AHG
AUTOMOTIVE HOLDINGS GROUP

22 February 2018

The Manager

Company Announcements Office

Australian Securities Exchange

Dear Sir / Madam,

**APPENDIX 4D – HALF-YEAR REPORT AND DECEMBER 2017 HALF-YEAR RESULTS**

In accordance with ASX Listing Rules, the following documents are attached for release to the market;

- Appendix 4D – Half-Year Report; and
- December 2017 Interim Financial Report.

Yours faithfully,

D. ROWLAND

COMPANY SECRETARY

Enc.

21 Old Aberdeen Place, West Perth, Western Australia 6005
Tel: (08) 9422 7676  Fax: (08) 9422 7686  Email: info@ahg.com.au

## Report for the half-year ended 31 December 2017

This statement includes the results for Automotive Holdings Group Limited and its controlled entities, for the half-year ended 31 December 2017 (current period) compared with the half-year ended 31 December 2016 (prior period). The financial result of Automotive Holdings Group Limited and its Australian controlled entities are prepared in accordance with Australian International Financial Reporting Standards (AIFRS), whilst the Group's New Zealand controlled entities are prepared in accordance with New Zealand International Financial Reporting Standards (NZIFRS).

This report is based on financial accounts, which have been reviewed.

## Results for Announcement to the Market

| | | $A'000's | | $A'000's |
|---|---|---|---|---|
| Revenues from continuing ordinary activities | Up | 200,444 | 7.5% to | **2,873,928** |
| Profit after tax from ordinary activities attributable to members | Up | 1,957 | 4.7% to | **43,644** |
| Net profit after tax from continuing operations attributable to members | Down | (982) | -2.4% to | **39,894** |

| **DIVIDENDS** | Amount per security | Franked amount per security |
|---|---|---|
| Interim dividend | 9.5 cents | 9.5 cents |
| Record date for determining entitlement to the interim dividend | | 16/03/2018 |
| Date the interim dividend is payable | | 4/04/2018 |

## Commentary on results for the period

On 23 November 2017 AHG announced that it had agreed to sell its Refrigerated Logistics operations. AHG has accounted for its Refrigerated Logistics segment as a discontinued operation for the reporting period ending 31 December 2017, with the Automotive Retail, Other Logistics and Property segments accounted for as continuing operations. The statement of profit or loss and the trading commentary are exclusive of Refrigerated Logistics in each individual line item which are consolidated into a single line disclosure as profit or loss after tax from discontinued operation (refer to Note 14 for details).

*Continuing operations*

Statutory IFRS profit after tax from continuing operations attributable to members for the half-year ended 31 December 2017 was $39.894 million compared with $40.876 million in the prior corresponding period. Operating[1] non-IFRS profit after tax from continuing operations attributable to members for the half-year ended 31 December 2017 was $40.743 million compared with $42.506 million in the prior corresponding period. Statutory IFRS EPS from continuing operations decreased to 12.1 cents (2016: 12.6 cents) due to the combination of the decrease in profit and increase in weighted average shares on issue. Refer to Note 2 for further details in relation to Operating and Statutory performance and movements on a segment-by-segment basis.

Unusual items in the current half-year comprised costs and fees in relation to integration and acquisition-related activities, and profit/loss on sale and/or restructures of assets and operations, and total $0.849 million (after tax) (2016: $1.630 million). These unusual items included costs associated with the business acquisitions of Carlins and Hunter Group, the divestment of a minority interest in AHG's KTM operations and other activities in progress or that did not proceed.

Group revenue was $2.874 billion representing a 7.5% increase on prior year revenue of $2.673 billion.

The Automotive division delivered a Statutory IFRS profit before tax of $61.372 million on $2.737 billion of revenue compared with a prior half-year Statutory IFRS profit before tax of $64.828 million on $2.529 billion of revenue. This represents a 5.3% decrease in statutory IFRS profit before tax and 8.2% increase in revenue. Operating[1] non-IFRS profit before tax was $62.478 million compared with prior half-year $66.356 million, a decrease of 5.8%. The above-noted acquisitions of Carlins and Hunter Group contributed to this performance.

The Other Logistics division delivered a Statutory IFRS profit before tax of $2.186 million on $137.090 million of revenue compared with a prior half-year Statutory IFRS profit before tax of $1.164 million on $143.809 million of revenue. This represents an 87.8% increase in Statutory IFRS profit before tax and 4.7% decrease in revenue. Operating[1] non-IFRS profit before tax was $2.292 million compared with prior half-year $1.681 million, an increase of 36.3%.

The Property division delivered a Statutory IFRS loss before tax of $2.764 million compared with a prior half-year Statutory IFRS loss before tax of $4.283 million.

Net tangible asset backing per ordinary share decreased to 88.0 cents at 31 December 2017 from 92.8 cents at 31 December 2016.

*Discontinued operations*

The Refrigerated Logistics division delivered a Statutory IFRS profit before tax of $1.171 million on $291.304 million of revenue compared with a prior half-year Statutory IFRS loss before tax of $3.177 million on $285.858 million of revenue. This represents a 136.9% increase in Statutory IFRS profit before tax and 1.9% increase in revenue. Operating[1] non-IFRS profit before tax was $1.952 million compared with prior half-year $1.933 million, an increase of 1.0%.

*[1]Operating non-IFRS profit excludes costs and fees in relation to integration and acquisition-related activities, CEO-MD transition (2016), profit/loss on sale and/or restructures of assets and operations, and asset impairment, refer to note 1 for details.*

## NTA Backing

| | Half - Year | |
|---|---|---|
| | **2017** | 2016 |
| | **Cents** | Cents |
| Net tangible asset backing per ordinary security | **88.0** | 92.8 |

## Dividends Paid and Proposed

| | Date paid / payable | Amount per security (fully franked at 30%) |
|---|---|---|
| **Declared and paid during the period ended June 2017** | | |
| Final franked dividend for 2016 | 05/10/16 | 13.0 cents |
| Interim franked dividend for 2017 | 05/04/17 | 9.5 cents |
| **Declared and paid during the period ended December 2017** | | |
| Final franked dividend for 2017 | 06/10/17 | 9.5 cents |
| **Proposed and not recognised as a liability** | | |
| Interim franked dividend for 2018 | 04/04/18 | 9.5 cents |

## Equity Accounted Joint Venture Entity

| | % Holding | |
|---|---|---|
| | **Dec 2017** | Dec 2016 |
| Vehicle Parts (WA) Pty Ltd | **50%** | 50% |

Contribution to net profit attributable to members was immaterial for current and prior periods.

# INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

**AUTOMOTIVE HOLDINGS GROUP LIMITED**

**ABN 35 111 470 038**

This interim financial report does not include all the notes of the type normally included in the Annual Financial Report. Accordingly this document is to be read in conjunction with the Annual Financial Report for the year ended 30 June 2017 and any public announcements made by Automotive Holdings Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

# Contents

Your directors present their report on the consolidated entity consisting of Automotive Holdings Group Limited (AHG) and entities it controlled (the Group) at the end of, or during, the half-year ended 31 December 2017.

### Directors

The following persons were directors of Automotive Holdings Group Limited during the half-year and up to the date of this report:

| | |
|---|---|
| Howard Critchley | Non Executive Director |
| Greg Duncan | Non Executive Director |
| David Griffiths | Non Executive Chairman |
| Giovanni (John) Groppoli | Non Executive Director |
| John McConnell | Managing Director |
| Robert McEniry | Non Executive Director |
| Jane McKellar | Non Executive Director |

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*[1]Operating non-IFRS profit excludes costs and fees in relation to integration and acquisition-related activities, CEO-MD transition (2016), profit/loss on sale and/or restructures of assets and operations, and assets impairment, refer to note 1 for details.*

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## Consolidated Revenue and Results (Continuing Operations)

| **Key Financial Data**<br>For the half-year ending 31 December | **Statutory IFRS Result Dec 2017** | **Unusual items** | **Operating[1] Result Dec 2017** (excluding Unusual items) | **Operating[1] Result Dec 2016** (excluding Unusual items) | **Operating Variance** |
|---|---|---|---|---|---|
| ***Continuing Operations*** | *$'000* | *$'000* | *$'000* | *$'000* | *%* |
| Total revenue | 2,873,928 | - | 2,873,928 | 2,673,484 | 7.5% |
| EBITDA | 87,626 | (1,212) | 88,838 | 90,118 | (1.4%) |
| EBITDA margin % | 3.0% | | 3.1% | 3.4% | |
| Depreciation & amortisation | (11,802) | - | (11,802) | (11,169) | (5.7%) |
| EBIT | 75,824 | (1,212) | 77,036 | 78,949 | (2.4%) |
| Interest (net) | (15,030) | - | (15,030) | (15,194) | 1.1% |
| Profit before tax | 60,794 | (1,212) | 62,006 | 63,755 | (2.7%) |
| Tax expense | (17,930) | 363 | (18,293) | (18,214) | (0.4%) |
| Profit after tax | 42,864 | (849) | 43,713 | 45,541 | (4.0%) |
| Non-controlling interests | (2,970) | - | (2,970) | (3,035) | 2.1% |
| **Profit after tax attributable to shareholders** | **39,894** | **(849)** | **40,743** | **42,506** | **(4.1%)** |
| Basic EPS (cents per share) | 12.1 | | 12.3 | 13.2 | (6.8%) |

[1] *Operating non-IFRS profit excludes costs and fees in relation to integration and acquisition-related activities, CEO-MD transition (2016), profit/loss on sale and/or restructures of assets and operations, and asset impairment.*

## Dividends

The directors have declared the payment of an interim dividend of 9.5 cents per fully paid share (2016: 9.5 cents). Refer to note 4 for further information.

## 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.

## Rounding of Amounts

The Company is of a kind referred to Instrument 2016/191, 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 Instrument 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.

David C Griffiths
Chairman, Perth
22 February 2018

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**DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF AUTOMOTIVE HOLDINGS GROUP LIMITED**

As lead auditor for the review of Automotive Holdings Group Limited for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

**Phillip Murdoch**

Director

**BDO Audit (WA) Pty Ltd**

Perth, 22 February 2018

**Automotive Holdings Group Limited**
**Consolidated Statement of Profit or Loss**
For the half-year ended 31 December 2017

| | Notes | Half - Year 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue from continuing operations | | **2,873,928** | 2,673,484 |
| Profit on sale of assets and investments | | **211** | - |
| Raw materials and inventory expense | | **(2,325,327)** | (2,124,868) |
| Employee benefits expense | | **(281,616)** | (278,919) |
| Depreciation and amortisation expense | | **(11,802)** | (11,169) |
| Finance costs | | **(16,732)** | (16,285) |
| Advertising and promotion | | **(20,827)** | (24,877) |
| Occupancy costs | | **(70,517)** | (64,496) |
| Vehicle preparation and service | | **(25,518)** | (25,479) |
| Supplies and outside services | | **(17,783)** | (21,769) |
| Motor vehicle expense | | **(6,935)** | (6,355) |
| Equipment rental | | **(1,993)** | (1,888) |
| Professional services | | **(3,368)** | (3,397) |
| Other expenses | | **(31,099)** | (31,957) |
| Loss on sale of assets and investments | | **-** | (481) |
| Share of profit of joint venture | | **172** | 165 |
| **Profit before income tax** | | **60,794** | 61,709 |
| Income tax expense | | **(17,930)** | (17,798) |
| **Profit for the half-year from continuing operations** | | **42,864** | 43,911 |
| Profit/(loss) from discontinued operation, after tax | 14 | **780** | (2,224) |
| **Profit for the half-year** | | **43,644** | 41,687 |
| **Profit attributable to:** | | | |
| Owners of Automotive Holdings Group Limited | | **40,674** | 38,652 |
| Non-controlling interest | | **2,970** | 3,035 |
| | | **43,644** | 41,687 |
| **Profit attributable to owners of the Group relates to:** | | | |
| Profit from continuing operations | | **39,894** | 40,876 |
| Profit/(loss) from discontinued operation | | **780** | (2,224) |
| | | **40,674** | 38,652 |
| **Earnings per share for profit from continuing operations attributable to the owners of the Group** | | | |
| Basic earnings per share (cents) | 3 | **12.1** | 12.6 |
| Diluted earnings per share (cents) | | **12.1** | 12.6 |
| **Earnings per share for profit attributable to the owners of the Group** | | | |
| Basic earnings per share (cents) | 3 | **12.3** | 12.0 |
| Diluted earnings per share (cents) | | **12.3** | 12.0 |

*The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.*

| | Notes | Half - Year 2017 $'000 | Half - Year 2016 $'000 |
|---|---|---|---|
| **Profit for the half-year** | | **43,644** | 41,687 |
| **Other comprehensive income** | | | |
| *Items that may be reclassified to profit or loss* | | | |
| Unrealised changes in the fair value of cash flow hedges | | **282** | 262 |
| (Loss)/ gain on translation of foreign operations | | **(912)** | 280 |
| **Total comprehensive income for the half-year (net of tax)** | | **43,014** | 42,229 |
| **Total comprehensive income attributable to:** | | | |
| Owners of Automotive Holdings Group Limited | | **40,044** | 39,194 |
| Non-controlling interests | | **2,970** | 3,035 |
| | | **43,014** | 42,229 |
| **Total comprehensive income attributable to owners of the Group relates to:** | | | |
| Total comprehensive income from continuing operations | | **39,264** | 41,418 |
| Total comprehensive income/ (loss) from discontinued operation | 14 | **780** | (2,224) |
| **Total comprehensive income for the half-year** | | **40,044** | 39,194 |

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

**Automotive Holdings Group Limited**
**Consolidated Statement of Financial Position**
As at 31 December 2017

| | Notes | Consolidated 31 Dec 2017 $'000 | Consolidated 30 Jun 2017 $'000 |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 9 | **38,194** | 95,035 |
| Trade and other receivables | | **236,113** | 357,373 |
| Inventories | | **996,180** | 899,796 |
| Other current assets | | **25,671** | 49,707 |
| | | **1,296,158** | 1,401,911 |
| Assets classified as held for sale | 14 | **454,432** | - |
| **TOTAL CURRENT ASSETS** | | **1,750,590** | 1,401,911 |
| **NON CURRENT ASSETS** | | | |
| Investments accounted for using the equity method | | **1,058** | 1,088 |
| Available-for-sale financial assets | | **7,228** | 7,228 |
| Property, plant and equipment | 5 | **188,046** | 401,130 |
| Intangible assets | 6 | **448,210** | 513,170 |
| Deferred tax assets | | **49,625** | 60,866 |
| **TOTAL NON CURRENT ASSETS** | | **694,167** | 983,482 |
| **TOTAL ASSETS** | | **2,444,757** | 2,385,393 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | | **223,833** | 322,796 |
| Interest-bearing loans and borrowings | | **857,739** | 827,830 |
| Income tax payable | | **(3,140)** | (4,110) |
| Provisions | | **64,571** | 78,041 |
| | | **1,143,003** | 1,224,557 |
| Liabilities directly associated with assets classified as held for sale | 14 | **209,829** | - |
| **TOTAL CURRENT LIABILITIES** | | **1,352,832** | 1,224,557 |
| **NON CURRENT LIABILITIES** | | | |
| Interest-bearing loans and borrowings | | **253,946** | 314,657 |
| Deferred tax liabilities | | **4,928** | 21,136 |
| Provisions | | **14,297** | 22,700 |
| **TOTAL NON CURRENT LIABILITIES** | | **273,171** | 358,493 |
| **TOTAL LIABILITIES** | | **1,626,003** | 1,583,050 |
| **NET ASSETS** | | **818,754** | 802,343 |
| **EQUITY** | | | |
| Contributed equity | 7 | **653,134** | 653,134 |
| Reserves | | **2,187** | 2,997 |
| Retained earnings | | **140,728** | 131,298 |
| Capital and reserves attributable to the owners of Automotive Holdings Group Limited | | **796,049** | 787,429 |
| Non-controlling interests | | **22,705** | 14,914 |
| **TOTAL EQUITY** | | **818,754** | 802,343 |

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

| | | Attributable to owners of Automotive Holdings Group Limited | | | | | |
|---|---|---|---|---|---|---|---|
| | | **Contributed Equity** | **Reserves** | **Retained Earnings** | **Total** | **Non-Controlling Interest** | **Total Equity** |
| | Notes | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| **At 1 July 2016** | | **541,532** | **2,669** | **150,374** | **694,575** | **24,928** | **719,503** |
| Profit for the half-year (after tax) | | - | - | 38,652 | 38,652 | 3,035 | 41,687 |
| Changes in fair value of cash flow hedges | | - | 262 | - | 262 | - | 262 |
| Gain on translation of foreign operations | | - | 280 | - | 280 | - | 280 |
| **Total comprehensive income for the period** | | **-** | **542** | **38,652** | **39,194** | **3,035** | **42,229** |
| **Transactions with owners in their capacity as equity holders:** | | | | | | | |
| Issue of shares (after transaction costs) | | 111,602 | - | - | 111,602 | 7,700 | 119,302 |
| Step acquisition of controlled entity | | - | - | - | - | (16,425) | (16,425) |
| Dividends provided for or paid | 4 | - | - | (43,111) | (43,111) | (6,843) | (49,954) |
| Employee share scheme | 13 | - | 638 | - | 638 | - | 638 |
| | | **111,602** | **638** | **(43,111)** | **69,129** | **(15,568)** | **53,561** |
| **At 31 December 2016** | | **653,134** | **3,849** | **145,914** | **802,897** | **12,395** | **815,292** |
| | | | | | | | |
| **At 1 July 2017** | | **653,134** | **2,997** | **131,298** | **787,429** | **14,914** | **802,343** |
| Profit for the half-year (after tax) | | - | - | 40,674 | 40,674 | 2,970 | 43,644 |
| Changes in fair value of cash flow hedges | | - | 282 | - | 282 | - | 282 |
| Loss on translation of foreign operations | | - | (912) | - | (912) | - | (912) |
| **Total comprehensive income for the period** | | **-** | **(630)** | **40,674** | **40,044** | **2,970** | **43,014** |
| **Transactions with owners in their capacity as equity holders:** | | | | | | | |
| Acquisition of controlled entities | 8 | - | - | - | - | 221 | 221 |
| Disposal to non-controlling interest holder | | - | - | 260 | 260 | 4,708 | 4,968 |
| Dividends provided for or paid | 4 | - | - | (31,504) | (31,504) | (108) | (31,612) |
| Employee share scheme | 13 | - | (180) | - | (180) | - | (180) |
| | | **-** | **(180)** | **(31,244)** | **(31,424)** | **4,821** | **(26,603)** |
| **At 31 December 2017** | | **653,134** | **2,187** | **140,728** | **796,049** | **22,705** | **818,754** |

*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 half-year ended 31 December 2017

| | Notes | Half - Year 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | **3,494,050** | 3,253,428 |
| Payments to suppliers and employees (inclusive of GST) | | **(3,465,218)** | (3,192,969) |
| Interest paid and costs of finance | | **(23,074)** | (20,685) |
| Interest received | | **1,703** | 1,104 |
| Income tax paid | | **(17,338)** | (23,820) |
| **Net cash inflow/(outflow) from operating activities** | 9 | **(9,877)** | 17,058 |
| **Cash flow from investing activities** | | | |
| Payment for purchase of business, net of cash acquired | 8 | **(12,340)** | (52,550) |
| Payment for step acquisition of controlled entity | | **-** | (12,144) |
| Proceeds from sale of businesses | | **-** | 5,584 |
| Payment for property plant and equipment | | **(35,917)** | (62,610) |
| Proceeds of sale of property, plant and equipment | | **7,578** | 8,564 |
| Dividends and distributions received | | **-** | 84 |
| Proceeds of sale of investments | | **4,708** | - |
| Payment for purchase of investment (net) | | **-** | (3,200) |
| **Net cash outflow from investing activities** | | **(35,971)** | (116,272) |
| **Cash flows from financing activities** | | | |
| Net proceeds from borrowings | | **21,278** | 11,415 |
| Proceeds from issue of shares, net of transaction costs | 7 | **-** | 111,602 |
| Dividends paid to members | | **(31,504)** | (43,111) |
| Dividends paid to non-controlling interest | | **(109)** | (4,939) |
| **Net cash inflow/(outflow) from financing activities** | | **(10,335)** | 74,967 |
| **Net decrease in cash and cash equivalents** | | **(56,183)** | (24,247) |
| Cash and cash equivalents at the beginning of the half-year | | **95,035** | 108,593 |
| **Cash and cash equivalents at the end of the half-year** | 9 | **38,852** | 84,346 |

*The above consolidated statement of cash flows includes both continuing and discontinued operations. The above consolidated statement of cash flows should be read in conjunction with the accompanying notes. Amounts related to discontinued operations are disclosed in note 14.*

**Non-cash financing and investing activities**

During the half-year the Group acquired plant and equipment with a fair value of $9,340,000 by means of finance leasing (excluding those acquired in acquisitions). These acquisitions are not reflected in the above Consolidated Statement of Cash Flows.

# 1. Basis of preparation of half-year report

This general purpose financial report for the half-year ended 31 December 2017 has been prepared in accordance with Australian Accounting Standards *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in the Annual Financial Report. Accordingly, this document is to be read in conjunction with the annual financial report for the year ended 30 June 2017 and any public announcements made by Automotive Holdings Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and prior corresponding interim reporting period, as there are no new standards that are applicable to AHG that have been released since 1 July 2017.

### Significant accounting judgements, estimates and assumptions:

*Control assessment*

Following a current period business acquisition and a partial divestment transaction, Automotive Holdings Group Limited owns 51% of the Carlins Auction House and 74% of the KTM and Husqvarna business operations. The Group is considered to have the ability to exercise control over each business through majority Board representation, majority shareholding and control over the relevant activities and therefore has consolidated the financial performance and position of the businesses in the Group financial statements.

*Assets and liabilities held for sale*

Judgement was applied in the determination that the Refrigerated Logistics division met the requirements for classification as a disposal group under AASB 5: *Non-Current Assets Held for Sale and Discontinued Operations*.

Prior to the reclassification of the assets and liabilities to held for sale, a determination was made that the Refrigerated Logistics assets and liabilities were carried at the lower of their carrying amounts and fair value less costs to sell. Following this assessment, management determined that the carrying amounts were lower than the fair value less costs to sell, and accordingly no impairment was recognised on reclassification.

### Impact of standards issued but not yet applied by the entity:

There were no new standards issued since 30 June 2017 that have not been applied by AHG. The 30 June 2017 annual report disclosed that AHG was undertaking impact studies in relation to the initial application of those standards issued but not yet applied, with particular focus on AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. These impact studies remain in progress as at 31 December 2017. The first application date for AHG of these two particular standards will be 30 June 2019 and 30 June 2020 respectively, plus comparative data for 30 June 2018 and 30 June 2019. Further updates will be provided in AHG's 30 June 2018 Annual Report.

### Reconciliation of Statutory IFRS profit to Operating Non-IFRS profit:

| | Half - year | |
|---|---|---|
| | **2017** | 2016 |
| | **$'000** | $'000 |
| **Statutory IFRS Profit from continuing operations attributable to members** | **39,894** | 40,876 |
| *Unusual items* | | |
| Add-back: | | |
| - Costs relating to sale and/or restructures of operations | **660** | 589 |
| - Costs relating to integration, acquisitions and MD transition | **189** | 1,041 |
| **Operating Non-IFRS Profit from continuing operations attributable to members** | **40,743** | 42,506 |

## 2. Operating segments

The Board has determined that AHG's continuing operating segments be divided between a single reportable automotive retail segment, a single reportable logistics segment comprising of AHG's other logistic operations, as well as a property segment. 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 retail segment has 180 dealership 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.

### Other Logistics

The other logistics operations segment comprises AHG's automotive parts warehousing and distribution businesses, motorcycle distribution, bus and truck 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.

## Discontinued Segment

On 23 November 2017 AHG announced that it had agreed to sell its Refrigerated Logistics operations. AHG has accounted for its Refrigerated Logistics segment as a discontinued operation for the reporting period ended 31 December 2017.

### Refrigerated Logistics

The refrigerated logistics operations segment comprises AHG's cold storage and transport operations.

## 2. Operating segments (continued)

| | Continuing Operations | | | | Discontinued Operation |
|---|---|---|---|---|---|
| **Segment Reporting December 2017** | **Automotive Retail** | **Other Logistics** | **Property** | **Consolidated** | **Refrigerated Logistics** |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| Gross revenue | 3,067,617 | 157,505 | 232 | 3,225,354 | 317,473 |
| Less: intercompany sales | (332,692) | (20,434) | - | (353,126) | (26,172) |
| **Segment revenue** | 2,734,925 | 137,071 | 232 | 2,872,228 | 291,301 |
| Interest earned | 1,681 | 19 | - | 1,700 | 3 |
| **EBITDA** | **85,053** | **3,681** | **(1,108)** | **87,626** | **21,822** |
| Depreciation and amortisation | (10,422) | (1,380) | - | (11,802) | (14,312) |
| **EBIT** | **74,631** | **2,301** | **(1,108)** | **75,824** | **7,510** |
| Interest expense (net) | (13,259) | (115) | (1,656) | (15,030) | (6,339) |
| **Profit before tax for the half-year** | | | | **60,794** | **1,171** |
| Income tax expense | | | | (17,930) | (391) |
| **Reportable segment profit after tax for the half-year** | | | | **42,864** | **780** |
| *Detailed Segment Trading Analysis:* | | | | | |
| **Total revenue** | **2,736,606** | **137,090** | **232** | **2,873,928** | **291,304** |
| **EBITDA before unusual items** | **86,158** | **3,788** | **(1,108)** | **88,838** | **22,604** |
| **EBIT before unusual items** | **75,736** | **2,408** | **(1,108)** | **77,036** | **8,292** |
| **Non-IFRS Segment result before unusual items** | **62,478** | **2,292** | **(2,764)** | **62,006** | **1,952** |
| Unusual items* | (1,106) | (106) | - | (1,212) | (781) |
| **Profit before tax for the half-year** | **61,372** | **2,186** | **(2,764)** | **60,794** | **1,171** |
| **Reportable segment result after unusual items** | **61,372** | **2,186** | **(2,764)** | **60,794** | **1,171** |
| Segment assets | 1,826,781 | 145,238 | 18,306 | 1,990,325 | 454,432 |
| **Total consolidated assets** | | | | **1,990,325** | |
| Segment liabilities | 1,245,166 | 128,502 | 42,506 | 1,416,174 | 209,829 |
| **Total consolidated liabilities** | | | | **1,416,174** | |
| Acquisition of property, plant, equipment and intangibles | 14,967 | 1,824 | (1,185) | **15,606** | 25,756 |

**Unusual items - refer to note 1 for details.*

## 2. Operating segments (continued)

| | Continuing Operations | | | | Discontinued Operation |
|---|---|---|---|---|---|
| **Segment Reporting December 2016** | **Automotive Retail** | **Other Logistics** | **Property** | **Consolidated** | **Refrigerated Logistics** |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| Gross revenue | 2,842,427 | 162,443 | 187 | 3,005,057 | 312,656 |
| Less: intercompany sales | (313,990) | (18,673) | - | (332,663) | (26,812) |
| **Segment revenue** | 2,528,437 | 143,770 | 187 | 2,672,394 | 285,844 |
| Interest earned | 1,051 | 39 | - | 1,090 | 13 |
| **EBITDA** | **87,063** | **2,525** | **(1,515)** | **88,073** | **12,851** |
| Depreciation and amortisation | (10,053) | (1,117) | - | (11,170) | (11,642) |
| **EBIT** | **77,010** | **1,408** | **(1,515)** | **76,903** | **1,209** |
| Interest expense (net) | (12,182) | (244) | (2,768) | (15,194) | (4,386) |
| **Profit before tax for the half-year** | | | | **61,709** | **(3,177)** |
| Income tax expense | | | | (17,798) | 953 |
| **Reportable segment profit after tax for the half-year** | | | | **43,911** | **(2,224)** |
| *Detailed Segment Trading Analysis:* | | | | | |
| **Total revenue** | **2,529,488** | **143,809** | **187** | **2,673,484** | **285,858** |
| **EBITDA before unusual items** | **88,591** | **3,042** | **(1,515)** | **90,118** | **17,961** |
| **EBIT before unusual items** | **78,538** | **1,925** | **(1,515)** | **78,948** | **6,319** |
| **Non-IFRS Segment result before unusual items** | **66,356** | **1,681** | **(4,283)** | **63,754** | **1,933** |
| Unusual items* | (1,528) | (517) | - | (2,045) | (5,110) |
| **Profit before tax for the half-year** | **64,828** | **1,164** | **(4,283)** | **61,709** | **(3,177)** |
| **Reportable segment result after unusual items** | **64,828** | **1,164** | **(4,283)** | **61,709** | **(3,177)** |
| Segment assets | 1,727,568 | 151,247 | 21,926 | 1,900,741 | 400,153 |
| **Total consolidated assets** | | | | **1,900,741** | **400,153** |
| Segment liabilities | 908,664 | 138,487 | 41,938 | 1,089,089 | 396,513 |
| **Total consolidated liabilities** | | | | **1,089,089** | **396,513** |
| Acquisition of property, plant, equipment and intangibles | 27,133 | 8,025 | (992) | **34,166** | **63,948** |

**Unusual items - refer to note 1 for details.*

# 3. Earnings per share

## Basic earnings per share

| | Half - Year | |
|---|---|---|
| | **2017** **cents** | 2016 cents |
| Non-IFRS Earnings per share for profit attributable to the ordinary equity holders of the Company excluding unusual items[1] | **12.7** | 13.6 |
| Earnings per share for loss from unusual items[1] attributable to the ordinary equity holders of the Company | **(0.4)** | (1.6) |
| IFRS Earnings per share for profit attributable to the ordinary equity holders of the Company | **12.3** | 12.0 |
| Non-IFRS Earnings per share | | |
| *Earnings per share from continuing operations* | **12.3** | 13.2 |
| *Earnings per share from discontinued operation* | **0.4** | 0.4 |
| IFRS Earnings per share | | |
| *Earnings per share from continuing operations* | **12.1** | 12.6 |
| *Earnings per share from discontinued operation* | **0.2** | (0.6) |

## Reconciliation of earnings used in calculating earnings per share

| | Half - Year | |
|---|---|---|
| | **2017** **$'000** | 2016 $'000 |
| Operating Non-IFRS Profit attributable to the ordinary equity holders of the Company excluding unusual items[1] | **42,070** | 43,859 |
| Loss attributable to the ordinary equity holders of the Company from unusual items[1] | **(1,396)** | (5,207) |
| IFRS Profit attributable to the ordinary equity holders of the Company in calculating basic earnings per share | **40,674** | 38,652 |
| Operating Non-IFRS Profit attributable to the ordinary equity holders of the Company | | |
| *Profit from continuing operations* | **40,743** | 42,506 |
| *Profit from discontinued operation* | **1,327** | 1,353 |
| IFRS Profit attributable to the ordinary equity holders of the Company | | |
| *Profit from continuing operations* | **39,894** | 40,876 |
| *Profit/(loss) from discontinued operation* | **780** | (2,224) |

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

## Weighted average number of shares used as the denominator

| | Number | |
|---|---|---|
| | **2017** | 2016 |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | **331,623,014** | 323,446,870 |

[1] ***Unusual items*** *- excludes costs and fees in relation to integration and acquisition-related activities, CEO-MD transition (2016), profit/loss on sale of assets and operations, and asset impairment, refer to note 1 for details.*

# 4. Dividends paid and proposed

| | Parent | |
|---|---|---|
| | **2017** | 2016 |
| | **$'000** | $'000 |
| Dividends on ordinary shares: | | |
| Final dividend for the year ended 30 June 2017 of 9.5 cents per fully paid share paid on 6 October 2017 (30 June 2016 of 13.0 cents per fully paid share paid on 5 October 2016) | **31,504** | 43,111 |
| Interim dividend for the half-year ended 31 December 2017 of 9.5 cents per fully paid share payable on 4 April 2018 (31 December 2016 of 9.5 cents per fully paid share paid on 5 April 2017) | **31,504** | 31,504 |
| | **63,008** | 74,615 |

# 5. Property, plant and equipment

| | Consolidated | |
|---|---|---|
| | **31 Dec 2017** | 30 Jun 2017 |
| | **$'000** | $'000 |
| Land and buildings | **17,459** | 17,588 |
| Accumulated depreciation | **(2)** | (14) |
| | **17,457** | 17,574 |
| Plant and equipment at cost | **144,145** | 366,063 |
| Accumulated depreciation | **(81,548)** | (165,872) |
| | **62,597** | 200,191 |
| Capitalised leased assets | **8,525** | 43,456 |
| Accumulated amortisation | **(2,487)** | (16,115) |
| | **6,038** | 27,341 |
| Leasehold improvements at cost | **112,706** | 126,607 |
| Accumulated amortisation | **(31,624)** | (35,303) |
| | **81,082** | 91,304 |
| Assets under construction | **20,872** | 64,720 |
| **Total property, plant & equipment** | **188,046** | 401,130 |

# 5. Property, plant and equipment (continued)

| **Consolidated December 2017** | **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 2017** | 17,574 | 200,191 | 27,341 | 91,304 | 64,720 | 401,130 |
| Translation adjustment | - | (104) | - | (47) | (65) | (216) |
| Additions | - | 23,258 | 9,340 | 5,263 | 5,201 | 43,062 |
| Acquired through business combinations | 11 | 637 | - | - | - | 648 |
| Disposals | - | (7,289) | - | (4) | - | (7,293) |
| Transfers | (128) | 2,391 | (903) | 500 | (1,860) | - |
| Assets classified as held for sale | - | (136,997) | (26,994) | (12,057) | (47,124) | (223,172) |
| Depreciation / amortisation | - | (19,490) | (2,746) | (3,877) | - | (26,113) |
| **Carrying amount at 31 December 2017** | **17,457** | **62,597** | **6,038** | **81,082** | **20,872** | **188,046** |

# 6. Intangible assets

| | **Goodwill** | **Franchise Rights & Distribution Agreements** | **Total** |
|---|---|---|---|
| | **$'000** | **$'000** | **$'000** |
| **Consolidated** | | | |
| Carrying amount at 1 July 2017 | 222,565 | 290,605 | 513,170 |
| Additions | 7,015 | 6,787 | 13,802 |
| Assets classified as held for sale | (78,762) | - | (78,762) |
| Carrying amount at 31 December 2017 | **150,818** | **297,392** | **448,210** |

| | **Goodwill** | **Franchise Rights & Distribution Agreements** | **Total** |
|---|---|---|---|
| | **$'000** | **$'000** | **$'000** |
| **Consolidated** | | | |
| Automotive Retail | 143,763 | 287,449 | 431,212 |
| Other Logistics | 7,055 | 9,943 | 16,998 |
| Carrying amount at 31 December 2017 | **150,818** | **297,392** | **448,210** |

# 7. Contributed equity

| | Parent | | | |
|---|---|---|---|---|
| | **Dec 2017** | Jun 2017 | **Dec 2017** | Jun 2017 |
| | **Shares** | Shares | **$'000** | $'000 |
| Ordinary shares fully paid | **331,623,014** | 331,623,014 | **653,134** | 653,134 |
| Total contributed equity | **331,623,014** | 331,623,014 | **653,134** | 653,134 |

# 8. Business combinations

Details of the purchase consideration, the net assets acquired, non-controlling interests and intangibles are as follows:

| Date | Name | Type | % Acquired | Consideration $'000 | Location |
|---|---|---|---|---|---|
| 3 July 2017 | Carlins | Share purchase | 51% | $3,866 | Melbourne, Victoria |
| 30 November 2017 | Hunter Group | Share purchase | 100% | $10,467 | Newcastle, NSW |

The business combinations contributed revenues of $71.267 million and net profit of $0.568 million ($0.291 million attributable to shareholders of the Group and $0.277 million to non-controlling interests) for the half-year ended 31 December 2017 before acquisition and integration costs. It is expected that AHG would have reported $2.884 billion in consolidated revenues from continuing operations and $39.901 million consolidated net profit after tax from continuing operations attributable to shareholders of the Group, for the half-year ended 31 December 2017 had the business combinations occurred at the beginning of the reporting period.

# 8. Business combinations (continued)

| | Fair Value $'000 | | |
|---|---|---|---|
| | Carlins | Hunter Group | Consolidated |
| Cash and cash equivalents | 1,123 | 673 | **1,796** |
| Vehicle inventories (net of bailment) | 5,926 | 166 | **6,092** |
| Parts inventories | - | 466 | **466** |
| Property, plant and equipment | 257 | 353 | **610** |
| Other current assets | 2,144 | 1,638 | **3,782** |
| Deferred tax assets | 435 | 205 | **640** |
| | 9,885 | 3,501 | **13,386** |
| Trade and other payables | (3,127) | (1,164) | **(4,291)** |
| Employee entitlements | (1,451) | (381) | **(1,832)** |
| Other provisions | (330) | (155) | **(485)** |
| Other debt | (4,526) | - | **(4,526)** |
| | (9,434) | (1,700) | **(11,134)** |
| **Net identifiable assets acquired** | 451 | 1,801 | **2,252** |
| Less: non-controlling interests | (221) | - | **(221)** |
| **Net assets attributible to owners' of the Company** | 230 | 1,801 | **2,031** |
| Add: goodwill | 3,636 | 2,889 | **6,525** |
| Add: franchise rights | - | 5,777 | **5,777** |
| **Net assets acquired** | 3,866 | 10,467 | **14,333** |
| Cash consideration paid (A) | 3,669 | 10,467 | **14,136** |
| Consideration payable | 197 | - | **197** |
| **Total consideration** | 3,866 | 10,467 | **14,333** |
| Less: net cash acquired (B) | (1,123) | (673) | **(1,796)** |
| **Net cash outflow (A-B)** | 2,546 | 9,794 | **12,340** |

*i. Contingent consideration and acquisition costs*

There is no contingent consideration associated with the acquisition. Acquisition-related costs of $0.099 million are included in professional services and other expenses in the statement of profit or loss in the reporting half-year ended 31 December 2017.

*ii. Information not disclosed as not yet available*

The Group has reported provisional amounts for goodwill and other assets acquired as part of the purchase of Carlins and Hunter Group. The amounts proportionally attributable to both goodwill and franchise rights for the wholly-owned entity are consistent with the Group’s treatment of like amounts previously acquired.

# 9. Cash Flow information

### Reconciliation of Cash

| | Half - Year | |
|---|---|---|
| | **2017** | 2016 |
| | **$'000** | $'000 |
| Cash at bank and on hand | **38,184** | 84,336 |
| Deposits at call | **10** | 10 |
| | **38,194** | 84,346 |
| Cash from continuing operations | **38,194** | 84,346 |
| Cash from discontinued operation | **658** | - |
| | **38,852** | 84,346 |

| | Half - Year | |
|---|---|---|
| | **2017** | 2016 |
| | **$'000** | $'000 |
| Profit for the half-year after tax | **43,644** | 41,687 |
| *Non Operating Activity Cash flow in profit* | | |
| - Distributions received | **-** | (84) |
| - Loss/(profit) on sale of assets | **(293)** | 249 |
| *Non Cash flow in profit* | | |
| - Depreciation | **19,491** | 17,369 |
| - Amortisation | **6,623** | 5,442 |
| *Changes in operating assets and liabilities* | | |
| Decrease / (increase) in trade debtors | **14,267** | (1,452) |
| (Increase) in inventories | **(25,912)** | (1,856) |
| Decrease in other current assets | **30** | 32 |
| (Increase) in prepayments | **(8,186)** | (14,667) |
| Decrease / (increase) in deferred tax assets | **990** | (5,100) |
| Increase / (decrease) in current tax payable | **2,456** | (2,874) |
| (Decrease) in trade creditors | **(50,216)** | (48,548) |
| (Decrease) / increase in accruals | **(9,669)** | 20,201 |
| (Decrease) / increase in employee entitlements | **(1,649)** | 1,847 |
| Increase in other provisions | **1,011** | 3,812 |
| (Decrease) / increase in deferred tax liabilities | **(2,463)** | 1,000 |
| **Net cash inflow/(outflow) from operating activities** | **(9,877)** | 17,058 |

## 10. Unsecured contingent liabilities and contingent assets

A liability exists for after sales service and finance rebates but the amount can not 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 $30.758 million. At 31 December 2017 no controlled entity was in default in respect of any arrangement guaranteed by AHG.

At 31 December 2017, 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 31 December 2017, is below their expected selling price.

## 11. Events occurring after reporting date

On 8 January 2018 AHG agreed to acquire two franchised automotive dealerships, Hyundai and Mitsubishi in the Southern Auckland suburb of Manukau. The acquisition involves a consideration of NZ $7.5 million for goodwill, plus stock and assets at valuation. No other material events have occurred since 31 December 2017 requiring disclosure.

## 12. Fair value measurement of financial instruments

The fair value of the Group's financial assets and liabilities are determined on the following basis.

### a) Financial Assets and Financial Liabilities that are measured at fair value on a recurring basis

As of 31 December 2017, AHG's Available-for-Sale Financial Assets included two level 3 investments, being an unlisted equity investment in DealerMotive Limited with a fair value of $5.45 million (June 2017: $5.45 million) and unlisted units held in the AHG Property Syndicate No. 1 Unit Trust with a fair value of $1.78 million (June 2017: $1.78 million).

At 31 December 2017, the Group held no significant financial assets or liabilities classified as level 1 or level 2 fair value measurements. There were no transfers between level 1, level 2 or level 3 in the period.

AASB 13 requires that, subsequent to initial recognition, all fair value financial instruments are disclosed by reference to their measurement hierarchy levels:

- Level 1 — fair value measurements that are derived from quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 — fair value measurements that are derived from inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 — fair value measurements that are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The fair values of the Level 3 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. This methodology is unchanged from the comparative period.

Unobservable data inputs are earnings growth factors and the risk adjusted discount rate. Earnings growth factors are estimated based on market information for similar types of companies while the risk adjusted discount rate is modelled such as to reflect the time value of money and the risks specific to the individual assets. If the estimated risk-adjusted discount rate was 10% higher or lower, the fair value (and equity reserves) would increase/decrease by $0.70 million (June 2017: $0.70 million).

# 12. Fair value measurement of financial instruments (continued)

## b) Financial Assets and Financial Liabilities that are not measured at fair value on a recurring basis (but where fair value disclosures are required)

At 31 December 2017 and 30 June 2017, the carrying amounts of trade receivables and trade 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. For current and non-current borrowings, the fair value approximates the carrying value amount, as the impact of discounting is not significant.

# 13. Share based payment plans

### AHG Performance Rights Plan

The issue of Performance Rights under a Long Term Incentive scheme ('LTI') to AHG's Managing Director, John McConnell and selected senior and operational executives was approved by shareholders at the Group's AGM on 24 November 2017. These Performance Rights have been issued in accordance with AHG's existing Performance Rights Plan.

### LTI

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 FY2018 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 a defined peer group of companies. This is 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.

- Vesting of the TSR portion of the grant will occur on the following basis:

| TSR ranking in the comparator group | Vesting outcome of TSR portion of grant |
|---|---|
| Below 50$^{th}$ percentile | Nil |
| At 50$^{th}$ percentile | 50% vesting |
| 50$^{th}$ percentile up to 75$^{th}$ percentile | Progressive/pro-rata from 50-100% |
| At or above 75$^{th}$ percentile | 100% vesting |

# 13. Share based payment plans (continued)

### Operating EPS compound annual growth rate

- Baseline operating EPS for assessment of performance over the relevant performance period is set at FY2017 operating EPS (26.7 cents).
- Vesting of the EPS portion of the grant will occur on the following basis:

| Compound annual EPS growth performance | Vesting outcome of EPS portion of grant |
|---|---|
| Below 7% pa | Nil |
| At 7% pa | 50% vesting |
| 7% pa up to 10% pa | Progressive/pro-rata from 50-100% |
| 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, senior executives' and operational executives' FY2018 Performance Rights (as approved by shareholders at the 2017 AGM) is based on achievement of performance criteria measured across the three financial years to 30 June 2020. Those rights that do vest will be issued during the year ended 30 June 2021. The value of the Managing Director's, senior executives' and operational executives' LTI for FY2018 is $1.667 million. This amount is represented by the issue of 624,220 performance rights at an issue value of $2.67 per right. This issue value was calculated by independent consultants PricewaterhouseCoopers ("PwC") using a Black-Scholes option pricing model and is based around AHG's share price at 1 July 2017. This and other model inputs to this valuation methodology are disclosed below.

### Accounting Fair Value of Performance Rights

Accounting standards require that Performance Rights are expensed based on the market price at the date the rights are formally granted (being AHG's AGM on 24 November 2017). This is different to the issue value, which is determined at the commencement of the performance period (1 July 2017). The assessed fair value for accounting purposes is $2.58 per share. That fair value is determined using separate valuation models for the difference performance criteria. The outcomes from these models are weighted 50:50 between TSR-related and EPS-related criteria reflecting the performance weighting.

The TSR-related shares have been valued using a Monte Carlo option pricing 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. The EPS-related shares have been valued using a Black-Scholes option pricing model that takes into account the vesting term of the shares, the impact of dilution, the share price at grant date and the expected dividend yield.

## 13. Share based payment plans (continued)

### Accounting Fair Value of Performance Rights (continued)

The model inputs for the Performance Rights granted during the half-year ended 31 December 2017 are:

(a) Rights are granted for no consideration and vest 50:50 based on i) AHG's TSR ranking within a peer group of 14 selected companies over a three year period; and ii) AHG's EPS growth rate.
(b) Performance assessment start date: 1 July 2017
(c) Issue value (1 July 2017, calculated by PwC): $2.67
(d) Expiry date: 30 June 2020
(e) Share price at AGM grant date: $3.60
(f) Expected price volatility of the company's shares: 25%
(g) Expected dividend yield: 5.28%
(h) Risk-free interest rate: 1.90%

Total expenses arising from share-based payment transactions recognised for the current reporting period as part of employee benefits expense were $0.806 million (2016: $0.638 million) related to the Performance Rights.

## 14. Discontinued operation

On 23 November 2017 AHG announced it had agreed to sell its Refrigerated Logistics business to HNA International for A$400 million on a debt and cash free basis. Completion of the transaction is scheduled to occur in the first half of calendar year 2018.

The segment was not a discontinued operation or classified as held-for-sale as at 31 December 2016 and the comparative consolidated statements of profits or loss and other comprehensive income have been restated to show the discontinued operation separately from continuing operations.

| | Half - Year | |
|---|---|---|
| | **31 Dec 2017** | 31 Dec 2016 |
| | **$'000** | $'000 |
| ***Results of discontinued operation*** | | |
| Revenue | **291,304** | 285,858 |
| Expenses | **(290,133)** | (289,035) |
| **Profit/(loss) before income tax** | **1,171** | (3,177) |
| Income tax (expense) / benefit | **(391)** | 953 |
| **Profit after tax from discontinued operation** | **780** | (2,224) |

# 14. Discontinued operation (continued)

| | Consolidated | |
|---|---|---|
| | **31 Dec 2017** | 30 Jun 2017 |
| | **$'000** | $'000 |
| ***Assets and Liabilities of the discontinued operation*** | | |
| **Assets** | | |
| Cash and cash equivalents | **658** | - |
| Receivables | **106,994** | - |
| Goodwill | **78,762** | - |
| Property, plant and equipment | **223,172** | - |
| Other assets | **44,846** | - |
| **Total assets** | **454,432** | - |
| **Liabilities** | | |
| Payables | **23,732** | - |
| Provisions | **34,957** | - |
| Lease liabilities | **122,741** | - |
| Other liabilites | **28,399** | - |
| **Total liabilities** | **209,829** | - |
| **Net assets** | **244,603** | - |

| | Half - Year | |
|---|---|---|
| | **31 Dec 2017** | 31 Dec 2016 |
| | **$'000** | $'000 |
| ***Cash flows of discontinued operation*** | | |
| Net cash from operating activities | **22,531** | 43,089 |
| Net cash used in investing activities | **(25,269)** | (61,537) |
| Net cash from financing activities | **3,791** | 14,743 |
| **Net cash inflows/(outflows) for the period** | **1,052** | (3,705) |

The directors of the company declare that:

1. The consolidated financial statements, comprising: the statement of profit or loss; the statement of comprehensive income; statement of financial position; statement of cash flows; statement of changes in equity; and accompanying notes, are in accordance with the *Corporations Act 2001* and:

    (a) comply with Accounting Standards *AASB 134 Interim Financial Reporting* and the Corporations Regulations 2001; and

    (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date.

2. 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.

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

**David C Griffiths**

Chairman

Perth

22 February 2018

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# INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Automotive Holdings Group Limited

## Report on the Half-Year Financial Report

### Conclusion

We have reviewed the half-year financial report of Automotive Holdings Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and

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

### Directors' responsibility for the Half-Year Financial Report

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

### Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2017 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

## Independence

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

**BDO Audit (WA) Pty Ltd**

BDO

**Phillip Murdoch**

Director

Perth, 22 February 2018