



AUTOMOTIVE HOLDINGS GROUP

Annual Report 2013

Annual Financial Report Contents

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A. Overview

Established in Perth in 1952 Automotive Holdings Group Limited (ASX: AHE) is a diversified automotive retailing and logistics group with operations in every Australian mainland state and in New Zealand. The Company is Australia's largest automotive retailer, with operations in Western Australia, New South Wales, Queensland and Victoria.

AHG's logistics businesses operate throughout Australia via subsidiaries Rand Transport and Harris Refrigerated Transport (transport and cold storage), AMCAP and Cows (motor parts and industrial supplies distribution), VSE (vehicle storage and engineering), Genuine Truck Bodies (body building services to the truck industry), and KTM Sportmotorcycles (motorcycle importation and distribution in Australia and New Zealand).

This diversified nature of the Group is a key strength, reducing reliance on, and exposure to, particular sectors.

The diversified nature of the Group's operations also creates synergies and efficiencies that may not be available to other groups, such as the supply of trading and capital equipment between Group businesses rather than relying on third party providers.

The Group has been active over the past two financial years in executing acquisitions, Greenfield developments and divestments, as it drives a growth strategy that builds further geographical diversification, takes advantage of market opportunities that AHG's scale and access to funds permits, and develops greater synergistic profits and efficiencies.

Recognition of the fruits of this strategy are evidenced through AHG's admission to the ASX300 in March 2013 and subsequently to the ASX200 in the June 2013 quarterly rebalance (after the Group's market capitalisation topped \$1 billion) and the Group's FY2013 results, which included record revenues, statutory profit, operating profit and dividends.

Beyond the financial metrics, in 2013 AHG employs more than 5,700 staff and is a large employer of apprentices through its automotive service workshops. The Group also has a long and proud record of supporting a wide range of community and charitable organisations across Australia and New Zealand.

B. Business Segments

AHG's diversified business is divided into four segments for financial reporting:

- Automotive Retail
- Transport and Cold Storage
- Other Logistics
- Property

AUTOMOTIVE RETAIL

AHG today operates 151 passenger vehicle, bus and truck dealerships across mainland Australia and New Zealand, representing 11 of the top 12 brands by volume during FY2013.

Automotive retail operations accounted for 83% of Revenue and 74% of Statutory EBITDA for FY2013. The FY2013 results of \$3.54 billion Revenue and \$116.51 million Statutory EBITDA were record achievements for this segment.

The achievement of these milestones has been built on the strong performance of the more established operating dealerships, which enabled AHG to achieve record results while absorbing the costs of a very active expansion program. The expansion program undertaken since January 2012 is listed below:

Acquisitions from 3rd parties:

- Jeff Wignall Group (May 2012 – Mornington Peninsula, Vic)
- Coffey Ford (August 2012 – Dandenong, Vic)
- Newcastle Hino, Iveco and Daimler (June: September 2012 - Newcastle NSW)
- Daimler Brisbane (October 2012 - Brisbane, Qld)
- Bayside / Peninsula Group (May 2013 – Mornington Peninsula, Vic)
- McMillan Toyota (June 2013 – Preston/South Morang, Vic)
- Jason Mazda (*July 2013 – Osborne Park, WA – post year-end*)
- Davie Group (*September 2013 – Manukau, New Zealand – post year-end*)

Greenfield developments:

- Castle Hill Holden / Hyundai (January/November 2012 – Castle Hill, NSW)
- Approval received for Nissan franchise at Castle Hill development (*post year-end*)
- Melbourne City Holden / HSV / Hyundai (March 2013 – Melbourne City, Vic)
- Manukau Nissan (*September 2013 – Manukau, New Zealand – post year-end*)

Divestments to 3rd parties:

- Southport / Helensvale / Burleigh Group (August 2012 – Gold Coast, QLD)
- Capalaba Mitsubishi / Subaru (January / August 2013 – Capalaba, QLD)

This expansion program provides a strong base for future growth as new business are integrated into AHG's business model and restructuring is completed.

TRANSPORT AND COLD STORAGE

This segment solely comprises the Rand Transport (known as 'Rand') operation. Rand is Australia's largest provider of fully integrated, refrigerated interstate transport and warehousing services to the food industry, employing more than 300 people at facilities in Perth, Adelaide, Melbourne, Sydney and Brisbane.

Operations include three main services, national temperature-controlled long haul transport, cold storage and refrigerated distribution.

Rand has a fleet of purpose-built, temperature-controlled rail containers and road pans with state of the art tracking systems, delivering daily to all the major retailers and food service businesses in Australia.

In FY2013 Rand transported in excess of five million three hundred thousand pallets of product and its equipment travelled more than 110 million kilometres.

Having depots and cold storage facilities in each state, as well as a fleet of modern equipment, provides Rand with a competitive advantage. With these assets and committed, well-trained employees Rand is able to operate around the clock and on a national scale to meet its customers' delivery needs.

Rand Transport has expanded its operations through recent acquisitions of:

- Harris Refrigerated Transport (July 2011) which added capability to transport fresh produce and increased service capabilities for customers; and
- Toll Refrigerated business (July 2012) which complemented Rand's core operations

OTHER LOGISTICS

There are four primary operations that comprise the Other Logistics segment for FY2013:

- AMCAP (parts storage and distribution);
- Cows Parts (parts retailing and distribution);
- KTM Sportmotorcycles (motorcycle and parts distribution); and

- VSE and GTB (bodybuilding, engineering and vehicle storage)

In addition, the Group's Queensland Parts Distribution business located in Brisbane was part of this segment until its closure during FY2013.

AMCAP

AMCAP has been a major distributor of automotive parts in Australia for 45 years. Its purpose-built storage and distribution facilities include a warehouse storage area of 32,000sqm on a site spanning 66,000sqm.

AMCAP's portfolio of franchises includes Mitsubishi, GM Holden, HSV, Subaru, Suzuki, Hyundai, Kia, Ford, Volkswagen, Audi, Skoda, PPG Automotive Refinish, 3M, Iveco, Fuso, and AMCAP Truck and Trailer Parts. AMCAP can warehouse a range of products and meet specific client requirements as a true 3rd and 4th party logistics operation.

It provides services vital to the management of today's increasingly complex supply chain in terms of sales and marketing, data warehousing, on-line inventory management, radio frequency based 'paperless' warehousing and a quick response distribution service. Its telephone call centre handles more than one-million calls per annum from customers in addition to having 400 customers directly on-line to the AMCAP computer system for order placement and enquiry.

COVS Parts

Acquired by AHG in July 2011, Covs Parts (known as 'Covs') employs approximately 390 people and has 26 strategically located branches across Perth and country Western Australia, many of which are located close to WA mining and agriculture operations.

Covs sells genuine automotive parts and a full range of aftermarket parts and accessories and is one of the largest mining and industrial supply companies in Western Australia, offering its clients a diverse range of products, a statewide presence and experienced and knowledgeable staff. The business has been a leading supplier of automotive, industrial and mining parts and accessories in Western Australia since the 1930s.

Covs operations co-located with AMCAP in expanded facilities with 32,000sqm of warehouse space in 2012 making the AMCAP Distribution Centre one of Australia's premier parts sales and distribution operations. Its acquisition in 2011 provided both Covs and AMCAP with many synergies by way of shared services and the ability to expand their customer base and supply a broader range of products to their existing clients.

KTM

KTM is a prestigious Austrian off-road and on-road motorcycle manufacturer founded in 1934 with a rich racing heritage that has enjoyed considerable success in motor sport, recording multiple state, national and international titles. KTM bikes feature a distinctive branding strategy that resonates well in the Australian and New Zealand markets.

Based in Welshpool (WA) and Auckland (NZ), AHG's KTM distribution centres service 75 independent dealers in Australia and New Zealand.

Since being appointed in 1994 as the exclusive distributor in Australia, the business has enjoyed significant sales growth and developed the KTM brand into a national household racing name.

VSE and GTB

Vehicle Storage and Engineering (VSE), located in Dandenong, Victoria, provides truck storage and distribution logistics as well as engineering services to the Australian truck market.

The engineering business specialises in truck modification services such as chassis modification, lazy axle and turntable accessory fitment and dual control conversions.

Genuine Truck Bodies (GTB), located at the same premises in Dandenong, provides body building services to the truck industry.

Together, VSE and GTB provide a one-stop shop for vehicle modification and body building services.

PROPERTY

In FY2011 AHG acquired direct interests in two significant properties located in Castle Hill and Hoxton Park in NSW. Combined with some other smaller properties previously held by the Group across NSW and WA, this warranted a separate reporting segment within AHG relating to direct property holdings.

On 1 July 2012 AHG sold its Castle Hill property, including dealership developments undertaken, and all but one of its WA properties to Australasian Property Investments ('API') which then launched these properties as the AHG Property Syndicate No 1.

C. Business Model and Strategies

The diversified nature of the Group requires varied business models that reflect the intricacies of the different businesses, their competitive positioning and the stage of their market and business maturity.

A common thread, however, across the business models and strategies of all the Group's operations is the ability of the Group to leverage one of its key strengths – the talent of its people. All general managers and dealer principals are empowered to make appropriate decisions that aim to either grow their respective business operations and/or control their cost structures. The Group firmly believes this approach allows AHG to attract and retain talented employees, as well as providing the best service to customers.

Automotive Retail

AHG's automotive retail business model and strategy is to leverage the talent of its employees to:

- Sell new and used vehicles;
- Arrange related financing, vehicle service and insurance contracts;
- Provide maintenance and repair services; and
- Sell replacement parts

via an expanding network of franchised dealerships located in both established and growing regions of the Australian mainland and New Zealand.

A key tenet to the AHG business model is the positioning of the dealership network in retail hubs where multiple dealerships trade in close proximity, creating strong efficiencies in terms of operating processes, collaboration and customer attraction. This model is further reinforced through the Group's commitment to investing in state of the art facilities at its dealership premises to maximise both the business opportunities and customer experiences.

Manufacturer relationships remain a key factor in Automotive Retail. AHG's long history of strong performance in the industry has produced long-term, successful relationships across the major franchises that AHG represents. These relationships and AHG's performance history provide the Group with opportunities to develop greenfield operations that assist in the Group's long-term growth strategies.

Operating within the wider retail environment, AHG is conscious of the need to keep pace with changing consumer habits. Accordingly, a major focus has been on expanding AHG's capacity to engage with prospective customers in the online environment, but in a manner that is complementary to, and supportive of, the large dealer network. The Group's online strategy has seen revamped websites (Group and business-by-business), increased AHG visibility through Search Engine Optimisation and greater use of

social media and mobile technology to make it easier for prospective buyers to search for cars, find information and ultimately convert into an enquiry.

The Group's network of dealerships provides ongoing opportunities to train, promote and advance talented employees through all levels and departments, a competitive advantage when it comes to integrating acquisitions to AHG's culture and methodologies.

Key areas of focus for execution of the Group's Automotive Retail strategy include:

- Capture of additional new and used vehicle retail market share;
- Sustained growth of AHG's higher margin parts and service businesses with a strong emphasis on the retention of service customers;
- Operating efficiencies and further leveraging of a lower cost base;
- Continued implementation of an operating model with greater commonality of key operating processes, systems and training that support the extension of best practices and the leveraging of scale;
- Positioning of the Group to meet the changing needs and purchasing behaviour of customers, via online marketing and trading capacity that complements AHG's retail outlets; and
- Enhancement of AHG's current dealership portfolio by strategic acquisition (including greenfields) and improving or disposing of underperforming dealerships;

Transport and Cold Storage

AHG's Cold Storage and Transport business model and strategy is to leverage its position as the leading provider of horizontally integrated national refrigerated logistics solutions in Australia.

The combination of three main services, temperature-controlled national transport, cold storage and refrigerated distribution, differentiate Rand from competitors by offering a complete suite of refrigerated road, rail, cross-docking, cold store and distribution services supported by sophisticated IT systems.

Ongoing investment by Rand in state of the art depots and cold storage facilities in each state, its fleet of modern equipment, and its reputation for reliability provide the business with a competitive advantage.

Rand will continue to invest in IT systems development commensurate with the growth of the business to further drive efficiencies and service capabilities to its broad portfolio of customers.

Key areas of focus to Rand's business strategy are:

- Providing fully integrated refrigerated logistics needs across the entire cold chain system;
- Offering tailored packages supported by a comprehensive executive and customer information system including tracking and performance delivery reporting; and
- Building long-term relationships with its customers by being proactive to their requirements.

Recent acquisitions of Harris Transport and Toll Refrigerated have delivered on two key aspects of its business strategy:

- Expansion of integrated services Rand can provide to existing customers – Harris Transport focused on fresh produce, thereby complementing Rand's service offering;
- Development of economies of scale and efficiencies through the business – Toll Refrigerated provided similar services to Rand which have been integrated with Rand's existing facilities.

Other Logistics

AHG's Other Logistics business models and strategies leverage their position as smaller components of the Group:

- AMCAP: parts distribution capabilities that build on existing relationships with automotive retail manufacturers, supply the automotive retail industry (not just AHG operations) and provide third and fourth party distribution logistics capabilities;
- Covs: supply and distribution of automotive, mining and industrial parts that build upon automotive retail end-user experiences, synergistic warehousing and distribution functions with AMCAP and greater integrated service provision to mining and industrial customers already supplied by other operations with the Group;
- KTM: motorcycle distribution capabilities that build on automotive retail experience as franchisee to act as franchisor to a chain of independent motorcycle dealerships and utilisation of storage and distribution facilities of other Group operations to distribute motorbikes and supporting parts and accessories; and
- VSE-GTB: storage of vehicles that builds on existing relationships with manufacturers; body building activities that supply complementary AHG businesses and third party customers, and building on automotive retail (truck) experiences to identify new opportunities business relationships.

This Operating and Financial Review sets out information on the Group's business strategies and prospects for future years, including reference to likely developments in segment operations and the potential impact on the future performance of these segments. Information in the Operating and Financial Review is provided to enable shareholders to make an informed assessment about the business strategies and prospects for future financial years of AHG. Information that could give rise to a material detriment to AHG (e.g. commercially sensitive, confidential or capable of giving a third party a competitive advantage) has not been included.

D. AHG Group Financial Performance

Key Financial Data	Statutory IFRS Result	Unusual items*	Operating Non-IFRS Result	Operating Non-IFRS Result
For the year ending 30 June	2013	2013	2013	2012
	\$'000	\$'000	\$'000	\$'000
Revenue	4,277,553	-	4,277,553	3,920,139
EBITDA	156,998	(8,327)	165,325	153,506
EBITDA margin %	3.7%		3.9%	3.9%
Depreciation & amortisation	(28,375)	-	(28,375)	(26,466)
EBIT	128,623	(8,327)	136,950	127,039
Interest (net)	(29,393)	-	(29,393)	(30,715)
Profit before tax	99,230	(8,327)	107,557	96,324
Tax expense	(29,324)	2,367	(31,691)	(29,235)
Profit after tax	69,906	(5,960)	75,866	67,089
Non controlling interest	(3,132)	-	(3,132)	(2,940)
Net profit after tax attributable to shareholders	66,774	(5,960)	72,734	64,149
Basic EPS (cents per share)	25.61		27.90	24.61

* **Unusual items:** costs and fees in relation to integration and acquisition-related activities, asset divestments, impairment and sale of properties (refer to Review of Operations in Directors' Report for a reconciliation of Non-IFRS profit to IFRS profit).

Revenue

Group revenue increased 9.1% on pcp to \$4.28 billion, driven primarily by expansion of the Automotive Retail segment through organic growth from existing operations and the acquisitions and greenfields developments

noted earlier. Logistics experienced growth in Cold Storage and Transport, offset by the closure of the Queensland Parts Distribution operation.

EBITDA (Earnings before Interest, Taxation, Depreciation and Amortisation)

Operating margins remained consistent year-on-year at 3.9%, which was achieved notwithstanding the large number of acquisitions and greenfield developments requiring integration during FY2013, which typically would reduce margins in the short-term.

Depreciation and Amortisation

Depreciation and amortisation for the year was \$28.38 million, an increase of 7.2% on pcp. This was due to a combination of ongoing investment in Cold Storage and Transport operations (premises, vehicle fleet and container assets) together with plant and equipment acquired as part of the various Automotive Retail acquisitions and greenfield developments.

Interest Expense (net)

Net interest expense (including floorplan finance, finance costs less interest revenue) for the year was \$29.39 million, a decrease of 4.3% on pcp. The decrease was achieved through a combination of lower interest rates on borrowings and consistent focus on inventory management and despite an increase in commercial borrowings over FY2012.

Non-controlling Interests

Non-controlling interests increased to \$3.13 million, up 6.5% on pcp. These arise on entities which are consolidated into AHG's financial performance but where AHG does not hold an entitlement to 100% of their profits. Refer to Note 27 in the Annual Financial Statements for a listing of those entities where AHG does not hold a 100% profit entitlement. The increased expense reflects increased contribution from these businesses during FY2013.

Profit before Tax

AHG earned a Statutory profit after tax of \$66.77 million for the year, an increase of 31.9% on pcp. Operating profit (before unusual items) after tax was \$72.73 million, an increase of 13.4% on pcp. Both were record results for the Group.

Dividends

A fully franked final dividend of 12.0 cents per share was declared, taking the full year dividend to 20.0 cents per share, an increase of 2.0 cents (11.1%) over the prior year. This reflects the Group's strengthened balance sheet, strong operating cash flow and capital management.

E. Segment Financial Performance

Automotive Retail

	2013	2012	Movement
	\$'000	\$'000	%
<u>Automotive Retail</u>			
Revenue	3,541,438	3,207,470	10.4%
Statutory IFRS Performance			
EBITDA	116,512	95,901	21.5%
EBITDA %	3.3%	3.0%	
EBIT	102,300	82,526	24.0%
Profit before Tax	80,081	61,180	30.9%
Operating* Non-IFRS Performance			
EBITDA	118,768	106,285	11.7%
EBITDA %	3.4%	3.3%	
EBIT	104,556	92,910	12.5%
Profit before Tax	82,337	71,564	15.1%

** excludes costs and fees in relation to integration and acquisition-related activities, asset divestments, impairment and sale of properties (refer to page 2 for a reconciliation of Non-IFRS profit to IFRS profit).*

The Automotive Retail division achieved record results across all operating profit performance metrics from Revenue through to Profit before Tax. Operating* EBITDA margins rose by a 3% to 3.4%.

The various acquisitions, greenfields developments and divestments listed in section B above, which typically experience reduced margins as they are integrated into the AHG operating model, will contribute full-year performance for FY2014 compared to the partial-period results in FY2013, offering both margin and sales and profit dollar upside. Integration of these businesses by adopting the AHG model and strategy will optimise the returns from these dealerships. The divestments occurred early in FY2013 and therefore have little comparative impact on FY2014.

As outlined in section C, there are four revenue streams that underpin the operations of all AHG Automotive Retail dealerships. The overall performance is driven by the strong inter-relationships between the four departments.

AHG focuses on the performance of all four revenue streams through numerous measures, including strong disciplines; procedures and policies; systems management and investment; staff training programs; key financial and non-financial metrics; and continual challenging of the businesses for new opportunities and efficiencies to maximise shareholder returns. Automotive retail is a low-margin business and the accumulation of small improvements to margins earned can have a significant positive impact on the overall performance.

The Group's established automotive retail operations continue to consistently challenge their procedures and opportunities for efficiencies and economies of scale.

These saw consistent growth across all departments, influenced by factors such as:

- The Australian new vehicle market sold 1,112,032 vehicles in CY2012, a record level for Australia and, for CY2013 the market up to July 2013 is 4.6% (29,451 units) ahead of the equivalent period in CY2012. However, not all franchises recorded increases in their volumes, and the nature of all automotive retail franchises is that they experience cyclical ebbs and flows linked to product ranges, aging profiles and customer buying preferences. However AHG's diversified brand portfolio mitigates the majority of this exposure;
- Support from, and competitiveness between, manufacturers during FY2013 was at one of its most aggressive levels in recent years, leading to low-rate finance offerings direct from manufacturers as they sought to increase their volume levels. This benefits AHG via increased volumes and associated bonuses and commissions earned, albeit that the commissions earned are typically at lower margins compared to non-manufacturer-direct finance offerings.
- Consistent application and refinement of AHG's used vehicle buying, wholesaling and selling policies translates to smarter vehicle purchasing, lower re-conditioning costs, improved retention of profits and increased opportunity between sites and greater cross-selling between departments. On a combined level, this positively impacted on Automotive Retail's FY2013 EBITDA margin performance;
- Fixed-price service offerings introduced by manufacturers are having a positive impact on customer retention within the automotive retail service departments. This has the potential to increase service income and retain customers within the same dealership and/or brand through replacement vehicle purchases;
- Expansion of product offerings saw new products such as tyre repair and replacement now being offered to customers through AHG's dealerships;
- Record low interest rates have a positive impact on finance company costs for the segment.

Logistics (Cold Storage and Distribution & Other Logistics)

	2013	2012	Movement
	\$'000	\$'000	%
<u>Logistics</u>			
Revenue	735,627	712,062	3.3%
Statutory IFRS Performance			
EBITDA	38,414	41,493	-7.4%
EBITDA %	5.2%	5.8%	
EBIT	24,251	28,631	-15.3%
Profit before Tax	21,135	24,669	-14.3%
Operating* Non-IFRS Performance			
EBITDA	48,422	46,287	4.6%
EBITDA %	6.6%	6.5%	
EBIT	34,259	33,425	2.5%
Profit before Tax	31,143	29,462	5.7%

** excludes costs and fees in relation to integration and acquisition-related activities, asset divestments, impairment and sale of properties (refer to page 2 for a reconciliation of Non-IFRS profit to IFRS profit).*

The Logistics segment, comprising Cold Storage and Distribution and Other Logistics, recorded a solid year of performance on an overall basis.

Acquisitions and divestments impacted this segment, subduing the FY2013 results:

Cold Storage and Distribution

- The Toll Refrigerated business was a strategic acquisition that requires transition time to fully integrate into Rand to realise the expected synergistic benefits. This will occur gradually over a two-year period, and therefore the Toll business is expected to have , a lower margin than existing operations during this transition;
- A new cold store facility in WA completed early FY2014 will eliminate inefficiencies and add economies of scale for FY2014, with a further new cold store facility in SA to open late in FY2014;
- Rand experienced challenges in the second half of FY2013 caused by a softening of retail demand across the Easter period and severe flooding in south-east Queensland and northern NSW. The frequency and severity of natural events is beyond the Group's control but is an inherent risk to being a national logistics operation.

Other Logistics

- Closure of AHG's Queensland Parts distribution operation had a negative impact on FY2013 revenue compared to FY2012 figures. This business is now closed and will have no impact on FY2014;
- KTM benefited from a strong product range and favourable exchange rates between the Australian dollar and the Euro and Yen to help it achieve a record result for FY2013, built on an FY2012 result that was also a record at the time;
- AMCAP and Cova have experienced some margin pressures arising from their mining sector exposure and ongoing pressures from insurance companies, non-genuine importers and competitors. However, they continue to identify and implement synergistic benefits from their shared warehousing and distribution facilities;
- VSE-GTB continues to grow through its two-pronged strategic approach. Vehicle storage levels have grown as the range of truck distributors in Australia grows. Bodybuilding capabilities expanded during FY13 with new ranges of truck bodies designed, constructed and delivered to customers, which are receiving positive feedback and creating interest from new and larger potential customers having seen the finished products. This positively impacted the division's performance in FY2013 and will see it continue to grow its revenue and performance into FY2014.

Outlook:

AHG's outlook for the Automotive Retail segment is robust heading into FY2014 on the back of low interest rates, manufacturer support, continual advancements in the quality and safety of new vehicles and overall vehicle affordability levels. The recently proposed changes to the treatment of FBT on vehicles has had an impact on the industry however the September federal election outcome saw the proposed change repudiated. AHG's acquisitions and greenfield developments are expected to drive growth into FY2014, while the Group will continue to invest in further strategic and accretive acquisitions that complement its existing portfolio.

AHG's outlook for the Logistics segment is that, across all the component businesses, it remains well-placed to leverage their strong respective market positions and grow organically.

F. Group Financial Position

	FY2013	FY2012
Total Assets	\$1.58 billion	\$1.40 billion
Total Liabilities	\$1.09 billion	\$0.94 billion
Total Equity	\$0.49 billion	\$0.46 billion

TOTAL ASSETS

Total assets increased by \$0.18 billion from \$1.40 billion to \$1.58 billion, driven by a combination of acquisitions completed during the period and working capital / non-current asset investments.

Trade inventories, being the largest individual component of total assets, comprise both vehicle, motorcycle and parts inventories on hand across the automotive retail and other logistics segments, increased \$106.74 million to \$690.97 million. \$41.72 million of the increase arose at acquisition date from the automotive retail business combinations completed during FY2013. AHG applies policies around its inventory management to mitigate potential obsolescence concerns.

Receivables increased by \$51.52 million from \$248.77 million to \$300.29 million. This was again influenced by the automotive retail acquisitions as well as growth in the Cold Storage and Transport division. Average debtor days increased as the acquisitions did not contribute revenues for the full financial year. AHG has a dedicated centralised Credit Control department which monitors outstanding debtors on a continual basis.

Property, plant and equipment increased \$28.33 million to \$186.43 million, due to a combination of ongoing investment in Group operations (e.g. Rand), as well as property developments to Automotive Retail sites either completed or under construction at the end of FY2013. All API properties disposed of on 1 July 2012 are excluded from this movement, having been separately classified in the FY2012 Financial Statements.

Intangible assets increased \$37.27 million linked to net acquisitions per section B above.

TOTAL LIABILITIES

Total liabilities increased by \$0.15 billion to \$1.09 billion, driven by a combination of acquisitions completed during the period and other asset increases executed during FY2013.

Trade and other payables increased \$48.81 million, reflecting the impact of acquisitions completed during FY2013 as well as timing around payment of year-end liabilities covering creditors, subcontractors and payroll accruals (including commissions linked to record performance achieved for FY2013).

Interest-bearing liabilities rose due to a combination of increased finance company loans (acquisitions / greenfields and organic), increased lease / hire purchase commitments (property, plant and equipment investment) and increased commercial borrowings (acquisitions).

Total current and non-current provisions rose \$8.56 million to \$64.80 million, due to increased employee provisions linked to acquisitions (expanded employee numbers), record FY2013 profits (increased average pay rates apply to entitlements) and natural increases in existing employee service periods and entitlements.

TOTAL EQUITY

Total equity increased by \$0.03 billion to \$0.49 billion, predominantly due to increased retained profits of \$17.25 million, reflecting the difference between AHG's profit earned and dividend payout ratio. Treasury shares totalling \$1.88 million held in FY2012 were issued to AHG's Managing Director, Bronte Howson, under his Long Term Incentive plan as approved by shareholders at prior AGM's.

G. Funding and Capital Management (incl. Cash Flow / Shareholder Value / Dividends)

AHG categorises its funding and capital management structure into two components:

- Inventory-backed finance company loans (floorplan), in which dealerships finance their inventory purchases through specific finance facilities provided by either manufacturers or third party finance companies;
- Commercial banking and leasing finance facilities which support all other aspects of the Group's capital management, working capital and growth strategy

Finance company loans

Finance company facilities of \$706.09 million were available to AHG as at 30 June 2013, of which \$578.75 million were used.

AHG excludes finance company loans from its gearing ratio calculations.
(refer Note 22 – Contributed Equity).

Commercial Bills and Leasing Finance Facilities

There were \$257.59 million of these facilities available to the Group as at 30 June 2013, of which \$189.26 million had been utilised.

Capital Management Metrics

	FY2013	FY2012
Gearing Ratio (source: note 22 of Annual Financial Statements) <i>(net debt excl. finance company loans & cash) / (total assets less finance company loans and cash)</i>	10.2%	8.7%
Interest Cover (source: note 5 – Operating Segment)		
- Operating	4.66 times	4.14 times
- Statutory	4.38 times	3.96 times
<i>(EBIT / Net Interest expense)</i>		

Net debt (borrowing excluding finance company loans and cash and cash equivalents) increased by \$21.94 million to \$92.61 million. This increase reflected:

- Operating Cash Flows of \$92.71 million, up \$5.86 million on pcip
- Payment for acquisitions of \$54.69 million, down from \$66.41 million paid in pcip
- Net proceeds of \$1.75 million on net payment for property, plant and equipment, proceeds from sale of properties to API and net payment for units in API Property Syndicate trust
- Record dividend paid to shareholders during FY2013, totalling \$49.53 million. Total declared dividend for FY2013 is 20 cents, with the final dividend component of twelve cents to be paid in October.

The Group's strong balance sheet position continues to support further growth opportunities and preliminary discussions with various finance providers (incumbent and new) indicate their comfort and willingness to provide AHG with further facilities (finance company, commercial bills and leasing).

H. Outlook

AHG has an experienced management team, a strong balance sheet and a diversified business model that positions the Group well to deliver strong results from its strategic investments in Automotive and Logistics and to capitalise on future opportunities.

Automotive Retail:

- New vehicle sales remain at record levels to August 2013, buoyed by manufacturer incentives of low interest rates and service offerings;
- The recent ALP proposal to amend FBT basis for vehicles been repudiated by the incoming Coalition government;
- Recent acquisitions since May 2013 of Bayside/Peninsula Group, McMillan Toyota, Jason Mazda and Davie Group further strengthen the Group's platform for growth; and
- Greenfield developments at Castle Hill and South Melbourne continue to progress.

Logistics:

- Demand from Rand's clients for fully integrated service offerings in temperature-controlled transport and storage remains robust;
- Investment in new facilities in Perth (completed August 2013), Adelaide and Sydney (both ongoing) will add to growth opportunities and generate significant economies of scale;
- KTM continues to experience strong demand for its product range, developing a stronger and growing market position in the motorcycle industry;

The Group has used its balance sheet strength to drive significant operational growth across all segments and to create significant sustainable long-term value for shareholders.

The Group focuses strongly on training and development of career pathways for its people, with a range of programs designed to build the leadership pipeline, professionalise core functions and present opportunities for existing staff and new candidates from both within and outside the automotive and logistics sectors.

In both the Automotive Retail and Logistics segments it is critical to build and enhance customer and supplier relationships and the Group's development programs have included a specific focus on a dedicated Customer Service and Retention program that trained more than 500 customer-facing staff across the Group.

Among a range of initiatives, the AHG Sales Academy is designed to attract candidates for automotive sales positions, while the AHG Apprentice Master program will provide a competitive advantage in the attraction, retention and development of technicians. The Group currently trains more than 400 apprentices across Australia and New Zealand.

I. Risk Management

AHG's risk management process analyses and manages business risks, and identifies business process improvement opportunities. The risk assessment process focuses on two key metrics - estimation of the likelihood of risk occurrence and the potential impact on financial results. An assessment is also undertaken of the effectiveness of AHG's existing internal controls on a risk-by-risk basis. Action plans are established where existing controls are assessed as requiring improvement in order to mitigate risks identified to an acceptable level.

Risk assessments are performed on a state-by-state basis within the Automotive Retail segment and on a business-by-business basis within the Logistics segment, from which a consolidated risk assessment is derived for AHG as a collective. These risk assessments are presented to the Audit and Risk Management Committee.

AHG has set out below a summary of those key risks which have the potential to materially impact on the Group's ability to execute and hence achieve its business strategies, and therefore could impact on the Group's prospects on a longer-term basis. These key risks can not be taken as an exhaustive list of uncertainties and risks that the Group faces, noting that many of them remain outside the control of AHG or its officers.

Industry downturns

AHG's revenue and growth are susceptible to downturns in any of the industries in which it operates, including those resulting from economic and regulatory changes.

AHG is a diversified group. Its automotive retail operations have multiple revenue streams and are geographically diversified. General economic and regulatory changes remain outside the control of the Group, however its size and scale offer opportunities to mitigate the potential impacts.

Delivering on growth opportunities

AHG's strategy has seen it execute numerous acquisitions over the past two financial years. Should some of these acquisitions achieve targeted performance at a slower rate than anticipated due to factors beyond or within the Group's control this may adversely impact performance.

AHG has acquisition and integration strategies to harmonise newly acquired businesses to the Group's policies, procedures and systems to maximise their opportunity to achieve targeted performance. The processes are monitored on an ongoing basis and executive incentives are linked to the success of the integrations.

Key relationships

AHG's business involves key relationships with manufacturers in the grant and renewal of franchise agreements; landlords in granting and renewing property leases; banks and floorplan financiers in the provision of funding facilities, and with its contract customers. The financial performance of the Group is susceptible to adverse changes in any of these key relationships combined with the inability to secure appropriate replacement or alternative relationships. These adverse changes include perceived amalgamation risks from manufacturers linked to any shareholder obtaining a Board seat and/or increased shareholding above 20%, which could result in the triggering of market concentration, change of control and other clauses leading to termination of franchise agreements held by the Group. AHG proactively engages in maximising its key relationships to mitigate such risks.

Strong performance history (automotive retail) and superior service delivery quality (cold storage and transportation) have historically seen low levels of breakdowns in these key relationships however poor performance or changes in control could put such relationships at risk.

Reliance on key personnel

There exists no assurance that AHG will be able to retain key personnel and the departure of any such key personnel may adversely impact the Group's profitability until suitable replacements are employed.

AHG is committed to remaining competitive in its remuneration and other incentive arrangements, its training programs to develop current and potential business leaders, and the alignment of the interests of key personnel with those of its shareholders.

Health and safety

The Group has a potential risk arising from a significant occupational health and safety incident involving employees, contractors, customers or the community.

AHG has implemented systems and processes to act positively with due diligence in administering and monitoring the OHS management of the business, including the development and implementation of positive OHS metrics and an across business reporting standard to provide reporting that is relevant, valid, comparable and reliable.

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 2013.

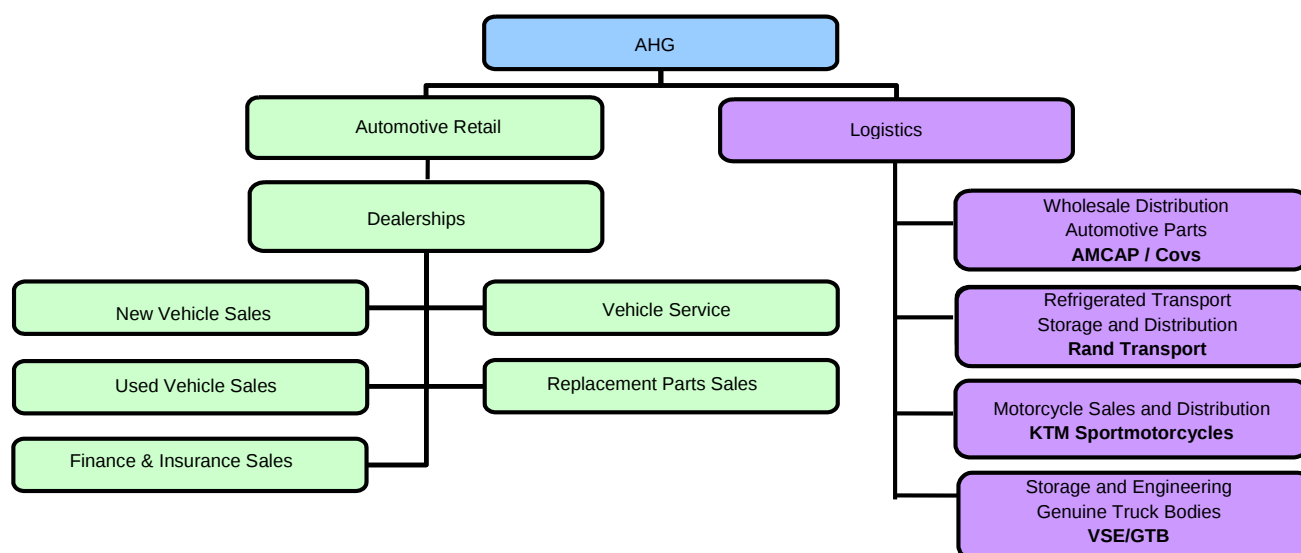
Directors

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
Bronte Howson	Managing Director
Robert McEniry	Non-Executive Director
Michael Smith	Non-Executive Deputy Chairman
Peter Stancliffe	Non-Executive Director

Hamish Williams was an Executive Director until his resignation from the Board on 16 November 2012.

Principal Activities



Dividends

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

	Parent	
	2013	2012
	\$'000	\$'000
Dividends on ordinary shares:		
Final dividend for the year ended 30 June 2012 of 11 cents per fully paid share paid on 2 October 2012 (30 June 2011 of 10 cents per fully paid share paid on 30 September 2011)	28,675	26,068
Interim dividend for the half-year ended 31 December 2012 of 8 cents per fully paid share paid on 3 April 2013 (31 December 2011 of 7 cents per fully paid share paid on 3 April 2012)	20,855	18,248
	49,530	44,316

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 12 cents per share, based on tax paid at 30%. The aggregate amount of dividend to be paid on 2 October 2013 out of the retained profits at 30 June 2013, but not recognised as a liability at year end, will be \$31.28 million.

Review of Operations

Net profit after tax attributable to members for the year ended 30 June 2013 was \$66.8 million (2012: \$50.6 million). Net profit after tax excluding costs and fees in relation to integration and acquisition-related activities, asset divestments, impairment and sale of properties (detailed below) attributable to members for the year ended 30 June 2013 was \$72.7 million (2012: \$64.1 million).

	Consolidated	
	2013	2012
	\$'000	\$'000
Statutory IFRS Profit (net of tax) attributable to members	66,774	50,612
<u>Unusual items</u>		
Add-back:		
- Impairment of intangible assets	-	9,711
- Net costs in relation to integration and acquisition-related activities and asset divestments (net of tax)	5,960	3,827
Operating Non-IFRS Profit (net of tax) attributable to members	72,734	64,150

Automotive Holdings Group Limited
Directors' Report
For the year ended 30 June 2013

	Consolidated	
	2013	2012
	\$'000	\$'000
Statutory IFRS EBITDA attributable to members	156,998	138,329
<i>Unusual items</i>		
Add-back:		
- Impairment of intangible assets	-	9,711
- Net costs in relation to integration and acquisition-related activities and asset divestments (gross of tax)	8,327	5,467
Operating Non-IFRS EBITDA attributable to members	165,325	153,506

2013:

The current statutory profit includes the following unusual item:

- Sale of Properties:

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. The sale of the properties was completed on 17 August 2012, comprising \$47.00 million for the five properties and \$19.00 million for development costs. Refer to Note 38 for full disclosure of the properties sold.

The financial effect of this property transaction was a one-off profit on sale of \$2.76 million (net of tax) on the disposal of these properties to API.

In addition to the above unusual item, the Group incurred costs and fees (including stamp duty) totalling \$8.72 million (net of tax) during the current year in relation to integration and acquisition-related activities and asset divestments. These activities included the business acquisitions of Toll Refrigerated, Coffey Ford, Newcastle and Brisbane Trucks, Bayside/Peninsula Group and McMillan Toyota, the divestment of the Gold Coast dealerships, final closure of the Coopers Plains parts distribution operation in Queensland and non-recurring integration-related costs in relation to the above acquisitions (e.g. redundancy, technology, occupancy related costs in transitioning acquisitions to AHG practices and procedures).

2012:

The prior year statutory profit included the following unusual item:

- Impairment:

In accordance with the requirements of AASB 136 Impairment of Assets, the Group undertook an assessment for impairment of its assets on a cash generating unit basis. This resulted in an impairment adjustment of \$9.71 million to franchise rights.

\$1.65 million of the impairment was 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 expected to cease to trade the franchise in late 2012. A further \$0.56 million of the impairment related to the disposal of AHG's Gold Coast dealerships post 30 June 2012.

The balance of the impairment applied to specific Automotive Retail operations located in Queensland.

In addition to the above unusual item, the Group incurred stamp duty and other fees of \$3.83 million (after tax) during 2012 in relation to integration and acquisition-related activities. These activities included the business acquisitions of Covs, Harris Transport, Daimler Trucks and Wignall Group.

	Consolidated		
	2013	2012	Movement
	\$'000	\$'000	%
<u>Automotive Retail</u>			
Revenue	3,541,438	3,207,470	10.4%
Statutory IFRS Performance			
EBITDA	116,512	95,901	21.5%
EBITDA %	3.3%	3.0%	
EBIT	102,300	82,526	24.0%
Profit before Tax	80,081	61,180	30.9%
Operating* Non-IFRS Performance			
EBITDA	118,768	106,285	11.7%
EBITDA %	3.4%	3.3%	
EBIT	104,556	92,910	12.5%
Profit before Tax	82,337	71,564	15.1%
	2013	2012	Movement
	\$'000	\$'000	%
<u>Logistics</u>			
Revenue	735,627	712,062	3.3%
Statutory IFRS Performance			
EBITDA	38,414	41,493	-7.4%
EBITDA %	5.2%	5.8%	
EBIT	24,251	28,631	-15.3%
Profit before Tax	21,135	24,669	-14.3%
Operating* Non-IFRS Performance			
EBITDA	48,422	46,287	4.6%
EBITDA %	6.6%	6.5%	
EBIT	34,259	33,425	2.5%
Profit before Tax	31,143	29,462	5.7%

* excludes costs and fees in relation to integration and acquisition-related activities, asset divestments, impairment and sale of properties (refer to page 17 for a reconciliation of Non-IFRS profit to IFRS profit).

Group revenues from continuing operations were \$4.28 billion (2012: \$3.92 billion), representing a 9.1% increase over the previous year's revenue.

The Automotive Retail division contributed revenues of \$3.54 billion (2012: \$3.21 billion) and an Operating EBITDA result of \$118.77 million (2012: \$106.29 million) before unusual items* totalling \$2.26 million before tax. These represented growth rates of 10.4% and 11.7% respectively. Operating profit before tax (before unusual items* of \$2.26 million before tax), was \$82.34 million (2012: \$71.56 million), an increase of 15.1%.

These Automotive Retail results were driven by strong organic growth across existing core operations. Acquisitions and greenfield developments remain in early stages of integration and establishment respectively and provide upside to AHG's performance. The divestment of AHG's Gold Coast dealerships affirms AHG's focus on ensuring Group operations are the right fit across brand profile and diversification, geographical location and capacity of the Group's businesses to provide appropriate returns to shareholders. AHG's Queensland operations now form a more streamlined and concentrated structure to drive performance into FY2014 and beyond.

The Logistics division contributed revenues of \$0.74 billion (2012: \$0.71 billion) and an Operating EBITDA result of \$48.42 million (2012: \$46.29 million) before unusual items* totalling \$10.01 million before tax. These represented growth rates of 3.3% and 4.6% respectively. Operating Profit before tax (before unusual items* of \$10.01 million before tax) was \$31.1 million (2012: \$29.5 million), an increase of 5.7%.

AHG's Logistics divisional focus in FY2013 centred on bedding in the FY2012 acquisitions of Harris and Cova Parts, supplemented by the acquisition of Toll Refrigerated. Rand Transport (including Harris and Toll) experienced a challenging second half to FY2013 through a combination of natural disasters and weak industry volumes which materially reduced stock-turns and combined to negatively impact its performance during that period. The addition of Toll saw Rand's consolidated revenues rise over 20% year-on-year. An offset to the Logistics segment revenue growth was the closure of AHG's Coopers Plains operation during FY2013 which had a negative \$20 million impact on revenues. Statutory Performance movement was impacted by costs associated with the integration and acquisition of Toll and closure of Coopers Plains.

Consolidated Revenue and Results

Key Financial Data	Statutory IFRS Result	Impairment	Unusual items* excluding impairment	Operating Non-IFRS Result
For the year ending 30 June 2013				
	\$'000	\$'000	\$'000	\$'000
Revenue	4,277,553	-	-	4,277,553
EBITDA	156,998	-	(8,327)	165,325
EBITDA margin %	3.7%			3.9%
Depreciation & amortisation	(28,375)	-	-	(28,375)
EBIT	128,623	-	(8,327)	136,950
Interest (net)	(29,393)	-	-	(29,393)
Profit before tax	99,230	-	(8,327)	107,557
Tax expense	(29,324)	-	2,367	(31,691)
Profit after tax	69,906	-	(5,960)	75,866
Non controlling interest	(3,132)	-	-	(3,132)
Net profit after tax attributable to shareholders	66,774	-	(5,960)	72,734
Basic EPS (cents per share)	25.61			27.90

***Unusual items:** costs and fees in relation to integration and acquisition-related activities, asset divestments, impairment and sale of properties (refer to page 17 for a reconciliation of Non-IFRS profit to IFRS profit).

Significant Changes in State of Affairs

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

1. Sale of properties to API for a one-off profit on sale of \$2.76 million (net of tax); and
2. Acquisitions of Toll Refrigerated, Coffey Ford, Newcastle and Brisbane Trucks, Bayside/Peninsula Group and McMillan Toyota, divestment of Gold Coast automotive retail operations and closure of Coopers Plains (Qld) parts distribution business. These impacted the financial performance and position of the Group at 30 June 2013 compared to 30 June 2012.

Matters Subsequent to the End of the Year

- (a) On 26 July 2013 Automotive Holdings Group ('AHG') announced it had completed the acquisition of certain business assets and liabilities of Jason Mazda located in Osborne Park in Western Australia. The acquisition expands AHG's automotive retail operations in Western Australia; and
- (b) On 31 July 2013 Automotive Holdings Group ('AHG') announced it had agreed to acquire certain business assets and liabilities of Davie Motors Holden located in Manukau in New Zealand. The acquisition expands AHG's automotive retail operations in New Zealand.

Except for those events detailed above, no other matter or circumstance has arisen since 30 June 2013 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

Refer to Operating and Financial Review for details.

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 started rolling out controlled waste, tyre and battery disposal contracts to EPA standards on a state by state basis. Cardboards and steel recycling contracts were introduced in WA in FY2012 and into all other states during FY2013.

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 and new facilities in Perth and Adelaide will do the same.

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 2013, for the compliance year ended 30 June 2013.

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 Deputy Chairman of ThinkSmart Limited and Deputy Chairman of Perth International Arts Festival.

Other current directorships (of listed entities)

ThinkSmart Limited

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

Northern Iron Limited

Interest in shares

68,647 ordinary shares in AHG

Special responsibilities

- Chairman of the Board of Directors
- Member of the Audit and Risk Management Committee
- Member of the Remuneration and Nomination 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 Fulbright) from 1987 to 2004 where he specialised in franchising (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 RGM Equity whose business operations consist of the marketing and distribution of premium homewares (Milners Brand Marketing), optical products and accessories (Aviva Optical and Mann Optics), occupational health and safety products (Australian Workplace Services) and the provision of niche third party logistics/ warehousing (Supply Chain Link).

Mr Groppoli is a director of the Senses Foundation Ltd and public unlisted entities Retravisio (WA) Limited and Electcom Limited.

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.

Ms Horton also chairs the Boards of the not-for-profit Western Australian Museum Foundation, Perth Fashion Festival and Presbyterian Ladies College, and is Vice-President of the Chamber of Commerce and Industry in Western Australia.

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 and 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.

He 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.

Mr Howson has successfully led AHG from being a private group with operations largely based in Western Australia to becoming the nation's leading listed specialist Automotive and Logistics Group. The depth of his industry knowledge and expertise was founded in his pioneering of a successful automotive parts business, acquired by 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 his leadership, AHG has established a proud tradition of supporting a broad 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

3,624,300 ordinary shares in AHG

Special responsibilities

- Managing Director
- Member of the Strategy Steering Committee

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

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. He chairs Synergy and Verve in the Western Australian electricity sector, iiNet Ltd, Australia's second largest internet service provider and Lionel Samson Saddleirs Group, and is a past Chairman of the Perth International Arts Festival, the West Coast Eagles, Barking Gecko Theatre Company and Scotch College (Perth).

Mr Smith is also a director of Giving West, 7-Eleven Stores Pty Ltd and Creative Partnerships Australia and, in May 2013 was elected National Chairman of the Australian Institute of Company Directors. 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

21,575 ordinary shares in AHG

Special responsibilities

- Chairman of the Audit and 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.

Other current directorships (of listed entities)

Hills Industries Limited
Korvest Ltd

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

Nil

Interest in shares

34,225 ordinary shares in AHG

Special responsibilities

- Member of the Audit and Risk Management Committee

Hamish Williams, FCA, MAICD, Executive Director

Mr Williams resigned as an executive director on 16 November 2012 but continues in his role as an executive of AHG.

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 and 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.

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 2013 and the number of meetings attended by each director are as follows:

	Full meetings of Directors		Audit and Risk Management		Remuneration and Nomination		Strategy Steering	
	A	B	A	B	A	B	A	B
G Groppoli	16	16	n/a	n/a	7	7	n/a	n/a
D Griffiths	16	16	6	6	7	7	n/a	n/a
T Horton	16	16	6	6	n/a	n/a	4	3
B Howson	16	15	n/a	n/a	n/a	n/a	4	4
R McEniry	16	15	n/a	n/a	n/a	n/a	4	1
M Smith	16	16	6	6	7	6	4	4
P Stancliffe	16	16	6	6	n/a	n/a	n/a	n/a
H Williams*	6	6	n/a	n/a	n/a	n/a	2	2

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.

* Hamish Williams resigned as director on 16 November 2012. Meeting attendances recorded are for the period from 1 July 2012 to 16 November 2012.

Retirement, Election and Continuation in Office of Directors

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

Remuneration Report (Audited)

The Board spent considerable time in the prior financial year focusing on its remuneration framework, reflecting on past shareholder feedback, the strategic direction of the business and how remuneration can best support the future needs of the Company. A comprehensive review of remuneration practices was undertaken, including the commissioning of a review of AHG's remuneration framework by independent external advisors PricewaterhouseCoopers (PwC). This review resulted in significant changes to the remuneration framework, with the new remuneration structure implemented for FY2013.

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 FY2014 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 FY2014.
- d) Details of renegotiated executive service contract for the Managing Director.

Part B: FY2013 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 FY2013.
- g) Service agreements.

Part A: Overview of the Company's Approach to Remuneration in FY2014 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	109,702,462	14,157,639	22,172,050

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

	For	Against	Abstain
No. of Votes	113,658,647	14,161,839	65,397,075

This did not constitute a vote against by greater than 25% of the votes cast, accordingly a 'second strike' was not passed in follow up to the "first strike" recorded in FY2011 under the *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011 (Cth)*. The process relating to first and second strikes now resets to nil.

b) Independent review of remuneration policies and PwC recommendations

In light of the FY2011 “first strike” on remuneration and in consideration of a wider market review of its remuneration strategy, in FY2012 AHG's 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. These changes, as detailed below, have been applied for the FY2013 year and 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 a total of \$152,130 for these services during FY2012 and FY2013. PwC has confirmed that the recommendations were made free from undue influence by members of AHG's KMP. PwC has been further engaged to calculate the issue value at 1 July 2013, and hence the number of Performance Rights applicable in relation to AHG's Managing Director's LTI for FY2014. In addition, PwC has reviewed and amended the peer group for FY2014 against which AHG's TSR performance will be assessed for any LTI awards made in the 2014 financial year.

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 FY2014

Following the FY2012 review of remuneration practices and the independent advice obtained from the PwC review of the Group's remuneration practices, the Board identified and agreed a new remuneration structure that was been implemented in FY2013, with the same structure continued into FY2014.

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.

FY2014 Executive Remuneration Structure

Implementation of the following remuneration structure will have regard to industry practice 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 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. In FY2013 the Board implemented key changes to the STI structure and this structure has been maintained in FY2014. The final STI structure is similar to that for the Managing Director (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.
- 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 STIs are 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 STIs are based on the delivery of specific economic profit measures aligned to individual 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 finalised its financial STI targets for FY2013 subsequent to the release of the FY2012 Annual Report and the FY2014 financial STI targets for senior executives have been set in line with the Managing Director's targets.

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 were 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

The FY2014 non-financial Key Performance Indicators will be set in the context of this same table.

Equity-based Incentive

In light of PwC's recommendations, the Board decided that 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").

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 Managing Director 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 Managing Director 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 are 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.

In FY2013 Performance Rights were only granted to the Managing Director, however from FY2014 onwards, equity grants to these executives are expected to 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 LTIs. This will also apply to FY2014 LTIs. The Board will continue to refine the performance measures going forward 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 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 Managing Director 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 number of Performance Rights to be granted is determined by dividing the relevant dollar value to be deferred by the Company's share price at the time of the award.

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 have been amended to include clawback provisions where there has been a material misstatement in relation to a company's financial statements. All new employment contracts for KMPs also reflect these requirements.

Legacy constraints and transition considerations

It is the Board's intention that executive remuneration packages achieve 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 employment contracts that are currently in operation, and divergence from these contracts may 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 were significant, they align to strengthening the remuneration principles which were successful in delivering significant shareholder value in recent years. In particular, AHG's traditional reward structure has seen 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 has enabled 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 Managing Director

As part of the remuneration review a new executive services contract was negotiated with Mr Howson, the Managing Director, during FY2013. 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. The FY2014 executive service contract for Mr Howson has not yet been finalised, however it is expected it will be structurally consistent with the FY2013 package, subject to revision of the appropriate specific performance targets (Financial and Non-Financial STI) and peer TSR companies (LTI) for FY2014.

1. Fixed Remuneration

Base	\$1,144,000	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 negotiated with Mr Howson to agree a new remuneration package that more closely aligned with the executive structures implemented for FY2013. Mr Howson's fixed remuneration had not changed in the last four financial years, however the Board has agreed to a 4% increase in his base salary for FY2014.

2. Variable Remuneration

Financial STI

Financial STI	\$800,000 (at target)	Financial STI at target performance is 70% 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 STIs are quantified. Targets for FY2014 take into consideration the Group's historically strong performance achieved in FY2012 and FY2013, and the Board's expectations for exceeding this performance in FY2014. In setting these targets, consideration has been given to the acquisitions made throughout FY2013 and those expected to occur in FY2014. The requisite Financial performance and STI opportunity available to the Managing Director 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 they are issued under the rules of the AHG Performance Rights Plan. Vesting of these Performance Rights will be subject to a further one year's service condition.

Non-Financial STI

Non-Financial STI	\$300,000 (maximum)	Non-Financial STI is a maximum 26% 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 STIs are set by the Remuneration and Nomination Committee in conjunction with the Managing Director for each financial year. 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 2014 following the half-year result and the amount paid will be determined by the Remuneration and Nomination Committee following the end of the 2014 financial year.
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Further information on Non-Financial STIs is outlined above in the section titled Executive remuneration in FY2014.

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 FY2014 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. • Austbrokers Holdings Limited. • Blackmores Limited. • Bradken Limited. • Breville Group Ltd. • Cabcharge Australia Ltd. • CSR Ltd. • David Jones Limited. • Fleetwood Corp. Ltd. • FlexiGroup Limited. • GUD Holdings Ltd. • GWA Group Limited. • JB Hi-Fi Limited. • Myer Holdings Limited. • Mystate Ltd. • Pacific Brands Limited. • Premier Investments Ltd. • Qube Logistics Holdings Limited. • Reece Australia Limited. • Steamships Trading Company Limited. • Super Retail Group Ltd. • The Reject Shop Limited. • Village Roadshow Limited. • 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 FY2013 operating EPS (27.9 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																					
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																					

Part B: FY2013 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 2013:

Name	Position
D Griffiths M Smith B Howson G Groppoli T Horton R McEniry P Stancliffe	Chairman of the Board Deputy Chairman of the Board Managing Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director
H Williams P Mirams D Rowland G Kininmont E Kavanagh J Moroney	Executive, Strategy and Planning* Chief Financial Officer Company Secretary and General Counsel GM Finance Chief Information Officer GM Organisational Effectiveness (ceased 31 January 2013) * Resigned as Director 16 November 2012

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
- cognisant of capital management requirements.

Remuneration structure

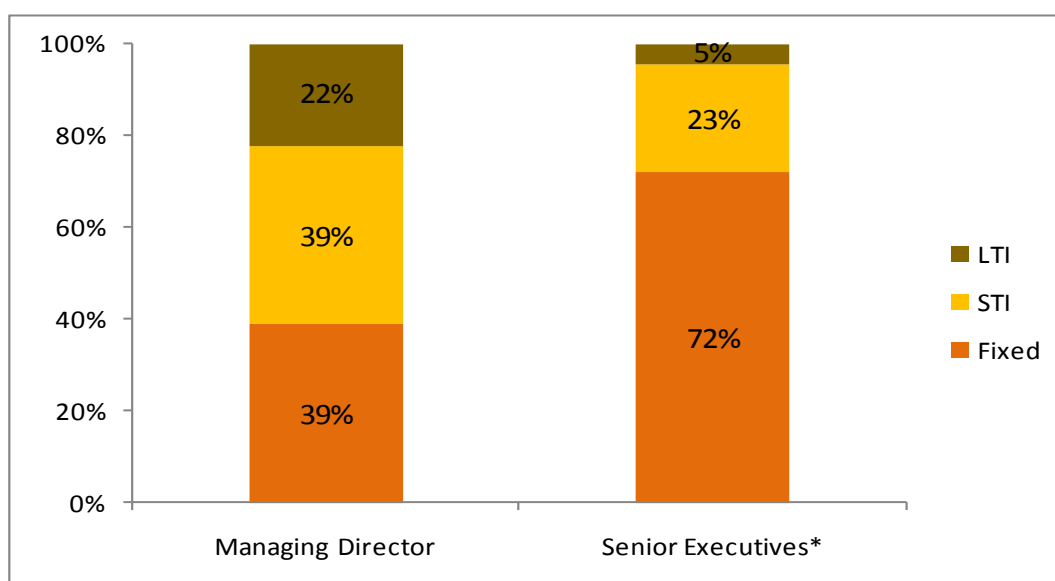
During FY2013, the executive remuneration and reward framework provided a mix of fixed and variable remuneration, and consisted of the following components:

- 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 FY2013 total remuneration packages split between fixed and variable remuneration is shown below:



* Average target remuneration mix of Senior Executives

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 performing 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 FY2013, the executives were entitled to STIs payable on the fulfilment of certain financial and non-financial criteria. STIs earned during FY2013 are payable in cash by 30 September 2013. 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 FY2013* section below. Details of AHG's financial performance are set out under the *Link between performance and remuneration outcomes* section below.

Deferral of above-target Financial STI

For Financial STI earned by the Managing Director, achievement above target (\$48,919) is payable 50% cash and 50% deferred as Performance Rights. The grant of Performance Rights is subject to shareholder approval at the AGM and they are issued under the rules of the AHG Performance Rights Plan. Vesting of these Performance Rights will be subject to a further one year's service condition.

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 FY2013, STI for target performance ranged from 49% for the Managing Director to between 18% and 31% for senior executives:

STI	% of cash remuneration (total annual remuneration excluding LTI)	
	Target performance	Stretch performance
Managing director		
B Howson (Managing Director)	49%	50%
Senior executives		
H Williams (Executive, Strategy & Planning)	30%	30%
P Mirams (CFO)	31%	31%
D Rowland (Company Secretary and General Counsel)	19%	19%
G Kininmont (GM Finance)	31%	36%
J Moroney (GM Organisational Effectiveness)	n/a	n/a
E Kavanagh (Chief Information Officer)	18%	18%

In FY2013, the Managing Director and Senior Executives who received less than 100% of their target STI entitlements were Bronte Howson (87%), Hamish Williams (91%) and Phil Mirams (89%), based on assessment of performance against the STI criteria they were set. John Moroney ceased employment with AHG during FY2013 and therefore no STI entitlement arose. FY2013 was a record year for the Group in terms of revenue and operating profit achieved, supported by the successful execution of acquisitions and the

commencement of their integration. Although a record result for the Group, not all individual objectives were met, which has limited STI awards as set out in the table below. FY2013 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.

	Metric type	Target Weighting	Metric	Actual Payout	STI not Achieved
Managing Director	Financial	73%	Achievement of target operating NPAT will receive \$800,000, with pro-rata payment up to \$1,000,000 to stretch operating NPAT.	\$848,919	\$151,081
	Non-financial	27%	Strategic metrics relating to business and organisation development, talent and succession management, and compliance and risk management.	\$275,000	\$25,000
Senior Executives	Financial	40%	Achievement of budget.	\$386,702	\$Nil
	Non-financial	60%	Strategic metrics relating to business and organisation development, talent and succession management, and compliance and risk management.	\$465,000	\$60,000

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")

Total expenses from share-based transactions recognised during the period as part of employee benefits expenses were \$237,373 (2012: \$733,334) related to Performance Rights issued to AHG's Managing Director, Bronte Howson under the Performance Rights Plan. The maximum grant-date-assessed value of the FY2013 LTI is \$712,120 over three years. No other executives were granted Rights under AHG's Performance Rights Plan in FY2013. Refer to Note 30.

The FY2009 LTI grant for the Managing Director vested 100% on 30 September 2012 based on achievement of performance criteria linked to TSR set in 2009 and measured across FY2010, FY2011 and FY2012. Associated Rights, which have vested over that three year performance period, were issued during the year ended 30 June 2013. The value of the LTI over the three year period was \$2.0 million which was been fully expensed over the three-year period from 30 June 2010 to 2012 and has been settled by 843,882 shares at \$2.37 per share (VWAP of shares at LTI issue date of 1 July 2009).

The FY2010 LTI for the Executive, Strategy and Planning is a cash-settled transaction and does not come under the terms of the Performance Right Plan. The LTI for the Executive, Strategy and Planning will vest on 30 September 2013 and the amount to be paid will be \$175,600 (of which \$100,000 was expensed between FY2011 and FY2012) based on 88% achievement of the performance criteria. These performance criteria were the same TSR-related criteria applied to the Managing Director's FY2009 LTI which vested on 30 September 2012.

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 Performance Rights 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 Plans) will either purchase shares on-market or subscribe for new shares using funds provided by the Company and will hold those shares on trust for participants under the Plans. 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 had remained unchanged since 1 July 2010 up to and including 30 June 2013.

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 2013 are outlined in the table below, and have not increased from the year ended 30 June 2010. Fees for the year ending 30 June 2014 have been increased by 4%.

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.

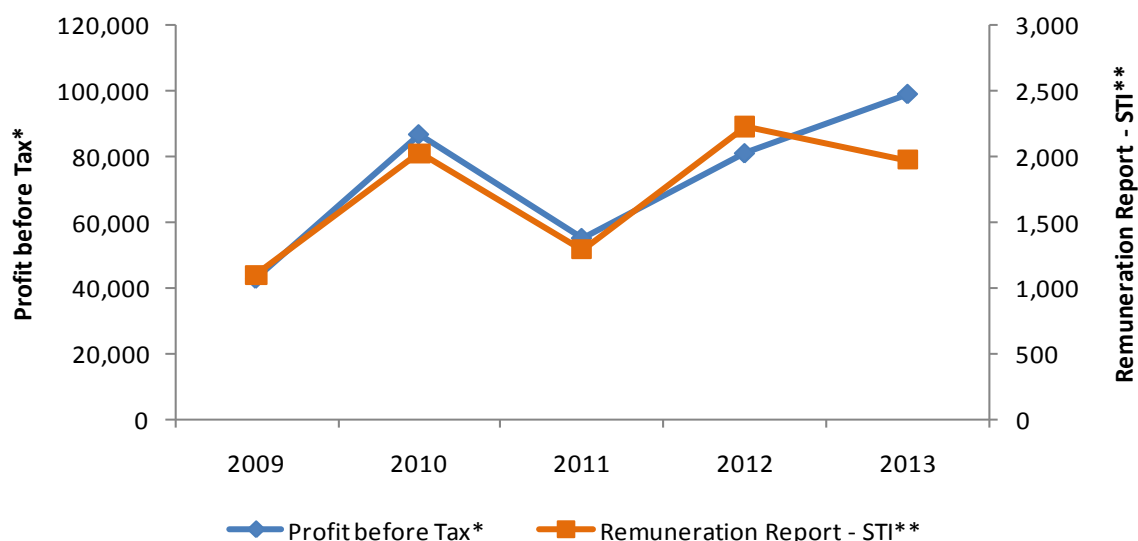
The Company does not make loans to Directors or provide guarantees or security for obligations undertaken by Directors except as may be permitted by the *Corporations Act 2001*.

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 2013 and the previous 4 financial years.

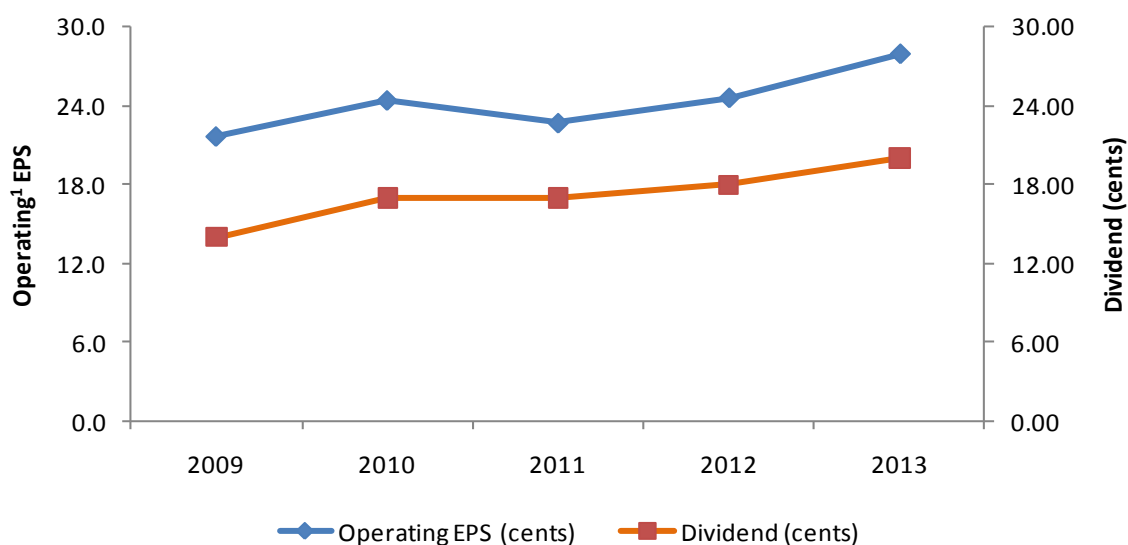
The first graph illustrates the link between AHG's profit before tax and payments made under the STI plan.



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

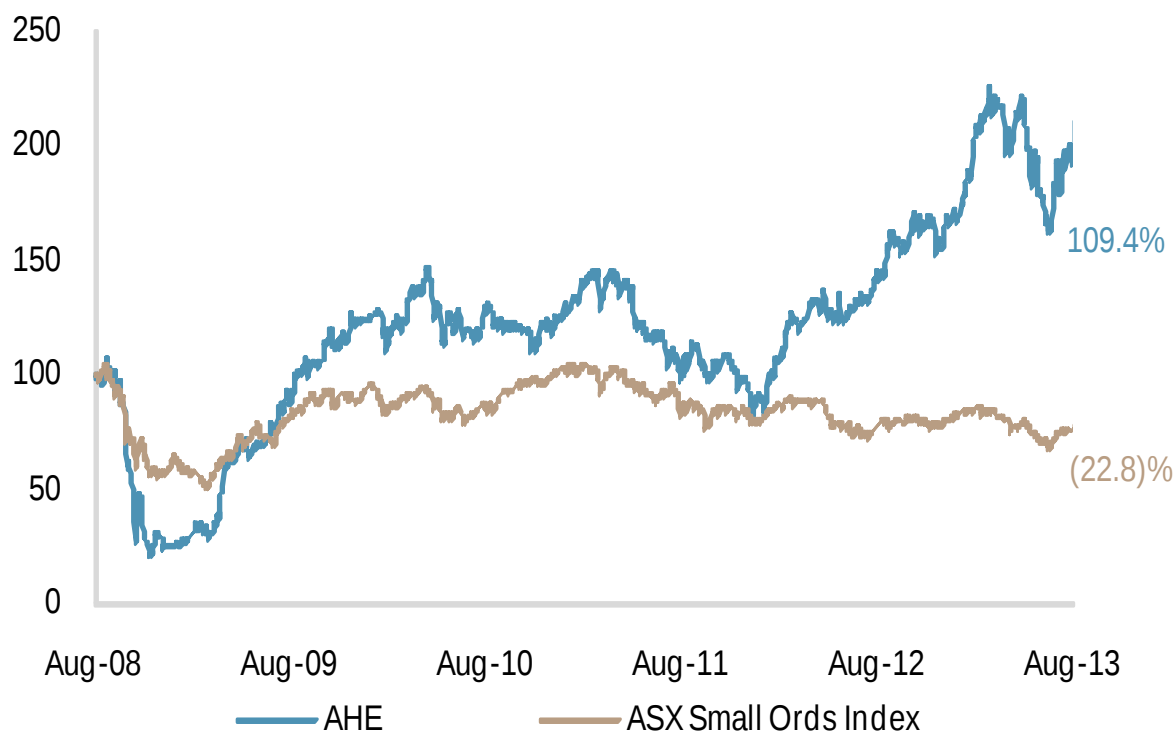
** STI remuneration reflects the STI amounts that were paid out to executives.

The second graph illustrates the link between AHG's basic Operating¹ earnings per share and dividends to shareholders.



¹Operating results exclude non-recurring items (including cost and fees in relation to integration and acquisition-related activities, asset divestments, impairment and sale of properties)

The third graph illustrates the performance of AHG's share price in comparison to the ASX Small Ords Index over the five-year period from 14 August 2008 to 14 August 2013.



f) Details of remuneration for FY2013

Details of the FY2013 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 2013

The below table provides remuneration details for Directors of the Company and key management personnel of the Group for the year ended 30 June 2013:

	Short-term Employment Benefits				Long-term Benefits	Share Based Payments			Post Employment Benefits	Total
	Cash Salary and Fees	Commission / Bonus Earned and Payable for June 2013	Other Non Monetary Benefits	Termination/ Severance Benefits	Long Service Leave and LTI Benefits	Share Plan Benefits Vested (2012)	Share Plan Benefits (Accrued) (2013)	Share Plan Benefits Vested (2013)	Super-annuation	
	\$		\$	\$	\$	\$	\$	\$	\$	\$
Non-Executive Directors										
David Griffiths	169,294	-	-	-	-	-	-	-	15,236	184,530
Michael Smith	139,812	-	-	-	-	-	-	-	12,583	152,395
Tracey Horton	89,995	-	-	-	-	-	-	-	8,100	98,095
Giovanni (John) Groppoli	86,665	-	-	-	-	-	-	-	7,800	94,465
Peter Stancliffe	86,665	-	-	-	-	-	-	-	7,800	94,465
Robert McEniry	83,330	-	-	-	-	-	-	-	7,500	90,830
	655,761	-	-	-	-	-	-	-	59,018	714,779
Executive Directors										
Bronte Howson	1,056,153	1,123,919	78,373	-	408,211	-	237,373	-	-	2,904,029
	1,056,153	1,123,919	78,373	-	408,211	-	237,373	-	-	2,904,029
Total Directors	1,711,914	1,123,919	78,373	-	408,211	-	237,373	-	59,018	3,618,809
Key Executives										
Hamish Williams ¹	581,462	260,000	69,739	-	128,529	-	-	-	17,250	1,056,981
Philip Mirams	588,184	240,000	33,094	-	1,018	-	-	-	16,470	878,767
Gus Kininmont	284,801	186,702	40,738	-	9,292	-	-	-	18,451	539,985
David Rowland	348,530	90,000	46,514	-	1,189	-	-	-	18,264	504,497
Eugene Kavanagh	303,010	75,000	18,480	-	24,233	-	-	-	24,238	444,961
John Bernard Moroney ²	184,288	-	11,667	-	-	-	-	-	20,613	216,568
Total Key Executives	2,290,275	851,702	220,232	-	164,261	-	-	-	115,287	3,641,758
Total	4,002,189	1,975,621	298,606	-	572,472	-	237,373	-	174,306	7,260,566

¹ Resigned as Director on 16 November 2012; continues in executive role as a Key Management Personnel.

² Employment ceased on 31 January 2013.

Automotive Holdings Group Limited
Directors' Report
For the year ended 30 June 2013

Comparative details for the year ended 30 June 2012 are as follows:

	Short-term Employment Benefits			Long-term Benefits	Share Based Payments			Post Employment Benefits	Total
	Cash Salary and Fees	Commission / Bonus Earned and Payable for June 2012	Other Non Monetary Benefits	Termination/ Severance Benefits	Long Service Leave and LTI Benefits	Share Plan Benefits Vested (2011)	Share Plan Benefits (Accrued) (2012)	Share Plan Benefits Vested (2012)	Super-annuation
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Non-Executive Directors									
David Griffiths	173,383	-	-	-	-	-	-	-	15,604
Michael Smith	126,509	-	-	-	-	-	-	-	11,386
Giovanni (John) Groppoli	83,332	-	-	-	-	-	-	-	7,500
Peter Stancliffe	73,333	-	-	-	-	-	-	-	13,867
Tracey Horton ¹	13,333	-	-	-	-	-	-	-	1,200
Robert McEniry ¹	13,333	-	-	-	-	-	-	-	1,200
Gregory Wall ²	25,700	-	-	-	-	-	-	-	2,313
	508,924	-	-	-	-	-	-	-	53,070
Executive Directors									
Bronte Howson	1,008,853	1,402,500	105,495	-	(212,778)	-	666,667	-	47,000
Hamish Williams	542,300	270,000	63,024	-	80,409	-	-	-	43,000
	1,551,153	1,672,500	168,519	-	(132,369)	-	666,667	-	90,000
Total Directors	2,060,077	1,672,500	168,519	-	(132,369)	-	666,667	-	143,070
Key Executives									
Ronald Nuich ³	295,000	120,000	-	229,124	-	-	-	-	40,000
Gus Kininmont	284,801	170,000	1,879	-	1,000	-	-	-	15,775
David Rowland ⁴	259,034	125,000	20,838	-	462	-	-	-	45,966
Eugene Kavanagh	237,225	80,000	17,969	-	9,380	-	-	-	27,775
John Moroney	230,250	60,875	(1,892)	-	5,915	-	-	-	43,982
Philip Mirams ⁵	10,417	-	-	-	-	-	-	-	938
Total Key Executives	1,316,726	555,875	38,794	229,124	16,757	-	-	-	174,436
Total	3,376,803	2,228,375	207,313	229,124	(115,613)	-	666,667	-	317,506

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.

Automotive Holdings Group Limited
Directors' Report
For the year ended 30 June 2013

336,700 Rights were issued to AHG's Managing Director, Bronte Howson, under the AHG Performance Rights Plan during the year ended 30 June 2013, however vesting of these FY2013 Performance Rights (as approved by shareholders at the 2012 AGM) is based on achievement of performance criteria measured across three financial years to 30 June 2015 and the share-based payments expense and employee benefit associated with these Rights is expensed over the three year vesting period. Refer to Note 30 for further details.

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

	Fixed Remuneration		At risk - STI		At risk - LTI	
	2013	2012	2013	2012	2013	2012
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	100.0%	100.0%	Nil	Nil	Nil	Nil
Robert McEniry	100.0%	100.0%	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 ¹	Nil	100.0%	Nil	Nil	Nil	Nil
Executive Directors						
Bronte Howson	53.1%	31.4%	38.7%	46.5%	8.2%	22.1%
Key Executives						
Eugene Kavanagh	83.1%	78.5%	16.9%	21.5%	Nil	Nil
Gus Kininmont	65.4%	64.1%	34.6%	35.9%	Nil	Nil
Philip Mirams ²	72.7%	100.0%	27.3%	Nil	Nil	Nil
John Moroney ³	100.0%	82.0%	Nil	18.0%	Nil	Nil
Ronald Nuich ⁴	Nil	82.5%	Nil	17.5%	Nil	Nil
David Rowland ⁵	82.2%	95.4%	17.8%	4.6%	Nil	Nil
Hamish Williams ⁶	68.2%	64.9%	24.6%	27.0%	7.2%	8.1%

¹ Resigned 6 October 2011.

² Appointed 25 June 2012.

³ Employment ceased 31 January 2013.

⁴ Employment ceased 1 July 2012.

⁵ Appointed 11 August 2011.

⁶ Resigned as Director 16 November 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	\$1,144,000	6 months base salary
Key executives				
Eugene Kavanagh	Rolling contract (commenced 24 December 2002)	1 months	\$325,000	1 month base salary
Gus Kininmont	Rolling contract (commenced 27 January 2010)	1 months	\$300,000	1 month base salary
Philip Mirams	Rolling contract (commenced 10 May 2012)	3 months	\$600,000	3 months base salary
David Rowland	Rolling contract (commenced 11 August 2011)	3 months	\$365,000	3 months base salary
Hamish Williams	Rolling contract (commenced 17 January 2005)	6 months	\$625,000	6 months 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 2013; 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 2013:

Non Audit Services (continued)

	Consolidated	
	2013	2012
	\$	\$
Advisory Services		
<i>Fees paid or payable to BDO Audit (WA) Pty Ltd</i>		
Advice and provision of support services for AHG's internal Audit function	-	2,170
Taxation Services		
<i>Fees paid or payable to BDO Tax (WA) Pty Ltd</i>	390,086	445,888
<i>Fees paid or payable to affiliated offices of BDO Tax (WA) Pty Ltd</i>	14,581	53,690
Total of Non-Audit Services provided to the Group	404,667	501,748

Auditor's Independence Declaration

The lead auditor's independence declaration as required under section 307C of the *Corporations Act 2001* has been received and follows the directors' report.

Auditor

BDO Audit (WA) Pty Ltd was appointed on 14 June 2005. During FY2013, the Board undertook a competitive tender of AHG's external audit services. Following this BDO Audit (WA) Pty Ltd were selected as the Group's auditor with effect from the financial year commencing 1 July 2014. Accordingly, BDO Audit (WA) Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

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 report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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



David C Griffiths

Chairman

Perth, 26 September 2013

DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF
AUTOMOTIVE HOLDINGS GROUP LIMITED

As lead auditor for the review of Automotive Holdings Group Limited for the year ended 30 June 2013, 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
- no contraventions of 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.



Glyn O'Brien
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia
26 September 2013

Automotive Holdings Group Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2013

		Consolidated	
		2013	2012
	Notes	\$'000	\$'000
Revenue from continuing operations	6	4,277,553	3,920,138
Profit on sale of assets	6	3,044	-
Raw materials and inventory expense		(3,307,564)	(3,068,866)
Employee benefits expense	7	(500,814)	(425,752)
Depreciation and amortisation expense	7	(28,375)	(26,467)
Finance costs	7	(35,224)	(36,177)
Advertising and promotion		(32,955)	(29,580)
Occupancy costs		(106,028)	(85,690)
Vehicle preparation and service		(35,138)	(31,303)
Supplies and outside services		(35,941)	(31,725)
Motor vehicle expense		(12,298)	(12,215)
Equipment rental	7	(15,212)	(9,592)
Professional services		(6,181)	(5,270)
Other expenses		(65,636)	(66,466)
Loss on sale of assets	7	-	(179)
Impairment of intangible assets	7	-	(9,711)
Profit before income tax		99,230	81,145
Income tax expense	8	(29,324)	(27,595)
Profit for the year before other comprehensive income		69,906	53,550
Profit attributable to:			
Owners of Automotive Holdings Group Limited	23	66,774	50,610
Non-controlling interest		3,132	2,940
		69,906	53,550
Other Comprehensive Income			
<i>Items that may be reclassified to profit or loss</i>			
Unrealised changes in the fair value of cash flow hedges	23	3,513	(1,715)
Exchange differences on translation of foreign operations	23	615	123
Total comprehensive income for the year (net of tax)		74,034	51,958
Total comprehensive income attributable to:			
Owners of Automotive Holdings Group Limited		70,902	49,018
Non-controlling interest		3,132	2,940
		74,034	51,958
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share	10	25.6	19.4
Diluted earnings per share	10	25.6	19.4
Earnings per share is calculated on a weighted average number of shares of:		260,683,178	260,681,260

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

Automotive Holdings Group Limited
Consolidated Statement of Financial Position
As at 30 June 2013

		Consolidated	
		2013	2012
	Notes	\$'000	\$'000
CURRENT ASSETS			
Cash and cash equivalents	11	97,449	81,382
Trade and other receivables	12	300,287	248,774
Inventories	13	690,966	584,219
Other current assets	14	18,311	13,658
		1,107,013	928,033
Assets classified as held for sale	38	-	69,213
TOTAL CURRENT ASSETS		1,107,013	997,246
NON CURRENT ASSETS			
Available-for-sale financial assets	15	6,750	2,250
Property, plant and equipment	16	186,425	158,098
Intangible assets	17	249,047	211,781
Deferred tax assets	8	31,760	29,075
TOTAL NON CURRENT ASSETS		473,982	401,204
TOTAL ASSETS		1,580,995	1,398,450
CURRENT LIABILITIES			
Trade and other payables	18	251,319	202,509
Interest-bearing loans and borrowings	21	593,218	514,992
Income tax payable		8,986	11,195
Provisions	19	50,195	41,265
		903,717	769,961
Liabilities directly associated with assets classified as held for sale	38	-	15,357
TOTAL CURRENT LIABILITIES		903,717	785,318
NON CURRENT LIABILITIES			
Interest-bearing loans and borrowings	21	175,588	139,000
Deferred tax liabilities	8	609	1,241
Provisions	20	14,604	14,970
TOTAL NON CURRENT LIABILITIES		190,801	155,211
TOTAL LIABILITIES		1,094,518	940,528
NET ASSETS		486,476	457,921
EQUITY			
Contributed equity	22	384,112	382,282
Reserves	23	2,210	(2,155)
Retained profits	23	91,257	74,012
Capital and reserves attributable to the owners of Automotive Holdings Group Limited		477,579	454,139
Non-controlling interest	24	8,897	3,782
TOTAL EQUITY		486,476	457,921

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

Automotive Holdings Group Limited
Consolidated Statement of Changes in Equity
For the year ended 30 June 2013

Consolidated	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	-	(2,450)	-	(2,450)	-	(2,450)
Exchange differences on translation of foreign operations	-	123	-	123	-	123
Income tax relating to components of other comprehensive income	-	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	(304)	-	-	(304)	-	(304)
Dividends provided for or paid	-	-	(44,316)	(44,316)	(2,170)	(46,486)
	(304)	-	(44,316)	(44,620)	(2,170)	(46,790)
At 30 June 2012	382,282	(2,155)	74,012	454,139	3,782	457,921
At 1 July 2012	382,282	(2,155)	74,012	454,139	3,782	457,921
Profit for the year (after tax)	-	-	66,774	66,774	3,132	69,906
Changes in fair value of cash flow hedges	-	5,019	-	5,019	-	5,019
Exchange differences on translation of foreign operations	-	615	-	615	-	615
Income tax relating to components of other comprehensive income	-	(1,506)	-	(1,506)	-	(1,506)
Total comprehensive income for the year	-	4,128	66,774	70,902	3,132	74,034
Transactions with owners in their capacity as equity holders:						
Contributions of equity, net of transaction costs	1,830	-	-	1,830	4,596	6,426
Dividends provided for or paid	-	-	(49,529)	(49,529)	(2,613)	(52,142)
Employee share scheme	-	237	-	237	-	237
	1,830	237	(49,529)	(47,462)	1,983	(45,479)
At 30 June 2013	384,112	2,210	91,257	477,579	8,897	486,476

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

Automotive Holdings Group Limited
Consolidated Statement of Cash Flows
For the year ended 30 June 2013

		Consolidated	
		2013	2012
	Notes	\$'000	\$'000
Cash flow from operating activities			
Receipts from customers (inclusive of GST)		4,668,540	4,240,445
Payments to suppliers and employees (inclusive of GST)		(4,514,350)	(4,094,171)
Interest paid and costs of finance		(35,224)	(36,598)
Interest received		5,832	5,462
Income tax paid		(32,085)	(28,283)
Net cash inflow from operating activities	25	92,712	86,855
Cash flow from investing activities			
Payment for purchase of business, net of cash acquired	31	(54,686)	(66,408)
Payment for property plant and equipment		(66,963)	(42,114)
Dividends and distributions received		428	-
Proceeds of sale of property, plant and equipment		9,026	6,103
Proceeds of sale of investments		64,688	(2,250)
Payment for purchase of investment (net)		(5,000)	-
Net cash outflow from investing activities		(52,507)	(104,669)
Cash flows from financing activities			
Net proceeds from borrowings		28,004	15,179
Proceeds from issue of shares, net of transaction costs	22	-	507
Dividends paid to members	9	(49,530)	(44,316)
Dividends paid to non-controlling interest		(2,613)	(2,170)
Net cash outflow from financing activities		(24,138)	(30,800)
Net increase / (decrease) in cash and cash equivalents		16,067	(48,614)
Cash and cash equivalents at the beginning of the year		81,382	129,996
Cash and cash equivalents at the end of the year	11	97,449	81,382

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 \$5,741,829 (2012: \$2,737,758) 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 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, amendments made to AASB 101 *Presentation of Financial Statements* effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met.

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 2013 and have not been adopted in preparing the financial report for the year ended 30 June 2013. 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. There are no fair value changes to existing available-for-sale financial assets that would be reclassified to retained earnings were the standard to be immediately effective. 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, the Group will be required to consolidate its WMC-related interests. There is not anticipated to be any material impact on the Group based on the transactions and balances recognised in the 2013 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.
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)

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	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. However, additional disclosures will be required about fair values for the year-ended 30 June 2014. The company does not anticipate any material changes arising from the adoption of this standard.
ASB 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.

1. Summary of significant accounting policies (continued)

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 2011-4 (issued July 2011)	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	Amendments to remove individual key management personnel (KMP) disclosure requirements from AASB 124 to eliminate duplicated information required under the Corporation Act 2001	Annual periods commencing on or after 1 July 2013	When this standard is first adopted for the year ended 30 June 2014 AHG will show reduced disclosures under Key Management Personnel note to the financial statements
IFRS (issued December 2011)	Mandatory Effective Date of IFRS 9 and Transition Disclosures	Entities are no longer required to restate comparatives on first time adoption. Instead, additional disclosures on the effects of transition are required.	Annual reporting periods commencing on or after 1 January 2015	As comparatives are no longer required to be restated, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required on transition, including the quantitative effects of reclassifying financial assets on transition.
AASB 2012-9 (issued December 2012)	Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039	Deletes Australian Interpretation 1039 Substantive Enactment of Major Tax Bills In Australia from the list of mandatory Australian Interpretations to be applied by entities preparing financial statements under the Corporations Act 2001 or other general purpose financial statements.	Annual reporting periods beginning on or after 1 January 2013	There will be no impact on first-time adoption of this amendment as AHG does not account for proposed changes in taxation legislation until the relevant Bill has passed through both Houses of Parliament, which is consistent with the views expressed by the Australian Accounting Standards Board in their agenda decision of December 2012.
AASB 2012-5 (issued June 2012)	Annual Improvements to Australian Accounting Standards 2009-2011 Cycle	Non-urgent but necessary changes to IFRSs (IAS1, IAS 16 & IAS 32)	AASB 2012-5 (issued June 2012)	Annual Improvements to Australian Accounting Standards 2009-2011 Cycle

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 2013 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 profit or loss and other 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 profit or loss and other 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 profit or loss and other 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 goodwill is monitored for internal management purposes and are not larger than an operating segment.

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 profit or loss and other 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 profit or loss and other 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 profit or loss and other 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 profit or loss and other 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 profit or loss and other 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 profit or loss and other 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 grouped within the lowest level at which goodwill is monitored for internal management purposes.

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 profit or loss and other 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

Short-term obligations

The provision for employee entitlements, salaries (including non-monetary benefits) and annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised 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. Leave entitlements are recognised in the provision for employee benefits. All other short-term obligations are recognised as payables.

Other long-term employee benefit obligations

Where the liability for annual or 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 annual leave and 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 shown 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 profit or loss and other 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 profit or loss and other 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 profit or loss and other 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 profit or loss and other 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 profit or loss and other 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 profit or loss and other 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 profit or loss and other 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, 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	
	2013	2012
	\$'000	\$'000
Financial Assets		
Cash and cash equivalents	97,449	81,382
Trade and other receivables	300,287	248,774
Available-for-sale financial assets	6,750	2,250
Derivative financial assets	2,510	-
	406,996	332,406
Financial Liabilities at amortised cost		
Trade and other payables	251,317	200,059
Interest-bearing loans and borrowings	768,806	653,992
Derivative financial liabilities	1	2,450
	1,020,124	856,501

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 \$15.00 million (2012: \$90.00 million) at 30 June 2013, at a weighted average interest rate of 2.96% (2012: 4.70%).

During 2012 and 2013, 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 2013		\$'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	2.73%		97,449	(171)		(341)	
Financial Liabilities							
Vehicle borrowings	4.65%		(578,750)	1,013		2,025	
Derivatives - cash flow hedges	2.96%	(15,000)	(1)		(3)		(6)
Other borrowings	3.83%		(135,330)	237		474	
Total Increase / (Decrease)		(15,000)	(616,632)	1,079	(3)	2,158	(6)

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	3.68%		81,382	(203)		(407)	
Financial Liabilities							
Vehicle borrowings	5.86%		(501,946)	1,255		2,509	
Derivatives - cash flow hedges	4.69%	(90,000)	(796)		(225)		(450)
Other borrowings	4.52%		(100,396)	251		502	
Total Increase / (Decrease)		(90,000)	(521,756)	1,302	(225)	2,605	(450)

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

Group Sensitivity

The above table for the year ended 30 June 2013 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 exists 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.

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 EUR15.55 million (2012: EUR26.90 million) and USD0.50 million (2012: USD13.90 million) as of 30 June 2013.

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 subsidiaries 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 available-for-sale financial assets in One Way Traffic Pty Ltd (Carsguide.com.au) and AHG Property Syndicate No 1 Unit Trust (launched by Australasian Property Investments ('API')). These are both unlisted securities and are 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	
	2013 \$'000	2012 \$'000
Deposits	11,598	7,052
Vehicle debtors	72,606	86,959
Parts and service debtors	157,015	116,396
Factory receivables	32,143	22,741
Finance and insurance receivables	11,571	12,093
<i>Allowance for impairment of trade receivables</i>	<i>(3,010)</i>	<i>(2,648)</i>
Total trade receivables	281,923	242,593

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	
	2013 \$'000	2012 \$'000
Counterparties with external credit ratings		
AA	14,183	12,473
A	5,180	3,314
BBB	5,011	4,752
BB	9,938	5,781
B	3,826	3,593
CCC	340	-
	38,478	29,913
Counterparties without external credit ratings		
Group 1	76,571	73,355
Group 2	148,387	114,946
Group 3	21,496	27,026
	246,454	215,328
Total trade receivables	284,932	245,241
Cash and cash equivalents		
AA	72,411	56,372
BBB	25,038	25,010
	97,449	81,382

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 2013	Carrying Amount	1 - 12 months	1 - 2 years	2 - 5 years	5 + years	Total Gross Cash flow
Used car VIL borrowings	51,679	51,957	-	-	-	51,957
New car floor-plan*	527,075	529,818	-	-	-	529,818
Trade payables	123,638	123,004	634	-	-	123,638
Other payables and accruals	128,045	126,470	436	635	504	128,045
Finance lease liabilities	22,722	5,094	4,641	12,987	-	22,722
Hire purchase liabilities	30,588	11,145	8,329	15,627	14	35,115
External loans	136,745	1,020	127	135,146	500	136,794
	1,020,494	848,510	14,168	164,395	1,018	1,028,090

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

* 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 2013.

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 \$2,510,000 (2012: \$Nil) and derivative liabilities of \$1,000 (2012: \$2,450,000).

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 2013, there were two level 3 investments held, being an unlisted equity investment in One Way Traffic Pty Ltd (Carsguide.com.au) with a fair value of \$2.25 million (2012: \$2.25 million) and unlisted units held in the AHG Property Syndicate No. 1 Unit Trust with a fair value of \$4.50 million (2012: \$Nil).

The fair values of both the unlisted investments are individually determined based on the present value of net cash inflows from future profits and subsequent disposal of the securities. 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 \$0.45 million (2012: \$0.15 million).

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 2013. The information presented is in line with the Group's accounting policies as presented in Note 1.

	Parent	
	2013	2012
	\$'000	\$'000
Current assets	284,100	255,511
Non current assets	264,518	241,479
Total assets	548,619	496,991
Current liabilities	924	2,313
Non-current liabilities	135,788	100,996
Total liabilities	136,712	103,309
Contributed equity	384,112	384,112
Reserves		
- Share-based payments reserve	237	-
- Cash flow hedge reserve	3,025	(2,492)
Retained profits	24,533	12,062
Total equity	411,907	393,682
Profit for the year	58,552	44,820
Other comprehensive income / (loss) for the year	3,513	(1,715)
Total comprehensive income for the year	62,065	43,104

Profit for the year is net of impairment to investments in subsidiary entities of \$Nil million (2012: \$9.711 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 2013 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 151 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 2013	Automotive Retail	Transport and Cold Storage	Other Logistics	Logistics	Property	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Statutory IFRS Financial Performance Analysis						
Gross revenue	3,950,580	389,905	396,795	786,700	488	4,737,768
Less: intercompany sales	(413,463)	-	(52,584)	(52,584)	-	(466,047)
Segment revenue	3,537,117	389,905	344,211	734,116	488	4,271,721
Interest earned	4,321	105	1,406	1,511	-	5,832
Total revenue						4,277,553
EBITDA	116,512	29,605	8,808	38,414	2,073	156,998
Depreciation and amortisation	(14,211)	(11,676)	(2,487)	(14,163)	(1)	(28,375)
EBIT	102,300	17,929	6,322	24,251	2,072	128,623
Interest expense (net)	(22,219)	(4,051)	935	(3,116)	(4,058)	(29,393)
Segment result before impairment						99,230
Impairment of intangibles						-
Profit before tax						99,230
Income tax expense						(29,324)
Reportable segment profit after tax						69,906

Operating Non-IFRS Financial Performance Analysis

Total revenue	3,541,438	390,010	345,617	735,627	488	4,277,553
EBITDA before unusual items*	118,768	31,872	16,550	48,422	(1,865)	165,325
EBIT before unusual items*	104,556	20,196	14,063	34,259	(1,865)	136,950
Segment result before unusual items*	82,337	16,145	14,998	31,143	(5,924)	107,557
Unusual items*	(2,256)	(2,267)	(7,741)	(10,008)	3,937	(8,327)
Profit before tax	80,081	13,878	7,257	21,135	(1,986)	99,230
Impairment of intangibles	-	-	-	-	-	-
Reportable segment result after unusual items	80,081	13,878	7,257	21,135	(1,986)	99,230

Statutory Financial Position Analysis

Segment assets	1,267,721	145,605	154,364	299,969	13,305	1,580,995
Total consolidated assets						1,580,995
Segment liabilities	798,048	129,764	146,317	276,080	20,389	1,094,518
Total consolidated liabilities						1,094,518
Acquisition of property, plant, equipment and intangibles	81,262	16,589	7,837	24,426	7,249	112,937

*Unusual items - excludes costs and fees in relation to integration and acquisition-related activities, asset divestments, impairment and sale of properties (refer to page 17 for a reconciliation of Non-IFRS profit to IFRS profit).

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
Statutory IFRS Financial Performance Analysis						
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						3,920,139
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						81,147
Income tax expense						(27,595)
Reportable segment profit after tax						53,552
Operating Non-IFRS Financial Performance Analysis						
Total revenue	3,207,470	325,179	386,883	712,062	607	3,920,139
EBITDA before unusual items*	106,285	29,826	16,461	46,287	934	153,506
EBIT before unusual items*	92,910	19,115	14,310	33,425	705	127,039
Segment result before unusual items*	71,564	14,577	14,886	29,462	(4,702)	96,324
Unusual items*	(673)	(1,796)	(2,998)	(4,793)	-	(5,467)
Profit before tax	70,891	12,781	11,888	24,669	(4,702)	90,858
Impairment of intangibles	(9,711)	-	-	-	-	(9,711)
Reportable segment result after unusual items	61,180	12,781	11,888	24,669	(4,702)	81,147
Statutory Financial Position Analysis						
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 and intangibles	53,658	5,413	3,147	8,560	6,518	68,735

*Unusual items - excludes costs and fees in relation to integration and acquisition-related activities, asset divestments, impairment and sale of properties (refer to page 17 for a reconciliation of Non-IFRS profit to IFRS profit).

6. Revenue and other income

	Consolidated	
	2013	2012
	\$'000	\$'000
Sales revenue		
Sale of goods	3,593,446	3,341,304
Rendering of services	668,252	557,172
	4,261,698	3,898,476
Other revenue		
Interest	5,832	5,462
Other revenue	10,023	16,201
	15,855	21,663
Total Revenue	4,277,553	3,920,139

	Consolidated	
	2013	2012
	\$'000	\$'000
Other Income		
Net gain on disposal of assets	3,044	-
	3,044	-

7. Expenses

	Consolidated	
	2013	2012
	\$'000	\$'000
Depreciation		
Vehicles, plant, furniture and equipment	20,663	18,373
Buildings	29	371
	20,692	18,744
Amortisation		
Capitalised leased assets	3,510	4,016
Leasehold improvements	4,173	3,706
	7,683	7,722
Finance costs (for financial liabilities not at fair value through profit and loss)		
Interest paid - other	6,676	6,233
Interest paid - finance leases	1,657	1,865
Interest paid - hire purchase	2,346	2,860
Interest paid - floor plan	24,545	25,219
	35,224	36,177
Lease payments		
Rental expenses relating to property operating leases	82,397	67,756
Rental expenses relating to equipment operating leases	15,212	9,592
	97,609	77,348
Employee benefits expense		
Wages, salaries and employee benefits	469,080	397,414
Superannuation	31,497	27,671
Share-based payments expense	237	667
	500,814	425,752
Other expenses		
Bad debts written off	565	802
Net loss on sale of assets	-	179
	565	981
Unusual items		
Impairment of intangibles	-	9,711
	-	9,711

8. Income tax

Income tax expense

	Consolidated	
	2013	2012
	\$'000	\$'000
Current tax	31,907	31,994
Deferred tax	(2,583)	(4,068)
Adjustment for current tax of prior periods	-	(336)
	29,324	27,590
Income tax expense is attributable to:		
Profit from continuing operations	29,324	27,590
	29,324	27,590
Deferred income tax expense included in income tax expense comprises:		
(Increase) / decrease in deferred tax assets	(1,199)	(5,023)
Increase / (decrease) in deferred tax liabilities	(1,384)	955
	(2,583)	(4,068)

Amounts charged or credited directly to equity

Amounts charged or credited directly to equity

	Consolidated	
	2013	2012
	\$'000	\$'000
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		
Net deferred tax - credited directly to equity	1,506	(754)
	1,506	(754)

Numerical reconciliation of income tax expense to prima facie tax payable

	Consolidated	
	2013	2012
	\$'000	\$'000
Profit from continuing operations before income tax expense	99,230	81,147
Corporate tax at the rate of 30% (2012: 30%)	29,769	24,344
Non deductible expenses	607	496
Non-deductible diminution of investment and impairment of intangibles	(1,182)	2,913
Non-deductible stamp duty attributed to goodwill on acquisition	130	173
Income tax expense	29,324	27,926
Adjustments in respect of current income tax of previous years	-	(336)
Income tax expense	29,324	27,590

8. Income tax (continued)

Recognised deferred tax assets and liabilities

Deferred tax assets

	Consolidated	
	2013	2012
	\$'000	\$'000
Opening balance 1 July	29,075	18,979
Acquisition of subsidiaries	2,239	4,319
Credited to income	1,199	5,023
Credited / (debited) to equity	(753)	754
Closing balance 30 June	31,760	29,075

The balance comprises temporary differences attributable to:

Amounts recognised in the statement of profit or loss and other comprehensive income

Doubtful debts	876	793
Finance leases	143	191
Inventory	677	235
Property, plant & equipment	4,103	3,080
Fringe benefits tax	61	160
Accrued expenses	6,967	5,709
Provisions:		
Employee benefits	15,392	12,854
Warranties	1,777	2,531
Other provisions	1,440	2,203

Amounts recognised directly in the statement of financial position

Share issue expenses	325	566
Cash flow hedges	-	753

Deferred tax assets

31,760	29,075
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Deferred tax liabilities

	Consolidated	
	2013	2012
	\$'000	\$'000
Opening balance 1 July	1,241	285
Charged / (credited to) income	(1,384)	955
Charged to equity	753	-
Closing balance 30 June	609	1,241

The balance comprises temporary differences attributable to:

Amounts recognised in the statement of profit or loss and other comprehensive income

Prepayments	443	1,241
Other	(587)	-

Amounts recognised directly in the statement of financial position

Cash flow hedges	753	-
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Deferred tax liabilities

609	1,241
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Deferred tax assets of \$21,934,000 (2012: \$20,841,000) and liabilities of \$609,000 (2012: \$1,241,000) 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

	Parent	
	2013	2012
	\$'000	\$'000
Dividends on ordinary shares:		
Final dividend for the year ended 30 June 2012 of 11 cents per fully paid share paid on 2 October 2012 (30 June 2011 of 10 cents per fully paid share paid on 30 September 2011)	28,675	26,068
Interim dividend for the half-year ended 31 December 2012 of 8 cents per fully paid share paid on 3 April 2013 (31 December 2011 of 7 cents per fully paid share paid on 3 April 2012)	20,855	18,248
	49,530	44,316

Unrecognised amounts

	Parent	
	2013	2012
	\$'000	\$'000
Dividends on ordinary shares:		
Since year end, the directors have recommended the payment of a fully franked final dividend of 12 cents per share (2012: 11 cents), based on tax paid at 30%. The aggregate amount of dividends to be paid on 2 October 2013 (2012: 2 October 2012) out of the retained profits at 30 June 2013, but not recognised as a liability at year end is	31,282	28,675

Franking credit balance

	AHG Tax Consolidated Group	
	2013	2012
	\$'000	\$'000
Franking credits available for subsequent financial years based on a tax rate of 30%	92,659	100,385

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 \$13,406,564 (2012: \$12,289,350).

Tax rates

The tax rate at which paid dividends have been franked is 30% (2012: 30%). Dividends proposed will be franked at 30% (2012 30%).

10. Earnings per share

Basic earnings per share

	Consolidated	
	2013	2012
	cents	cents
IFRS Earnings per share for profit attributable to the ordinary equity holders of the Company:		
Basic earnings per share	25.6	19.4
Diluted earnings per share	25.6	19.4
Non-IFRS Earnings per share for profit attributable before unusual items* attributable to the ordinary equity holders of the Company:		
Basic earnings per share	27.9	24.6
Diluted earnings per share	27.9	24.6

**Unusual items - excludes costs and fees in relation to integration and acquisition-related activities, asset divestments, impairment and sale of properties (refer to Review of Operations in the Directors' Report for a reconciliation of Non-IFRS profit to IFRS profit).*

Reconciliation of earnings used in calculating earnings per share

	Consolidated	
	2013	2012
	\$'000	\$'000
<i>Basic Earnings Per Share</i>		
Profit attributable to the ordinary equity holders of the Company from continuing operations excluding unusual items*	72,734	64,150
Profit / (loss) attributable to the ordinary equity holders of the Company from unusual items*	(5,960)	(13,538)
Profit attributable to the ordinary equity holders of the Company from continuing operations in calculating basic earnings per share	66,774	50,612

**Unusual items - excludes costs and fees in relation to integration and acquisition-related activities, asset divestments, impairment and sale of properties (refer to Review of Operations in the Directors' Report for a reconciliation of Non-IFRS profit to IFRS profit).*

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	260,683,178	260,681,260

11. Current assets – cash and cash equivalents

	Consolidated	
	2013	2012
	\$'000	\$'000
Cash at bank and on hand	71,929	55,872
Deposits at call	25,520	25,510
	97,449	81,382

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 2.10% and 3.50% (2012: 2.85% and 3.50%). The interest rates applicable to deposits at call at 30 June 2013 vary between 3.69% and 4.57% (2012: 3.70% and 5.28%).

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

12. Current assets – trade and other receivables

	Consolidated	
	2013	2012
	\$'000	\$'000
Trade receivables	284,932	245,222
Allowance for impairment of receivables	(3,010)	(2,648)
Other receivables	18,365	6,200
	300,287	248,774

Impaired trade receivables

The Group has recognised a loss of \$565,000 (2012: \$801,000) in respect of impaired trade receivables during the year ended 30 June 2013. The loss has been included in "other expenses" in the profit for the year.

At 30 June 2013 the Group recognised \$3,010,000 (2012: \$2,648,000) 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	
	2013	2012
	\$'000	\$'000
Opening balance	(2,648)	(2,276)
Translation adjustment	(3)	(0)
Allowance for impaired receivables	(1,030)	(1,422)
Receivables written off during the year	383	801
Reversal of amounts provided	287	250
Closing balance	(3,010)	(2,648)

Past due not impaired

As at 30 June 2013, trade receivables of \$55,458,000 (2012: \$55,416,000) 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	
	2013	2012
	\$'000	\$'000
Days Past Due		
1 - 30	36,848	36,754
31 - 60	13,998	14,071
61 - 90	2,480	2,486
91 +	2,132	2,105
	55,458	55,416

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	
	2013	2012
	\$'000	\$'000
Vehicles inventory - at cost	614,771	512,834
Write-down to net realisable value	(11,363)	(9,139)
Other inventories - at cost	95,389	87,211
Write-down to net realisable value	(7,832)	(6,687)
	690,966	584,219

Inventory recognised as an expense (cost of sales) during the year ended 30 June 2013 (including write-down of inventories to net realisable value) amounted to \$3,307,564,000 (2012: \$3,068,866,000).

14. Current assets – other

	Consolidated	
	2013	2012
	\$'000	\$'000
Prepaid expenses and deposits	18,311	13,658
	18,311	13,658

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

	Consolidated	
	2013	2012
	\$'000	\$'000
Shares in unlisted company and trust	6,750	2,250
	6,750	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	
	2013	2012
	\$'000	\$'000
Opening balance	2,250	-
Acquisitions	6,000	2,250
Disposals	(1,500)	-
Closing balance	6,750	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	
	2013	2012
	\$'000	\$'000
Land and buildings	23,057	23,112
Accumulated depreciation	-	(15)
	23,057	23,097
Plant and equipment at cost	157,443	133,940
Accumulated depreciation	(81,610)	(67,063)
	75,833	66,877
Capitalised leased assets	31,971	29,620
Accumulated amortisation	(9,724)	(8,820)
	22,246	20,800
Leasehold improvements at cost	61,648	52,807
Accumulated amortisation	(17,113)	(13,214)
	44,535	39,593
Assets under construction	20,754	7,730
Total property, plant & equipment	186,425	158,098

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

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

Consolidated June 2013	Land and buildings	Plant and equipment	Capitalised leased assets	Leasehold improve- ments	Assets under construction	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2012	23,097	66,877	20,801	39,594	7,730	158,098
Translation adjustment	-	87	-	28	12	128
Additions	-	31,736	5,742	3,855	25,902	67,234
Acquisitions through business combinations	-	4,927	-	163	48	5,138
Disposals	19	(8,898)	388	(145)	(7,161)	(15,797)
Transfers	(30)	1,768	(1,175)	5,214	(5,777)	-
Depreciation / amortisation	(29)	(20,664)	(3,510)	(4,173)	-	(28,375)
Carrying amount at 30 June 2013	23,057	75,833	22,246	44,535	20,754	186,425

Consolidated June 2012	Land and buildings	Plant and equipment	Capitalised leased assets	Leasehold improve- ments	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 combination	-	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

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 \$10,646,810 (2012: \$18,788,000) are subject to a first mortgage from certain other loans as disclosed in note 21.

Land and buildings with a carrying amount of \$12,410,223 (2012: \$47,538,000) are pledged as security for non-current liabilities as disclosed in note 21.

Other property, plant & equipment with a carrying amount of \$141,122,000 (2012: \$122,418,000) 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 2013			
Carrying amount at 1 July 2012	79,845	131,936	211,781
Additions	19,877	20,689	40,566
Divestments	0	(3,300)	(3,300)
Carrying amount at 30 June 2013	99,722	149,325	249,047
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
	Goodwill	Franchise Rights & Distribution Agreements	Total
	\$'000	\$'000	\$'000
Consolidated 2013			
Automotive Retail	68,866	142,382	211,248
Transport and Cold Storage	20,071	-	20,071
Other Logistics	10,785	6,943	17,728
Carrying amount at 30 June 2013	99,722	149,325	249,047
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

There are no intangible assets associated with the property segment.

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

Impairment testing

Goodwill and franchise rights are monitored by management based on operating segment, as disclosed in the above table. Within the Automotive Retail segment, further monitoring is conducted on a geographical basis.

The recoverable amounts of the Group's various CGUs are determined based on value-in-use calculations for these units or 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.

Key assumptions used for value-in-use calculations

Calculating value-in-use for each CGU, a pre-tax discount rate of 12% (2012: 12%) is applied, which represents the Group's historical weighted average cost of capital. The growth rate used to project cash flows beyond the following year's approved budget period is 3% (2012: 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% (2012: 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% (2012: 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 2013, no impairment charge (2012: \$9.711 million) has been brought to account in the year ended 30 June 2013.

The 2012 impairment charge arose in relation to operations based in Queensland. \$1.651 million of the impairment was attributed to the 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 September 2013. A further \$0.556 million of the impairment related to the disposal of AHG's Gold Coast dealerships during the financial year ended 30 June 2013 (fair value less costs to sell). The balance of the impairment was applicable to specific Automotive Retail operations located in Queensland.

18. Current liabilities – trade and other payables

	Consolidated	
	2013	2012
	\$'000	\$'000
Trade payables	123,638	93,579
Other payables and accruals	119,445	101,489
Goods and services tax	8,235	7,441
	251,319	202,509

19. Current liabilities – provisions

	Consolidated	
	2013	2012
	\$'000	\$'000
Annual leave	24,867	20,402
Long service leave	19,665	15,644
Other	3,689	2,694
Warranties	1,974	2,525
	50,195	41,265

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	
	2013	2012
	\$'000	\$'000
Warranties	3,949	5,625
Long service leave	7,472	6,416
Make good provisions	3,183	2,929
	14,604	14,970

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:

	Warranties	Make Good / Other
	\$'000	\$'000
At 1 July 2012	8,150	5,623
Additional provisions recognised	1,623	1,250
Payments / other sacrifices of economic benefits	(3,850)	-
At 30 June 2013	5,923	6,873
Current 2013	1,974	3,689
Non-current 2013	3,949	3,183
	5,923	6,873
Current 2012	2,525	2,694
Non-current 2012	5,625	2,929
	8,150	5,623

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 \$35,625,000 (2012: \$28,836,000).

21. Interest-bearing loans and borrowings

Current

	Consolidated	
	2013	2012
	\$'000	\$'000
Finance company loans	578,750	501,946
Lease liability	5,108	3,567
Hire purchase liability	9,360	9,479
	593,218	514,992

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 \$706,087,999 (2012: \$563,220,000). At 30 June 2013 \$578,750,000 (2012: \$501,946,000) of these facilities were used. The weighted average interest rate applicable at 30 June 2013 on these loans was 4.65% (2012: 5.86%).

Lease and hire purchase liabilities

Lease and hire purchase liabilities are fully secured.

Non-current

	Consolidated	
	2013	2012
	\$'000	\$'000
Other loans	135,945	101,088
Lease liability	17,614	17,838
Hire purchase liability	21,228	19,674
Amounts owing to manufacturer	800	400
	175,588	139,000

Other Loans

\$135,000,000 (2012: \$100,000,000) 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 2.89% (2012: 4.87%) for the period of the current bills in place.

\$500,000 (2012: \$500,000) are commercial loans with a five year term. Interest is charged at a variable rate of 4.10% at 30 June 2013 (2012: 7.50%).

21. Interest-bearing loans and borrowings (continued)

Other Loans

\$329,500 (2012: \$396,279) 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% (2012: 6.27%).

\$56,621 (2012: \$106,216) 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% (2012: 6.27%).

\$59,196 (2012: \$86,065) 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

\$800,000 (2012: \$400,000) is an unsecured amount owing to a manufacturer and is non-interest bearing.

Fair values

	Carrying Value		Fair Value	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Group				
Finance liabilities				
Advances	135,886	101,002	135,886	101,002
Lease liability	17,614	17,838	17,614	17,838
Hire purchase liability	21,228	19,674	21,228	19,674
Amounts owing to manufacturer	800	400	800	400
Other loans	59	86	59	86
	175,588	139,000	175,588	139,000

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	
		2013	2012
		\$'000	\$'000
Current			
Floating charge			
Cash and cash equivalents	11	97,449	81,382
Trade and other receivables		25,653	8,010
Inventories	13	690,966	584,219
Other current assets		16,151	12,407
Total current assets pledged as security		830,219	686,018
Non - Current			
First mortgage			
Freehold land and buildings	16	10,647	18,788
Finance lease			
Plant and equipment	16	22,246	20,801
Floating charge			
Freehold land and buildings	16	12,410	47,538
Plant and equipment	16	141,122	122,418
Total non-current assets pledged as security		186,425	209,545
Total assets pledged as security		1,016,644	895,563

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	578,750	127,338	706,088
Lease & HP	53,310	31,279	84,589
Commercial loans	135,945	37,055	173,000
Amounts owing to manufacturer	800	-	800
	768,806	198,671	967,477
Contingent Liabilities (guarantees)	15,668	332	16,000
	784,474	199,003	983,477

22. Contributed equity

	Parent		Parent	
	2013	2012	2013	2012
	Shares	Shares	\$'000	\$'000
Ordinary shares fully paid	260,683,178	260,683,178	384,112	384,112
Treasury shares	-	(843,882)	-	(1,830)
Total contributed equity	260,683,178	259,839,296	384,112	382,282

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
01/07/11	Balance at 1 July 2011	260,449,209		383,585
04/07/11	Share Purchase Plan (a)	233,969	\$ 2.44	571
	Less: transaction costs arising on share issue equity (a)			(64)
				19
30/06/12	Balance at 30 June 2012	260,683,178		384,112
30/06/13	Balance at 30 June 2013	260,683,178		384,112

(a) 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
01/07/11	Balance at 1 July 2011	(420,000)		(1,000)
29/09/11	AHG Employee Share Plan Trust Acquisition (b)	(423,882)	\$ 1.96	(830)
30/06/12	Balance at 30 June 2012	(843,882)		(1,830)
16/11/12	AHG Employee Share Plan Trust Distribution (b)	843,882	\$ 2.17	1,830
30/06/13	Balance at 30 June 2013	-		-

(b) Treasury Shares

Treasury shares were shares in AHG Limited that were 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). All Treasury shares have now been issued in accordance with the various AHG share-based payment plans.

22. Contributed equity (continued)

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.

The Group and the parent entity monitor capital on the basis of the gearing ratio; however there are industry-specific funding arrangements (finance company loans) which see this monitoring occur on both a traditional gearing ratio basis as well as an automotive industry specific gearing ratio.

1. Traditional Gearing Ratio

Traditional gearing ratios are 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	
	2013	2012
	\$'000	\$'000
Gearing Ratio - Traditional		
Total borrowings	768,806	653,993
Less: cash and cash equivalents	(97,449)	(81,382)
Net debt	671,357	572,611
Total equity	486,478	457,921
Total capital under management	1,157,835	1,030,532
Gearing ratio	58.0%	55.6%

2. Automotive Industry Gearing Ratio

The automotive retail industry utilises a relatively unique funding structure in relation to its vehicle inventory holdings, whereby the majority of inventory is specifically financeable. On this basis, the Group considers that the exclusion of these finance company loans from net debt and total assets reflects a more appropriate gearing ratio specific to the automotive industry and more reflective of the substance behind the traditional gearing ratio.

22. Contributed equity (continued)

	Consolidated	
	2013	2012
	\$'000	\$'000
Gearing Ratio - Automotive Industry		
Current debt	593,218	514,992
Less: finance company loans	(578,750)	(501,946)
Current debt excluding finance company loans	14,468	13,046
Less: cash and cash equivalents	(97,449)	(81,382)
Net cash excluding finance company loans	(82,981)	(68,336)
Non-current debt	175,588	139,000
Net debt excluding finance company loans and cash	92,607	70,664
 Total assets	 1,580,995	 1,398,450
Less: cash and cash equivalents	(97,449)	(81,382)
Less: finance company loans	(578,750)	(501,946)
Total assets less finance company loans and cash	904,796	815,123
 Gearing ratio	 10.2%	 8.7%

AHG has complied with the financial covenants of its borrowings facilities during the 2013 and 2012 reporting periods.

23. Retained earnings and reserves

Movements in retained earnings were as follows:

	Consolidated	
	2013	2012
	\$'000	\$'000
Opening balance at 1 July	74,012	67,716
Net profit for the year attributable to members	66,774	50,612
Dividends paid to members	(49,529)	(44,316)
Closing balance at 30 June	91,257	74,012

23. Retained earnings and reserves (continued)

Other reserves

Consolidated	Share-based Payments Reserve	Hedge Reserve	Foreign Currency Translation	Total
	\$'000	\$'000	\$'000	\$'000
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)	(399)	(2,155)
At 1 July 2012	-	(1,757)	(398)	(2,155)
Cash flow hedges		5,019		5,019
Exchange differences on translation of foreign operations			615	615
Employee share scheme	237			237
Income tax relating to components of other comprehensive income		(1,506)		(1,506)
At 30 June 2013	237	1,756	217	2,210

Nature and purpose of reserves

Share-based payments reserve

The share-based payments reserve is used to recognise the grant date fair value of Performance Rights shares granted to employees but not yet vested.

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 profit or loss and other comprehensive income when the associated hedge transaction affects the statement of profit or loss and other 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 profit or loss and other comprehensive income on disposal of the net investment.

24. Non-controlling interest

	Consolidated	
	2013	2012
	\$'000	\$'000
Interest in:		
Share Capital	5,801	1,205
Retained Profit	3,096	2,577
Balance 30 June	8,897	3,783

25. Statement of cash flows reconciliation

	Consolidated	
	2013	2012
	\$'000	\$'000
Profit for the year after tax	69,906	53,552
<i>Add-back: Non operating activity cash flow in profit</i>		
- Distributions received	(428)	-
- Profit on sale of assets	(232)	-
- Loss on sale of assets	-	179
- Profit on sale of investments	(3,472)	-
- Direct costs relating to acquisition	(6)	-
<i>Add-back: Non cash flow in profit</i>		
- Depreciation	20,693	18,744
- Amortisation	7,682	7,722
- Impairment of intangibles	-	9,711
<i>Changes in operating assets and liabilities</i>		
(Increase) / decrease in trade debtors	(32,097)	(71,298)
(Increase) / decrease in inventories	(15,051)	5,978
(Increase) / decrease in prepayments	(4,559)	3,851
(Increase) / decrease in deferred tax assets	(445)	(5,759)
Increase / (decrease) in current tax payable	(3,783)	4,117
Increase / (decrease) in trade creditors	37,983	23,224
Increase / (decrease) in accruals	11,022	31,122
Increase / (decrease) in employee entitlements	4,333	3,506
Increase / (decrease) in other provisions	1,797	1,251
Increase / (decrease) in deferred tax liabilities	(631)	955
Net cash inflow from operating activities	92,712	86,855

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 within Western Australia. The Company has a 50% (2012: 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	
	2013	2012
	\$'000	\$'000
Share of assets employed in joint venture:		
Cash and cash equivalents	226	222
Trade and other receivables	481	508
Inventories	839	870
Deferred tax assets	5	13
	1,550	1,613
Share of liabilities assumed in joint venture:		
Trade and other payables	248	308
Income tax payable	10	23
Deferred tax liabilities	-	1
	257	332
Share of joint venture revenue, expenses and results:		
Revenue	5,510	5,351
Expenses	(5,064)	(4,861)
Profit before income tax	446	491

There are no capital expenditure commitments associated with this operation.

27. Related party disclosures

Subsidiaries

Name Of Entity	Country of Incorporation	Equity Holding 2013	Equity Holding 2012
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%	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%
North City 2005 Pty Ltd	Australia	100%	100%
North City (1981) Pty Ltd	Australia	100%	100%
North City Unit Trust	Australia	100%	100%

27. Related party disclosures (continued)

Subsidiaries (continued)

Name Of Entity	Country of Incorporation	Equity Holding 2013	Equity Holding 2012
Automotive			
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	80%	90%
ACM Autos Pty Ltd	Australia	85%	85%
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%	85%
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%
Zupp 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%	100%
Melborne City Autos (2012) Pty Ltd	Australia	100%	100%
Automotive Holdings Group (Victoria) Pty Ltd	Australia	100%	100%
Brisbane Commercial Vehicles Pty Ltd	Australia	100%	100%
CFD (2012) Pty Ltd	Australia	100%	100%
Newcastle Commercial Vehicles Pty Ltd	Australia	100%	100%
AHG 2013 Shelf Company No 2 Pty Ltd	Australia	100%	-
AHG 2013 Shelf Company No 4 Pty Ltd	Australia	100%	-
AHG 2013 Shelf Company No 5 Pty Ltd	Australia	100%	-
AHG 2013 Shelf Company No 6 Pty Ltd	Australia	100%	-
AHG 2013 Shelf Company No 7 Pty Ltd	Australia	100%	-
AHG Northwest Pty Ltd	Australia	100%	-
360 Finance Pty Ltd	Australia	50.1%	-
360 Financial Services Australia Pty Ltd	Australia	100%	-
OPM (2012) Pty Ltd	Australia	100%	-
PT (2013) Pty Ltd	Australia	80%	-

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 2013 there were \$Nil (2012: \$Nil) transactions between entities within the wholly-owned Group and related parties.

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	
	2013	2012
	\$'000	\$'000
Short-term employee benefits	6,277	5,812
Long-term employee benefits	573	(116)
Share-based payments	237	667
Termination benefits	-	229
Post-employment benefits	174	318
	7,261	6,910

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.

2013		Balance at start of 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	486,418	43,882 ¹	530,300
	BM & CC Howson	94,000	Nil	94,000
David Griffiths	Darju Pty Ltd; Mrs JM Griffiths, Miss JM Griffiths & Mr TD Griffiths atf Lake Avenue Trust	68,647	Nil	68,647
Giovanni (John) Groppoli	IOOF Investment Management Ltd	43,325	Nil	43,325
Peter Stancliffe	PW Stancliffe	34,225	Nil	34,225
Michael Smith	RP Smith	21,575	Nil	21,575
Robert McEniry		Nil	Nil	Nil
Tracey Horton		Nil	Nil	Nil
Other Key Management Personnel				
Hamish Williams	Hamish Calder Williams	201,520	Nil ²	201,520
Eugene Kavanagh	E & M Kavanagh	2,374	Nil	2,374
Gus Kininmont	FY Kininmont	2,200	Nil	2,200
David Rowland		Nil	Nil	Nil
Philip Mirams		Nil	Nil	Nil
John Moroney	J&H Moroney Family Holdings Pty Ltd	43,219	(43,219) ³	Nil
Ronald Nuich		Nil	Nil ⁴	Nil

¹ 842,882 shares acquired as part of LTI arrangement, of which 800,000 were disposed of during the year.

² Resigned as Director on 16 November 2012; continues in executive role as a Key Management Personnel.

³ Employment ceased on 31 January 2013, changes during the year reflect employee ceasing to be key management personnel.

⁴ Employment ceased on 1 July 2012, changes during the year reflect employee ceasing to be key management personnel.

29. Key management personnel (continued)

Equity instrument disclosures relating to key management personnel (continued)

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

¹ 10,147 of the shares were acquired under SPP (4 July '11) and 52,425 shares were acquired through on-market purchases.

² Appointed as Director on 3 May 2012.

³ Resigned as Director on 6 October 2011, changes during the year reflect director ceasing to be key management personnel.

⁴ Appointed as Company Secretary on 11 August 2011.

⁵ Appointed as CFO on 25 June 2012.

⁶ Employment ceased on 1 July 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 (2012: \$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:

	Consolidated	
	2013	2012
	\$'000	\$'000
Amounts recognised as distributions to shareholders		
Dividends paid	1,232	1,013

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.

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.

The issue of Performance Rights under a Long Term Incentive Scheme ("LTI") to AHG's Managing Director, Bronte Howson, was approved by shareholders at the Group's AGM on 16 November 2012. These Performance Rights have been issued in accordance with AHG's existing Performance Rights Plan.

30. Share based payment plans (continued)

AHG Performance Rights Plan (continued)

LTI

This is the monetary value of Performance Rights to be issued on the following basis:

- Subject to shareholder approval at the AGM (received 16 November 2012).
- Issued under the rules of the AHG Performance Rights Plan.
- Based on performance assessed over a three year vesting period (FY2013, FY2014 and FY2015) 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.

Company's TSR relative to Peer Group (refer Remuneration Report for details)	Vesting outcome of TSR portion of grant
< 50 th percentile	Nil
At 50 th percentile	25% vesting
> 50 th percentile but ≤ 75 th percentile	Progressive / pro rata from 25% to 100%
≥ 75 th percentile	100% vesting

Compound annual EPS growth performance (baseline FY12 Operating EPS of 24.6 cents)	Vesting outcome of EPS portion of grant
< 7 % pa	Nil
At 7% pa	25% vesting
7% pa up to 10% pa	Progressive / pro rata from 25% to 100%
At or above 10% pa	100% vesting

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.

LTI Issue Value

Vesting of the Managing Director's FY2013 Performance Rights (as approved by shareholders at the 2012 AGM) is based on achievement of performance criteria measured across three financial years to 30 June 2015. Those Rights that do vest will be issued during the year ended 30 June 2016. The value of the Managing Director's LTI for 2013 is \$0.667 million. The amount is represented by 336,700 Performance Rights at an issue value of \$1.98 per Right. The issue value was calculated by independent consultants PricewaterhouseCoopers ('PwC') using a Black-Scholes option price model and is based around AHG's share price at 1 July 2012. This and other model inputs to the valuation methodology are disclosed below.

30. Share based payment plans (continued)

Accounting Fair Value of Performance Rights granted

1. TSR component

The assessed fair value at grant date of the LTI is \$1.62 per share (2012: Nil). The fair value at grant date is independently determined using a Monte Carlo simulation model that takes into account the issue price, the vesting term of the shares, the impact of dilution, the share price at grant date, the expected volatility, the expected dividend yield and the risk free interest rate.

2. EPS component

The assessed fair value at grant date of the LTI is \$2.61 per share (2012: Nil). The fair value at grant date is independently determined using a Black-Scholes pricing model that takes into account the vesting term of the share, the impact of dilution, the share price at grant date and the expected dividend yield.

The model inputs for the LTI granted during the year ended 30 June 2013 included:

- (a) Rights are granted for no consideration and vest 50:50 based on i) AHG's TSR ranking within a peer group of 20 selected companies over a three year period; and ii) AHG's EPS growth rate.
- (b) Performance assessment start date: 1 July 2012
- (c) Issue value (1 July 2012, calculated by PwC): \$1.98
- (d) Grant date: 16 November 2012 (AGM)
- (e) Expiry date: 30 June 2015
- (f) Share price at grant date (AGM): \$3.25
- (g) Expected price volatility of AHG's shares: 42%
- (h) Expected dividend yield: 7.50%
- (i) Risk-free interest rate: 3.50%

The expected price volatility is based on the historic volatility of the Company.

Total expenses arising from share-based transactions recognised during the period as part of employee benefits expenses were \$237,373 (2012: \$733,334) related to the Performance Rights. The maximum grant-date-assessed value of the FY2013 LTI is \$712,120 over three years.

The FY2010 LTI for the Executive, Strategy and Planning is a cash-settled transaction and does not come under the terms of the Performance Right plan and therefore is not included within the share-based transactions expense. The LTI for the Executive, Planning and Strategy will vest on 30 September 2013 and the amount to be paid will be \$175,600 (of which \$100,000 was expensed between FY2011 and FY2012) based on 88% achievement of the performance criteria. These performance criteria were the same TSR-related criteria applied to the Managing Director's FY2009 LTI which vested on 30 September 2012.

Total share-based payments expense is \$237,373 (2012: \$666,667).

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.

30. Share based payment plans (continued)

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. 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 \$6.18 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 AHG with a greater market share in this sector together with synergistic benefits through combined economies of scale.

The business was fully integrated into AHG's existing Rand Transport operations at acquisition and, as such, distinct financial information is not recorded. AHG estimates it contributed indicative revenues of \$50.00 million and net profit before tax of \$1.00 million during the year ended 30 June 2013 before acquisition and integration costs. On this basis, it is expected that AHG would have reported \$4.33 billion in consolidated revenues and \$67.53 million consolidated statutory profit after tax attributable to members, for the year ended 30 June 2013, had this acquisition occurred at the beginning of the reporting period.

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

	\$'000
Purchase consideration	
Cash paid	6,183
Total purchase consideration	<u>6,183</u>
	Fair Value
	\$'000
Other current assets	85
Property, plant and equipment	1,244
Deferred tax assets	614
	<u>1,943</u>
Employee entitlements	(725)
Other provisions	(201)
	<u>(926)</u>
Net identifiable assets acquired	<u>1,017</u>
Add: goodwill	5,166
Net assets acquired	<u>6,183</u>

i. Goodwill

The goodwill is attributable to synergistic benefits through combined economies of scale of the acquired business with AHG's existing Rand Transport operations. It is only deductible for tax purposes upon any future sale of this business.

ii. Contingent consideration, contingent liabilities, non-controlling interests and acquisition costs

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

Integration-related costs of \$1.41 million (technology, personnel, occupancy) and acquisition-related costs of \$0.86 million (stamp duty, professional services) are included in the statement of profit or loss and other comprehensive income in the reporting year ended 30 June 2013.

31. Business combinations (continued)

B. Coffey Ford

On 1 August 2012 AHG acquired certain business assets and liabilities of Coffey Ford, an automotive retail operation in Dandenong, Melbourne, for consideration of \$3.76 million. The acquisition expands AHG's automotive retail operations in Victoria.

The business contributed revenues of \$44.98 million and a net profit before tax of \$0.29 million for the year ended 30 June 2013 before acquisition and integration costs. It is expected that AHG would have reported \$4.33 billion in consolidated revenues and \$67.02 million consolidated profit after tax attributable to members, for the year ended 30 June 2013, had this acquisition occurred at the beginning of the reporting period.

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

	\$'000
Purchase consideration	
Cash paid	3,757
Less: balances acquired Cash	(2)
Net cash paid	<u>3,755</u>
	Fair Value
	\$'000
Cash and cash equivalents	2
Vehicle inventories	5,307
Parts inventories	553
Other inventory	49
Other current assets	41
Property, plant and equipment	378
Deferred tax assets	292
	<u>6,622</u>
Trade and other payables	(64)
Bailment (vehicle inventories)	(4,104)
Employee entitlements	(892)
Other provisions	(79)
	<u>(5,139)</u>
Net identifiable assets acquired	<u>1,483</u>
Add: goodwill	758
Add: franchise rights	1,516
Net assets acquired	<u>3,757</u>

i. Goodwill

The goodwill is attributable to the workforce, profitability of the acquired business and the synergistic opportunities it offers with AHG's existing automotive retail operations. It is only deductible for tax purposes upon any future sale of this business.

ii. Contingent consideration, contingent liabilities, non-controlling interests and acquisition costs

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

Acquisition-related costs of \$0.08 million (professional services) are included in the statement of profit or loss and other comprehensive income in the reporting year ended 30 June 2013.

31. Business combinations (continued)

C. Newcastle and Brisbane Trucks

On 23 August 2012 AHG announced it was acquiring certain business assets and liabilities of Daimler Brisbane and Newcastle truck operations, followed on 12 October 2012 by the acquisition of the Newcastle Iveco truck operations. Total consideration for these acquisitions was approximately \$13.67 million. These acquisitions are complementary in nature and activities to 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 business contributed revenues of \$82.75 million and a net profit before tax of \$0.08 million (Brisbane: profit \$0.63 million; Newcastle: loss \$0.55 million, which reflects expected trading losses and restructure of sites) for the year ended 30 June 2013 before acquisition and integration costs. It is expected that AHG would have reported \$4.38 billion in consolidated revenues and \$66.90 million consolidated profit after tax attributable to members, for the year ended 30 June 2013, had this acquisition occurred at the beginning of the reporting period.

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

	\$'000
Purchase consideration	
Cash paid	13,670
Total purchase consideration	<u>13,670</u>
	Fair Value
	\$'000
Vehicle inventories	26,972
Parts inventories	5,577
Other inventory	157
Property, plant and equipment	1,810
Deferred tax assets	514
	<u>35,030</u>
Trade and other payables	(1,109)
Bailment (vehicle inventories)	(21,538)
Employee entitlements	(1,713)
	<u>(24,360)</u>
Net identifiable assets acquired	<u>10,670</u>
Add: goodwill	1,000
Add: franchise rights	2,000
Net assets acquired	<u>13,670</u>

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

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

Acquisition-related costs of \$0.67 million (stamp duty, professional services) are included in the statement of profit or loss and other comprehensive income in the reporting year ended 30 June 2013.

ii. Information not disclosed as not yet available

The Group has reported provisional amounts for goodwill, franchise rights and inventory acquired as part of the purchase of the Newcastle and Brisbane Trucks (see above). The amounts proportionally attributable to both goodwill and franchise rights are consistent with the Group's treatment of like amounts previously acquired.

31. Business combination (continued)

D. Bayside/Peninsula Group

On 25 May 2013 Automotive Holdings Group Limited acquired certain business assets and liabilities of the Bayside/Peninsula, a dealership group of 13 dealership points (Nissan, Chrysler, Jeep, Dodge, Fiat and Alfa Romeo) located in the Mornington Peninsula, Victoria for consideration of \$8.96 million.

The business contributed revenues of \$10.37 million and a net profit before tax of \$0.13 million for the year ended 30 June 2013 before acquisition and integration costs. It is expected that AHG would have reported \$4.38 billion in consolidated revenues and \$67.70 million consolidated profit after tax attributable to members, for the year ended 30 June 2013, had this acquisition occurred at the beginning of the reporting period.

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

	\$'000
Purchase consideration	
Cash paid	8,963
Total purchase consideration	<u>8,963</u>
	Fair Value
	\$'000
Vehicle inventories	560
Parts inventories	398
Other inventory	9
Property, plant and equipment	609
Deferred tax assets	204
	<u>1,780</u>
Trade and other payables	(181)
Employee entitlements	(417)
	<u>(598)</u>
Net identifiable assets acquired	<u>1,182</u>
Add: goodwill	2,594
Add: franchise rights	5,187
Net assets acquired	<u>8,963</u>

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

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

Acquisition-related costs of \$0.02 million (professional services) are included in the statement of profit or loss and other comprehensive income in the reporting year ended 30 June 2013.

ii. *Information not disclosed as not yet available*

The Group has reported provisional amounts for goodwill, franchise rights and inventory acquired as part of the purchase of the Bayside/Peninsula Group (see above). The amounts proportionally attributable to both goodwill and franchise rights are consistent with the Group's treatment of like amounts previously acquired.

31. Business combination (continued)

E. McMillan Toyota

On 26 June 2013 Automotive Holdings Group Limited acquired certain business assets and liabilities of the two Toyota dealerships - Gary McMillan Toyota and South Morang Toyota - located in Melbourne's northern suburbs for consideration of \$19.54 million.

The business traded for less than one week during the current financial year and accordingly no revenue or profit impact has been recognised in the current financial year.

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

	\$'000
Purchase consideration	
Cash paid	19,535
Total purchase consideration	<u>19,535</u>
	Fair Value
	\$'000
Vehicle inventories	1,325
Parts inventories	655
Other inventory	157
Property, plant and equipment	1,080
Deferred tax assets	<u>298</u>
	<u>3,515</u>
Trade and other payables	(235)
Employee entitlements	<u>(995)</u>
	<u>(1,230)</u>
Net identifiable assets acquired	<u>2,285</u>
Add: goodwill	5,750
Add: franchise rights	11,500
Net assets acquired	<u>19,535</u>

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

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

Acquisition-related costs of \$0.02 million (professional services) are included in the statement of profit or loss and other comprehensive income in the reporting year ended 30 June 2013.

ii. *Information not disclosed as not yet available*

The Group has reported provisional amounts for goodwill, franchise rights and inventory acquired as part of the purchase of Gary McMillan Toyota and South Morang Toyota (see above). The amounts proportionally attributable to both goodwill and franchise rights are consistent with the Group's treatment of like amounts previously acquired.

32. Commitments

Capital Commitments

	Consolidated	
	2013	2012
	\$'000	\$'000
Property, plant and equipment	38,650	17,177

Finance Lease Commitments

	Consolidated	
	2013	2012
	\$'000	\$'000
Within one year	6,407	5,150
Later than one year but not later than 5 years	19,881	20,419
Later than five years	-	622
Total lease payments	26,287	26,191
Future finance charges	(3,565)	(4,785)
Lease liability	22,722	21,405
Representing lease liabilities:		
Current	5,108	3,567
Non-current	17,614	17,838
	22,722	21,405

Hire Purchase Commitments

	Consolidated	
	2013	2012
	\$'000	\$'000
Within one year	11,266	11,666
Later than one year but not later than 5 years	23,835	21,725
Later than five years	14	291
Total Lease Payments	35,115	33,682
Future finance charges	(4,527)	(4,529)
HP liability	30,588	29,153
Representing HP liabilities:		
Current	9,360	9,479
Non-current	21,228	19,674
	30,588	29,153

32. Commitments (continued)

Operating Lease Commitments

	Consolidated	
	2013	2012
	\$'000	\$'000
Within one year	102,223	75,579
Later than one year but not later than 5 years	289,839	239,601
Later than five years	263,702	118,979
	655,764	434,159

Remuneration Commitments

	Consolidated	
	2013	2012
	\$'000	\$'000
Within one year	1,129	1,100

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 \$15,668,253. At 30 June 2013 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.

At 30 June 2013, 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 2013, is below their expected selling price.

33. Contingencies (continued)

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 2012, 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):

- AHG 2013 Shelf Company No 2 Pty Ltd;
- AHG 2013 Shelf Company No 4 Pty Ltd;
- AHG 2013 Shelf Company No 5 Pty Ltd;
- AHG 2013 Shelf Company No 6 Pty Ltd;
- AHG 2013 Shelf Company No 7 Pty Ltd;
- PT (2013) Pty Ltd;
- 360 Financial Services Australia Pty Ltd;
- AHG Northwest Pty Ltd
- Novated Direct Pty Ltd; and
- Rent Two Buy 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

Acquisition of Jason Mazda

On 26 July 2013 Automotive Holdings Group announced it had completed the acquisition of certain business assets and liabilities of Jason Mazda located in Osborne Park in Western Australia for consideration of \$12.00 million. The acquisition expands AHG's automotive retail operations in Western Australia.

The financial effects of this transaction have not been brought to account at 30 June 2013. The operating results, assets and liabilities will be consolidated from 26 July 2013.

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 \$0.01 million are included in professional services in the statement of profit or loss and other comprehensive income in the reporting year ended 30 June 2013.

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 Jason Mazda. In particular, the fair values of the assets and liabilities acquired have not yet been finalised. No receivables or contingent liabilities were acquired as part of the transaction.

Acquisition of Davie Holden

On 31 July 2013 Automotive Holdings Group announced it had agreed to acquire certain business assets and liabilities of Davie Motors Holden located in Manukau in New Zealand for consideration of NZD\$6.00 million. The acquisition expands AHG's automotive retail operations in New Zealand.

The financial effects of this transaction have not been brought to account at 30 June 2013. The operating results, assets and liabilities will be consolidated from 2 September 2013.

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 \$0.01 million are included in professional services in the statement of profit or loss and other comprehensive income in the reporting year ended 30 June 2013.

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 Davie Holden. In particular, the fair values of the assets and liabilities acquired have not yet been finalised. No receivables or contingent liabilities were acquired as part of the transaction.

36. Auditor's remuneration

Consolidated	
2013	2012
\$	\$

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

717,200	686,857
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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

278,250	274,550
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995,450	961,407
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Advisory Services

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

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

-	2,170
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Taxation Services

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

390,086	445,888
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Fees paid or payable to affiliated offices of BDO Tax (WA) Pty Ltd

14,581	53,690
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Total of Non-Audit Services provided to the Group

404,667	501,748
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37. Derivative financial instruments

Consolidated	
2013	2012
\$'000	\$'000

Current assets

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

-	-
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Forward foreign exchange contracts (included in Receivables note 12)

2,510	-
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2,510	-
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Current liabilities

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

1	796
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Forward foreign exchange contracts (included in Payables note 18)

-	1,655
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1	2,450
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37. Derivative financial instruments (continued)

(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 2.9% (2012: 4.8%) (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 11% (2012: 90%) of the variable loan principal outstanding. The average fixed interest rate is 2.96% (2012: 4.70%). 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 2013 a loss of \$0.69 million (2012: loss of \$0.17 million) was reclassified into the statement of profit or loss and other 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 2013 \$1.20 million (2012: \$0.01 million) 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	
	2013	2012
	\$'000	\$'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

38. Assets and liabilities classified as held for sale (continued)

(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. AHG agreed in February 2012 to enter into an exclusive arrangement with API to launch a \$66.00 million unlisted automotive property trust – AHG Property Syndicate No 1 – involving five automotive dealership sites. Of that total amount, \$47.00 million was paid to AHG as the purchase price for the five properties and \$19.00 million is for development costs. The sale of the properties settled on 17th August 2012. The syndicated properties were:

- 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 invested \$6.00 million at the time to close the offer (note 15). These properties are part of the Property Segment in note 5. A gain of \$2.76 million (net of tax) (2012: \$Nil) has been recognised in the 30 June 2013 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. The 2012 financial year-end asset and liability balances associated with these operations are disclosed in the above tables. These dealerships were included in the Automotive Retail Segment in note 5. Included in the 2012 impairment expense was an amount of \$0.56 million related to this disposal group.

The directors of the company declare that:

1. The financial statements, comprising; the statement of profit or loss and other 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 2013 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 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:

A handwritten signature in black ink, appearing to be 'D. Griffiths', with a stylized flourish at the end.

David C Griffiths

Chairman

Perth

26 September 2013

**DECLARATION BY
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
TO THE DIRECTORS OF AHG LIMITED
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013**

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 2013:

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 profit or loss and other 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 2013 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:



B Howson



P Mirams

Perth

26 September 2013

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 consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated 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 2013 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 2013. 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 2013 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd



Glyn O'Brien
Director

Perth, Western Australia
Dated this 26th day of September 2013

The shareholder information set out below was applicable at 16 September 2013.

A. Distribution of equity securities

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

	No. of Shareholders
1 - 1,000	696
1,001 - 5,000	1,150
5,001 - 10,000	483
10,001 - 100,000	653
100,001 and over	94
	3,076

The number of holders holding a less than marketable parcel of ordinary shares based on the market price as at 16 September 2013 was 343 holders holding 2,216 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	50,806,635	19.49
JP Morgan Nominees Australia Limited	28,877,994	11.08
Auto Management Pty Ltd <<Branchi Family Account>>	17,654,091	6.77
Citicorp Nominees Pty Limited	16,360,183	6.28
National Nominees Limited	15,796,553	6.06
HSBC Custody Nominees (Australia) Limited	15,575,756	5.97
BNP Paribas Noms Pty Ltd <<DRP>>	7,185,498	2.76
Mr VC Wheatley and Mrs JE Wheatley <<Pulo Road Super Fund>>	6,900,000	2.65
AC McGrath & Co Pty Ltd	6,796,765	2.61
Zero Nominees Pty Ltd	5,002,400	1.92
Argo Investments Limited	4,600,295	1.76
Mr Damon Stuart Wheatley	3,723,799	1.43

Automotive Holdings Group Limited
Shareholder and Optionholder Information
30 June 2013

RBC Investor Services Australia Nominees Pty Limited (BKCUST A/C)	3,634,076	1.39
Mrs Michelle Victoria Harris	3,489,362	1.34
Jove Pty Ltd	3,275,453	1.26
Croystone Nominees Pty Ltd <<BBK Unit Account>>	3,000,000	1.15
AMP Life Limited	2,865,642	1.10
UBS Nominees Pty Ltd	2,144,681	0.82
Aust Executor Trustees SA Ltd <TEA Custodians Limited>	1,990,669	0.76
Milton Corporation Limited	1,869,260	0.72

C. Substantial holders

	Ordinary Shares	
	Number Held	% of Issued Shares
AP Eagers Limited and its associated entities	50,806,635	19.49
Robert John Branchi and associated entities	17,654,091	6.77
Commonwealth Bank of Australia and related entities	14,209,446	5.45

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.