victoria Harris	3,489,362	1.34
Jove Pty Ltd	3,275,453	1.26
Estate Mr Shane Christopher Wheatley	2,949,755	1.13
UBS Nominees Pty Ltd	2,592,897	0.99

C. Substantial holders

	Ordinary Shares	
	Number Held	% of Issued Shares
AP Eagers Limited and its associated entities*	43,212,300	16.58
Robert John Branchi and associated entities	17,654,091	6.77
Vernon Charles Wheatley and associated entities**	13,625,208	5.23
AMP Limited and related entities	13,196,340	5.06

* *WFM Motors Pty Ltd (an entity associated with Nicholas George Politis) is also a substantial shareholder due to its relevant interest in the securities held by A.P. Eagers Limited.*

** *Vernon Charles Wheatley and associated entities also has a relevant interest in 14,769,528 securities held by A.P. Eagers pursuant to the grant of a security interest.*

D. Voting Rights

The voting rights attaching to the Ordinary shares are set out below:

- On a show of hands, each member has 1 vote;
- On a poll, each member has 1 vote for each share the member holds;
- The vote may be exercised in person or by proxy, body corporate, representative or attorney;
- If a share is held jointly and more than 1 member votes in respect of that share, only the vote of the member whose name appears first in the register counts.